

Media statement – 2.00 pm, 23 November, 2012

Feedback sought on electricity plan

Over the next year, the views of power consumers will be sought on a proposal to restore Orion's electricity network and how to pay for the work.

If officially approved, the proposed changes would come into effect in 18 months' time.

In the wake of the 2010 and 2011 earthquakes, Orion is facing major expenditure to rebuild and expand the network, as well as to reinstate its resilience and reliability.

It is also having to absorb the additional, unavoidable costs it incurred to keep the network up and running after the quakes.

To help pay for the future investment, and the impact of the quakes, Orion is proposing to change its pricing in steps.

Under the proposal, the company would increase its prices, starting in April 2014. There would be an initial above inflation rise of 15%, followed by 1.2% each year for the following four years.

Orion's charges make up 25% of the monthly electricity bill for the average household or business.

This means the rises would add 3.8% to the total monthly electricity bill in year one and 0.3% in the four subsequent years.

Retail and transmission charges comprise the other 75% of the average household bill.

Orion's proposed price increases equate to an average 5% increase on the total average household bill, or in dollar terms, \$8.50 a month including GST. These prices would apply from 1 April 2014, the year after next.

The changes do not include annual inflation adjustments which will be additional. However, between the 2011 quake and when the price changes might come into effect in 2014, regulations will have reduced Orion's prices in real terms by around 1.8%.

Orion is price-controlled, so the Commerce Commission will decide whether to approve the increases or not.

The Commission's process will start when Orion lodges a formal application in February 2013.

Over the following six months, the Commission will evaluate Orion's application and formally consult with Canterbury electricity consumers. It will then release its draft decision for comment in late 2013, before making a final ruling.

Orion is seeking feedback from consumers on its proposals before lodging its application.

"People will inevitably be very focused on our proposed price increase, but we would urge consumers to have a serious look at the reasons for it," says Orion Chief Executive Rob Jamieson.

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“The money will help us restore resilience and reliability to our electricity network, and this will give residents and businesses the confidence to re-invest.”

“We’re proposing to get the number and frequency of power cuts back to near pre quake levels, and to restore resiliency so the network can withstand future challenges.

“On top of that, we have to keep pace with economic growth and the rebuild in our region. Our capital expenditure over seven years to 2019 will be \$155m more than we forecast before the quakes and that’s an increased investment in Canterbury’s future,” he says.

“We strongly believe that what we’re proposing is in the long-term interests of electricity consumers. The value of a resilient and well-planned network that meets our community’s expectations was vividly demonstrated by our response to the February 2011 earthquake.”

“We were able to get the power back on to 95% of our consumers within 10 days due to the investments we’d made in previous years.

“If we hadn’t done all that work ahead of time, the power may have been off for months, with extremely serious consequences for the local economy and community wellbeing,” says Mr Jamieson.

Orion is seeking consumer feedback on its proposals by 16 December. It is advertising to explain its proposals, and will also hold a public information day at its central city location on Monday 3 December.

It has also posted information about the proposal, including a plain English guide and a questionnaire which it would like as many people as possible to complete, on its website at www.oriongroup.co.nz/cpp.

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For further information, contact **Orion Media Phone:** 0275 055 761

About Orion

Orion New Zealand Limited owns and operates the electricity network in Christchurch and central Canterbury. Our network covers 8,000km² between the Rakaia and Waimakariri rivers and from the Canterbury coast to Arthur’s Pass. We deliver electricity to more than 190,000 homes and businesses across this diverse geographical area.