

Changes to Orion's electricity delivery prices for major customer connections

We have completed our annual review and set prices for electricity delivery and equipment that take effect from 1 April 2018.

Although most major customers contract with their electricity retailer for their electricity delivery service, retailers generally reflect our prices in their contracts, so our changes will affect you. This notice provides a summary of the key changes affecting major customer connections.

Summary of changes

This year we have rebalanced the major customer price components, increasing some prices and reducing others, to better reflect costs at the smaller end of the major customer range. We have also applied a CPI based regulated price increase, and passed on a small reduction in the charges we collect to cover the national grid.

The overall average price movement is an increase of 2.5%, but the rebalancing means that the impact on individual customers will vary above and below this average. The changes include:

- a higher \$7.50 per day fixed charge, offset by a reduction in the control period demand price,
- a minimum 300 kVA chargeable demand for the metered maximum demand charge, and
- widening the range where customers can elect to be in either the major customer or general connection category to minimise charges.

The changes mean that charges are higher for smaller major customer connections, particularly those with loads peaking below 300 kVA, but this is mitigated to an extent with the provision to select the lower cost option between our general connection and major customer pricing.

From 1 April 2018 connections with loads that regularly peak in the 200 kVA to 300 kVA range will be able to elect whether to be in the major customer or general category from 1 April each year. With the initial introduction of this extended range we will individually approach customers and facilitate a category change where a clear saving is available.

Separately, we have identified a small number of customers that have a greater exposure to these changes and we will phase in the 300 kVA minimum over two years to ensure that the initial overall effective price increase is capped at about 10% (resulting charges will vary above and below this cap as a result of changing quantities).

These changes have been introduced as the first step to apply the changes proposed in our consultation in 2017. We anticipate applying a further step (with a higher fixed daily price offset by a lower control period price) in our 1 April 2019 update. The rationale for the changes and feedback from our consultation is available on our website at www.oriongroup.co.nz/customers/our-prices.

Pricing methodology

In establishing our prices we have updated our cost allocation model and reassessed the magnitude of the cost reflective components within our pricing. This model is presented in our published pricing methodology document which shows the basis for allocating costs and the return we expect to achieve for each connection category.

We consider a range of issues when setting prices but we think the most important objective is to set prices that appropriately reflect our costs. This approach encourages customers to use electricity when it is economically appropriate to do so, and any cross-subsidy between users is minimised.

Loading and other changes lead to variations in our cost allocation from year to year and, over time, we adjust prices to reflect the longer term trends in these factors.

Regulated price adjustment

Following the 2010 and 2011 earthquakes, which significantly affected our operations, investment requirements and customer base, the Commerce Commission established a five year “customised price-quality path” (CPP) to apply to Orion to enable us to recover earthquake related costs and repair and rebuild our network. For the part of delivery charges that reflect our local network costs, the CPP provided for an initial price increase which we applied on 1 April 2014, and then progressive annual increases 1% above the movement in CPI for following years. This pricing update is the fifth and final update in our five year CPP period.

Export and generation credits

We have updated our derivation of export credit prices reflecting an improved alignment with the timing of chargeable transmission peaks but reduced savings against Transpower’s lower interconnection charge, and a reduction in our assessment of the peak demand related costs on our network. As a result export credits are reducing by about 1%.

Our separate generation credit arrangement remains closed to new generation and we have left the credit prices the same for existing participating generators.

Refer to our document *Export and generation credits policy* at www.oriongroup.co.nz/EGCreditPolicy for details.

Further information

A brief overview of how our major customer pricing works is available at www.oriongroup.co.nz/major-summary.

Full detailed information on how we determine quantities and apply prices is set out in section 5 of our pricing policy available at www.oriongroup.co.nz/PricingPolicy.

You may also wish to talk to your electricity retail account manager or call Bruce Rogers, Pricing Manager at Orion (phone 03 363 9870) for more information.

Delivery price changes for major customer connections

(issued 19 January 2018)



The following schedule is an extract from our main schedules showing price changes that affect connections in our major customer pricing category.

All prices exclude GST	Current prices 1 April 2017 to 31 March 2018	New prices from 1 April 2018	Unit of measure
Electricity delivery			
Fixed charge	1.8900	7.5000	\$/con/day
Peak charge (control period demand)	0.4857	0.4730	\$/kVA/day
Nominated maximum demand charge	0.1049	0.1102	\$/kVA/day
Metered maximum demand charge	0.0848	0.0862	\$/kVA/day
Monthly invoice and contract charge (for directly contracted major customers)	30.00	30.00	\$/invoice
Dedicated equipment			
Extra switches	3.5400	3.6100	\$/switch/day
11kV Metering equipment	4.2900	4.3700	\$/con/day
11kV Underground cabling	3.1700	3.2300	\$/km/day
11kV Overhead lines	2.0000	2.0300	\$/km/day
Transformer capacity	0.0133	0.0135	\$/kVA/day
Export credits			
<i>(30 to 750 kW generators, export during control periods, subject to prior approval)</i>			
Real power (kW) credit	(0.2221)	(0.2202)	\$/kW/day
Reactive power (kVAr) credit	(0.0298)	(0.0277)	\$/kVAr/day
Generation credits			
<i>(metered generation output during generation periods, closed to new generation)</i>			
Generation volume credit	(0.50000)	(0.50000)	\$/kWh

Notes

Daily prices are applied all year, including where the measurement period (for example, during control periods) is assessed over a shorter period.

This schedule is a summary only. For full details on our prices and how we apply them, please refer to our *Pricing Policy* document, and our published electricity delivery price schedule, available from our website.

Dedicated equipment prices include standard maintenance, replacement (at end of useful life) and component certification (where appropriate). Initial installation costs and non-recoverable asset costs are charged in addition. Other services may be provided on a 'fee for service' basis by agreement.

Export and generation credits are subject to specific requirements and full details are set out in our *Export and Generation Credits Policy* document, available from our website.