

12 July 2024

Stephen Godfrey
Commercial Strategy Lead
Orion

By email only

Dear Stephen,

RE: Approval of Orion's Visibility and System Insights for the Orion Network (ViSION) application for the Innovation project allowance

This letter approves Orion's application for the innovation project allowance: ViSION

Orion submitted its innovation project application in June 2024 in accordance with the Default Price-Quality Path Determination (Determination).¹ The application seeks approval from the Commerce Commission (Commission) to draw down the remainder of its innovation project allowance, with any such draw down constituting a recoverable cost.

Innovation allowance incentivises distributors to innovate

Innovation and efficiency have a significant role in the transition to increased electrification, to help reduce costs and deliver value for money to consumers. The ability for distributors to draw down on an innovation allowance was included in the regime to improve the incentives distributors have to innovate.

Orion's ViSION project

Orion's application relates to its ViSION project which purpose is to develop low voltage (LV) visibility and insight. This has involved working with national and international partners to 'triangulate' three data sources that would be best to achieve the desired visibility: smart meter operational data, LV distribution transformer monitors and network topology. Once the data has been sourced, the second phase is to use it, such as in receipt, storage, cleaning and analysis.

¹ *Electricity Distribution Services Default Price-Quality Path Determination 2020* [2019] NZCC 21, Schedule 5.3.

You have told us that the project is to be a foundational part of Orion's shift to an intelligent Distribution Network Operator (iDNO). This could help produce benefits such as to develop better understanding of areas of network constraint; improve outage, customer and safety outcomes; and increase asset life and improve condition-based asset management.

The IPA application is for \$774,825 which is 16% of its total project costs of \$4,797,000. As required under clause (4) of Schedule 5.3, we approve the proportion of capital expenditure (capex) in the drawdown amount is \$276,825 and operational expenditure (opex) is \$498,000.

Commission approves Orion's ViSION project application

The Commission may approve an innovation project allowance application if the applicant satisfies the Commission that the criteria set out in clause (2) of Schedule 5.3 of the Default Price-Quality Path Determination (the *innovation project allowance criteria*) have been met.

This letter confirms that the Commission:

- is satisfied the innovation project allowance criteria have been met; and
- approves the innovation project application for \$774,825 draw down as a recoverable cost.

With the innovation project application now approved, Orion are required, in accordance with clause (5) of Schedule 5.3, within 50 working days of completing the innovation project to submit a report (or reports) to the Commission that outlines the key findings of the project and make the report publicly available on its website.

We would like to thank Orion for this application to the Innovation project allowance. We will publish your application and this letter on our website.

Yours sincerely

Vhari McWha
Commissioner