

17 June 2024

Scott Scrimgeour
Commercial and Regulatory Manager
Wellington Electricity

By email only

Dear Scott,

RE: Approval of Wellington Electricity's Low voltage constraint modelling application for the Innovation Project Allowance

This letter approves Wellington Electricity's (WE*) application for the innovation project allowance: Low voltage (LV) constraint modelling.

WE* submitted its innovation project application in May 2024 in accordance with the Default Price-Quality Path Determination (Determination).¹ The application seeks approval from the Commerce Commission (Commission) to draw down some of its innovation project allowances, 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.

WE* LV constraint modelling project

WE*'s application relates to its LV constraints modelling project. The project is two workstreams (although this application is only for workstream one), and involves partnering with ANSA to develop a model for when residential LV assets will become constrained under different load scenarios – including EV growth, demand transitions and photovoltaic export.

You have told us that the project aims to develop LV management tools that will forecast when and how you need to build new network capacity and to provide a forecast of the

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

investment needed. As noted by your independent engineer endorsement, this will lower the cost of delivering electricity lines services and improve voltage quality for consumers when compared to other options.

You have indicated that this is workstream one of a larger programme of work and you may apply again for innovation funding for workstream two of the programme. We welcome further applications from you for innovation funding.

The IPA application is for \$65,647 which is 50% of its total project costs of \$131,294. As required under clause (4) of Schedule 5.3, we approve the proportion of capital expenditure (capex) in the drawdown amount is \$65,647 (all of the project's costs are capex).

Commission approves WE* Low voltage constraints modelling 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 \$65,647 draw down as a recoverable cost.

With the innovation project application now approved, WE* 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 WE* for this application to the Innovation project allowance. We will publish your application and this letter on our website.

Yours sincerely

Vhari McWha
Commissioner