

Key features of this year's price review

(for prices applying from 1 April 2019)

Orion provides electricity delivery services to electricity retailers and some directly contracted major customers. Prior to 1 April each year we review our delivery prices and pricing policy and issue an updated set of prices and documentation defining how we apply charges.

This document provides a brief summary of the key changes we have applied in this year's update.

Please refer to our updated *Pricing Policy* document for full details on how we apply charges, and *Methodology for deriving delivery prices* for full details on how we establish prices and price structures (both documents are available on our website). For more information please contact Orion's pricing team.

Regulated price reduction

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. This CPP period ends on 31 March 2019 and our delivery prices reduce by around 1.5% as we return to the "default price quality path" (DPP) from 1 April 2019.

National grid transmission cost reduction

The amount Transpower charges us for the national grid and connection assets, including the amounts they charge us for a number of specific upgrade contracts, and related regulatory allowances is reducing this year. Most of this reduction is a result of a favourable variation in seasonal loading levels, which we do not expect will be repeated, but we are pleased to be passing on this saving and the resulting movement in our delivery prices is a reduction of 5.9%.

Price restructuring

Following on from our consultation during the year we are changing the structure of our prices in a few areas. The rationale for the changes and feedback from our consultation is available on our website at www.oriongroup.co.nz/customers/our-prices. The main changes are:

- The introduction of a 15 cents per day fixed charge for all general connections,
- Broadening the major customer category, lowering the minimum for elective categorisation from 200kVA to 150 kVA, and increase the daily fixed charge to \$10,
- Ending the generation credits arrangement.

Combined impact of changes

Combined, overall average delivery prices are reducing by 7.4%. The effective price reduction is different for each category, and for customers within each category, as each has a different exposure to the various price components and impact of our price restructuring.

In summary:

- General connection delivery prices (covering all residential and most business connections) are reducing by 7.9%.
- Irrigation connection delivery prices are reducing by 0.5%.
- Major customer connection delivery prices are reducing by 7.2%
- Streetlighting connection delivery prices are reducing by 4.4%.

Loss factors and loss factor codes

There are no changes to the structure of our loss factors, or the loss factors themselves. A schedule of the loss factors, which apply from 1 April 2019, is available on the pricing page on our website.

Associated service prices and new connection fees

This year we have adjusted our associated service prices in line with the movement in CPI, although we have left new connection fees (customer capital contributions) and temporary disconnection charges unchanged. We have also removed our charges for connecting and disconnecting builders' temporary supplies, and we expect our authorised connection agents will instead include these costs in their charges to customers.

Export and generation credits

The Electricity Authority has made changes to the rules which affect how these payments are funded. Effectively payments are only available for distributed generation that is both installed prior to December 2016 and approved by them. At the date of issue, the Electricity Authority has not approved any generation in Orion's network area as being eligible for these payments.

As a result we have had to remove the transmission part of our export credits, and this reduces the credit substantially. We have also decided to remove the separate generation credits arrangement that we had with a small number of customers on the basis that the reduced credit would no longer meet the fuel cost for operating generation.

Customers can instead approach Transpower directly for recognition of any transmission benefit (for example, under Transpower's demand response program at <https://www.transpower.co.nz/keeping-you-connected/demand-response>)

Further information

An overview of pricing changes specific to our major customer connection category is available at www.oriongroup.co.nz/PricingUpdateMajorSummary

Our pricing documentation including current and previous price schedules is available on our website at www.oriongroup.co.nz/DeliveryPricing

Any queries can be directed to Bruce Rogers, Pricing Manager at Orion (phone 03 363 9870).