

6 October 2025

Imogen Welling
Senior Regulatory Counsel
Vector

Via email: [REDACTED]

Tēnā koe Imogen,

Approval of Vector's application for the Innovation and Non-traditional Solutions Allowance

This letter sets out our decision to approve Vector's application to recover 100% of the \$237,000 forecast costs of its 'Local flexibility market platform' project (Project) from the Innovation and Non-traditional Solutions Allowance (INTSA).¹

Vector's application

Vector submitted its INTSA application in October 2025.² The application sought our approval to recover 100% of the forecast Project costs of \$237,000 from its INTSA allowance, at the completion of the Project.

Vector's Project aims to partner with Our Energy, and other EDBs,³ to set up and rollout a local flexibility market platform. The platform would enable EDBs to broadcast requirements and procure local flexibility services, and allow flexibility service providers to register their flexible distributed energy resources.

Commission assessment of Vector's application

To be eligible for INTSA funding, a project must meet the eligibility criteria set out in paragraph (6) of Schedule 5.3 of the Determination.

¹ INTSA is provided for under the [Electricity Distribution Services Default Price-Quality Path Determination 2025](#) [2024] NZCC 28, Schedule 5.3 (the Determination).

² The INTSA application requirements can be found in Schedule 5.3 of the Determination.

³ Including Powerco and Unison, who we have already approved for cost recovery related to this project.

Assessment of eligibility criteria

(6)(a) – project relates to the supply of electricity distribution services

We consider that the Project relates to the supply of electricity distribution services as it is “a tool for sourcing options to manage network capacity needs for delivering electricity lines services, where flexibility services offer a potential direct substitution or deferral of network investments otherwise required”.

(6)(b) – project promotes the purpose of Part 4 of the Act

We consider the Project promotes the purpose of Part 4, and in particular the s 52A(1)(b) and (c) limbs of the Part 4 purpose, by:

- enabling flexibility services that should allow for lower expenditure on assets, which would lower consumer bills;
- providing an opportunity for consumers to monetize their flexible resources by selling flexibility back into the market; and
- assisting EDBs to maintain general supply during emergency conditions by reducing non-essential electricity demand or procuring additional capacity where flex services can support this.

(6)(c)(i) – project is unlikely to otherwise result in any financial benefits to the EDB in the five disclosure years after expected delivery date

The Project represents a step toward enabling the use of flexibility services to regularly defer capex expenditure to lower the overall cost to the consumer. It is not yet clear that there are sufficient flexibility services available to regularly defer capex expenditure in the short term with Vector indicating that the scale of available flexible resource is uncertain. It is hoped that development of the local market platform will encourage the flexibility services market to develop to the scale required to regularly defer capex. On balance, we consider it unlikely that Vector will benefit financially from this Project by being able to seek sufficient flexibility services reliably for constraints on the network via the market, within the 5-year timeframe.⁴

By meeting these criteria, Vector is eligible for 100% recovery of the forecast costs of the Project (\$237,000).

Next steps

With the INTSA application now approved, Vector is eligible to draw down the forecast project costs of \$237,000 on project completion. The outputs Vector has specified it will provide to mark completion are:

⁴ In addition, there is the known disincentive introduced by the regulatory construct where EDBs may be financially disincentivised to defer capex in future periods due to IRIS. INTSA exists in part to offset this disincentive.

- an interim report,
- the 'local flexibility market' platform, and
- a final project report.

Should circumstances change, including if Vector's funding requirements reduce due to a change in the number of participating EDBs in the rollout stage, Vector may apply to us for permission to amend either the forecast costs, or the outputs of the Project.

If Vector does collaborate with other EDBs, it may drawdown the forecast costs from the 25% set aside for collaborative projects from its total INTSA allowance of \$28.4 million.

Additionally, Vector must submit a closeout report to the Commission that meets the requirements found in paragraph (14) of Schedule 5.3 of the Determination, within 50 working days of completing the Project.

We will publish your application and this approval letter on our website.

Nāku iti nei, nā

Hristina Dantcheva
Head of Price-Quality Regulation