

26 June 2025

Alec Findlater, Regulatory Lead – Commerce Commission, Orion

Via email: [REDACTED]

Tēnā koe Alec,

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

This letter sets out our decision to approve Orion's application to recover 100% of the \$285,400 forecast costs of its 'Resi-flex: Stage 3b' project (Project) from the Innovation and Non-traditional Solutions Allowance (INTSA).¹

Orion's application

Orion submitted its INTSA application in May 2025.² The application sought our approval to recover 100% of the forecast Project costs of \$285,400 from its INTSA allowance, at the completion of the Project.

Orion's Project partners with retailers to trial commercial mechanisms to encourage demand side flexibility. The trial will observe customer responses, to help understand which mechanisms are effective and scalable. The intent is to ultimately create opportunities for residential consumers to provide flexibility, that could enable suppliers to then enhance network stability, optimise use of existing infrastructure and defer network upgrades.

Commission's assessment of Orion's application

We have assessed and approved Orion's application to recover 100% of the \$285,400 forecast costs at the completion of the Resi-flex: Stage 3b trials.

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.

Assessment of eligibility criteria

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

We consider the project relates to the supply of electricity distribution services as the trial is focussed on optimising demand on the existing distribution network. The outputs of the trial

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.

will be used to inform future network pricing policy with the goal of incentivising more efficient use of the network.

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

We consider the project promotes the purpose of Part 4, in particular the s 52A(1)(b) and (c) limbs, as successful implementation of workable price signals will help incentivise efficient investment in demand side flexibility, reducing the need for network reinforcement and lowering the overall cost for consumers.

(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 trial represents a step toward enabling the use of flexibility services to provide network benefits. However, we consider the trial will not result in financial benefits to the EDB in the five disclosure years after the expected delivery date because:

- the number and concentration of customers involved in the trial are not sufficient to address current network constraints; and
- the financial benefits from having more effective pricing are unlikely to arise within 5 years, due to the lag time between finishing the trials, widespread implementation of pricing changes and consumer uptake.

By meeting this criterion (together with the criteria above), Orion is eligible for 100% recovery of the forecast costs of the Project (\$285,400).

Next steps

With the INTSA application now approved, Orion is eligible to draw down the forecast project costs of \$285,400 on its completion. The outputs Orion has specified it will provide to mark completion include:

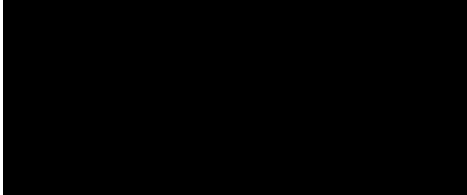
- a 2025 Winter trial summary report, and
- a full trial summary report by March 2027.

If Orion does collaborate with Wellington Electricity, it may drawdown those forecast costs from the 25% of its \$11.8 million allowance set aside for collaborative projects.

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

We will publish this approval letter on our website.

Nāku iti nei, nā



Simon Wakefield

Acting Head of Price-Quality Regulation