

Key features of this year's price review

(for prices applying from 1 April 2011)

Orion provides delivery services to electricity retailers and some directly contracted major customers. Each year we review our delivery prices and application of charges. In early February we issue an updated set of prices and documentation defining how we apply charges.

Please refer to our updated documents *Application of delivery prices* 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.

This document provides a brief summary of the key changes we have applied in this year's update. For more information please contact Orion's commercial pricing team.

Increase in distribution component of prices

For the distribution component of our delivery service (refer below for the transmission part), we have adjusted our prices with the aim of complying with the CPI based price path that the Commerce Commission has put in place for us. The CPI movement is 1.8%, and with some other allowable adjustments, our average distribution prices are increasing 2.2%.

Increase in the transmission component of prices

For the transmission component of prices (the part that covers our charges from Transpower, the national grid owner), we have increased our prices by 6.1%. This reflects a significant increase in Transpower's revenue requirement and a small increase in Orion's regional peak coincident demand quantities (at times of peak upper South Island loadings last winter). Combined with the distribution price increase above, the overall average movement is 3.2%.

No change to pricing structure

This year we have not made any changes to our pricing structure. We have made some technical changes to the method of calculation of some quantities, and in particular major customer quantities.

Impact on connection categories

We have reviewed each connection category's contributions to our costs and the price movements (within the averages noted above) differ. In summary:

- General connection delivery prices (covering all residential and most business connections) have increased by 3.1% (combining distribution and transmission increases). This is our largest connection category and the price movements largely reflect the influences noted above.
- Irrigation connection prices have increased by 3.9%. We have adjusted our cost allocation to more accurately reflect distribution costs to irrigators, while reducing their transmission cost allocation.
- Major customer connection prices have increased by 3.7%. Distribution quantities have increased as a result of changes to application of minimum 300kVA capacities and the use of GXP proximity factors. On the other hand this category has higher proportional exposure to transmission cost increases than other categories.

Loss factors and loss factor codes unchanged

There will be no change to our loss factors or loss factor codes on 1 April 2011. For clarity we have reissued the loss factor schedule with no changes to the loss factors. Loss factors and codes have now not changed since April 2009. Note however that we do review loss factors annually.

Associated service prices and new connection fees

We have reviewed and adjusted our associated service prices, with most components increasing by approximately 1.8%. We have not changed our fees for new connections.

Export and generation credits

We have updated our derivation of export credit prices and, for our control period based credits, we have decreased both the distribution and transmission components with an overall reduction of 6.8%. The new prices better reflect the relationship between Orion network control periods and both transmission peaks and local peak demands in some parts of our network.

We have not changed our generation credits price.