

3 February 2012



Media release

Transpower increase affects electricity prices

There will be no increase in the price Orion charges electricity retailers for local electricity distribution from April 1 this year.

Under current regulations, Orion is not permitted to increase its prices, even allowing for inflation.

The company will however have to pass on a rise in Transpower's charges from that date. The national grid operator bills local power distribution companies such as Orion, who then send a combined 'delivery' charge on to electricity retailers. Retailers in turn bill residential and commercial customers for the power that customers use, including the transmission and distribution charges.

Rob Jamieson, Orion's CEO, says that for domestic consumers this increase in Transpower's charges will mean about 3% extra on a typical residential power bill.

"In terms of Transpower's grid charges, these are increasing across the country, not just in Christchurch," he said. "The rises reflect the size of Transpower's recent and ongoing investment in the national grid to increase capacity and improve reliability. For Orion, this increase is compounded because we now have a smaller customer base over which to spread the increased grid charges."

"We expect electricity retailers to factor these new charges in with their other costs and, over time, retail prices will be adjusted to reflect the new grid charges and changes in their other costs," he said.

Jamieson said that Orion faced challenging conditions following the 2010 and 2011 earthquakes.

"Our operating and capital expenditure programme has increased significantly as a result of earthquake recovery efforts, by around \$70 million. At the same time, our revenue has reduced as fewer homes and businesses are connected to our network, and energy volumes have fallen, particularly in the earthquake-affected CBD and eastern suburbs."

Mr Jamieson said that the net effect was that Orion would have to rigorously prioritise its forward work programme, and that it would also need to work constructively with regulators on options to address the adverse impact of the earthquakes on its business.

"Despite the challenges, we remain absolutely committed to our earthquake-recovery efforts and look forward to being an integral part of the rebuild of Christchurch."

ENDS

Notes for editors

Orion New Zealand owns and operates the electricity distribution network in Central



Since 1994, proud supporter of community energy action
charitable trust

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Canterbury (including Christchurch) between the Waimakariri and Rakaia rivers and transports electricity to more than 190,000 homes and businesses in this area. Orion charges electricity retailers on a wholesale basis for this service (including recovery of charges from the national grid operator Transpower), and retailers then on-charge homes and businesses. Orion's total charges (including Transpower's charges) typically make up about a third of an electricity retailer's bill.

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