

22 November 2023

Susannah Garwell
Vector Limited
PO Box 99882
Newmarket 1149
Auckland

Dear Susannah

RE: Approval of Vector’s PRISMED Application for the Innovation Project Allowance

This letter approves Vector’s application for the innovation project allowance: PRISMED – Process revolution to integrate smart meter electricity data May 2023 (Vector’s PRISMED application).¹

Vector submitted the innovation project application in May 2023 in accordance with the Default Price-Quality Path Determination.² The application seeks approval from the Commerce Commission (Commission) to draw down some of Vector’s 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.

Vector’s PRISMED project

Vector’s application relates to its PRISMED (process revolution to integrate smart meter electricity data) project. The project involves the use of near real-time smart meter data and a platform that will facilitate the analysis and use of the data for strategic and operational decision making.

¹ Vector Electricity “Vector’s Application for the Innovation Project Allowance: PRISMED – Process revolution to integrate smart meter electricity data May 2023”

² *Electricity Distribution Services Default Price-Quality Path Determination 2020* [2019] NZCC 21, Schedule 5.3.

You have told us that the project aims to reduce costs to consumers and improve reliability through the acquisition and processing of smart meter data (SMD) for network planning, outage management and forecasting.

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

The innovation project application is for \$759,000 which is 50% of the total project costs of \$1,518,000. As required under clause (4) of Schedule 5.3, we confirm that the proportion of opex in the drawdown amount is \$352,500 while the proportion of capex is \$406,500.

Commission approves Vector's PRISMED 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.

With the innovation project application now approved, Vector is required, in accordance with clause (5) of Schedule 5.3, within 50 working days of completing the innovation project to submit a report 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 Vector for this application to the Innovation project allowance. We will publish your application and this letter on our website.

Yours sincerely

Vhari McWha
Commissioner