



Threshold Compliance Statement

pursuant to the

**Commerce Act
(Electricity Distribution Thresholds)
Notice 2004**

**First Assessment
as at 31 March 2005**

Issued 20 May 2005

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Introduction

Orion New Zealand Limited (Orion) owns and operates the electricity network in central Canterbury between the Waimakariri and Rakaia rivers. We transport electricity from nine Transpower grid exit points to more than 175,000 homes and businesses. Orion's charges typically amount to less than 30% of a household's electricity bill.

This threshold compliance statement has been prepared by Orion to demonstrate its compliance, or otherwise, with the Commerce Act (Electricity Distribution Thresholds) Notice 2004 (the Notice).

Specifically, this statement covers the information requirements detailed in clause 7(1) of the Notice, in relation to the "price path threshold" and the "quality threshold", at the first assessment date of the five year regulatory period covered in the Notice.

Orion considers that the information disclosed in this statement is complete and meaningful such that no alternative approach is required, and that the detail of this statement is not commercially sensitive. Therefore, clauses 7(2) and 7(4) of the Notice are not applicable to Orion.

This statement was prepared and issued on 20 May 2005.

Price threshold statement

Clause 5(1)(a) of the Notice requires notional revenue at each assessment date not to exceed allowable notional revenue at that assessment date. This statement relates to Orion's assessment as at 31 March 2005:

- Orion's allowable notional revenue at 31 March 2005, calculated in accordance with clause 5(1)(a) of the Notice and detailed below in the section headed *Price threshold calculation*, was \$93,125.9k.
- Orion's notional revenue at 31 March 2005 calculated in accordance with clause 5(1)(a) of the Notice and detailed below in the section headed *Price threshold calculation*, was \$92,357.3k, \$768.6k lower than Orion's allowable notional revenue.

As Orion's notional revenue is less than its allowable notional revenue, Orion complies with the price path threshold prescribed in the Notice.

Clause 5(1)(b) of the Notice requires notional revenue during each assessment period to not exceed the greater of notional revenue at the assessment date (31 March 2005) or notional revenue at the previous assessment date (31 March 2004). Orion lowered its administration and delivery price for builders' temporary supplies on 1 December 2004. As a result, Orion's notional revenue was \$132k higher in the period leading up to 1 December 2004 than at the assessment date, and, technically, Orion does not comply with the requirement in Clause 5(1)(b).

At all points during the year Orion's notional revenue was below its allowable notional revenue. Ironically, Orion would not have breached this requirement if it had not lowered this price. Orion understands the intent of this restriction is to prevent lines businesses from artificially lowering prices just prior to the assessment date in order to avoid breaching the threshold. As Orion's notional revenue, before lowering the price, was already less than its allowable notional revenue, Orion has clearly complied with the intent of this clause.

Quality threshold statement

Reliability

Detailed calculations and information supporting the reliability statements, including the policies and procedures Orion uses in recording reliability statistics, can be found in the section below headed *Quality threshold reliability information*.

Interruption duration

The Notice sets out an interruption duration requirement in clause 6(1)(a) in relation to the System Average Interruption Duration Index (SAIDI) in respect of both planned interruptions by Orion and unplanned interruptions originating within Orion's network. The SAIDI for the year ending on the assessment date is not to exceed the average SAIDI over the five year period ending on 31 March 2003.

Orion's SAIDI average for the five years ending on 31 March 1999 through 31 March 2003 is 63.2 minutes. SAIDI for the year ending on the assessment date is 51.7 minutes. Therefore, Orion complies with the interruption duration requirement in clause 6(1)(a) of the quality threshold.

Interruption frequency

The Notice sets out an interruption frequency requirement in clause 6(1)(b) in relation to the System Average Interruption Frequency Index (SAIFI) in respect of both planned interruptions by Orion and unplanned interruptions originating within Orion's network. The SAIFI for the year ending on the assessment date is not to exceed the average SAIFI over the five year period ending on 31 March 2003.

Orion's SAIFI average for the five years ending on 31 March 1999 through 31 March 2003 is 0.76 interruptions per year. SAIFI for the year ending on the assessment date is 0.74 interruptions per year. Therefore, Orion complies with the interruption frequency requirement in clause 6(1)(b) of the quality threshold.

Customer communication

The Notice sets out a customer communication requirement in clause 6(1)(c). Orion has confirmed that the intended meaning of this clause is to require distribution businesses to report on their customer communication initiatives once every two years. Orion intends to provide this detail in its next threshold compliance statement for assessment at 31 March 2006.

Price threshold calculation

Clause 5(1)(a) of the Notice requires notional revenue at each assessment date, NR_t , to not exceed the allowable notional revenue at that assessment date, R_t , as expressed by the following condition:

$$\frac{NR_t}{R_t} \leq 1$$

- **Evaluation of notional revenue at the assessment date, NR_t**

Using the definitions provided in Clause 5(1)(a), this is evaluated as:

$$NR_t = \sum_i P_{i,t} Q_i - K_t$$

$$NR_{2005} = \sum_i P_{i,2005} Q_i - K_{2005}$$

where t denotes the calendar year during which the assessment date occurs, that is 2005.

where $\sum_i P_{i,2005} Q_i$ is the sum of each (i^{th}) price at the assessment date pertaining to every specified service, multiplied by the corresponding quantity for the year ending 31 March 2003. This expression is evaluated as \$134,077.1k in the worksheet on page 5 titled "Notional revenue calculation", and

K_{2005} is the sum of all pass-through costs for the assessment period ending on 31 March 2005. This expression is evaluated as \$41,719.8k in the worksheet on page 6 titled "Pass-through costs"

$$\begin{aligned} \therefore NR_{2005} &= \$134,077.1k - \$41,719.8k \\ &= \$92,357.3k \end{aligned}$$

- **Evaluation of allowable notional revenue at the assessment date, R_t**

Using the definitions provided in Clause 5(1)(a), this is evaluated as:

$$R_t = R_{t-1} (1 + \Delta CPI_t) (1 - X)$$

where t denotes the calendar year during which the assessment date occurs, that is 2005, and

X is the factor specified for each distribution business, 1% for Orion.

$$R_{2005} = R_{2004} (1 + \Delta CPI_{2005}) (1 - 1\%)$$

where R_{2004} is the maximum notional revenue at the reference date (31 March 2004) which would not have caused a breach under the previous threshold notice. This maximum notional revenue is give by the RHS of the equation on page 3 of Orion's second assessment statement dated 20 May 2004, that is \$91,960.7k, and

ΔCPI_{2005} is the average change in CPI (all groups index published by Statistics New Zealand) calculated as:

$$\begin{aligned} \Delta CPI_t &= \frac{CPI_{Q1,t-1} + CPI_{Q2,t-1} + CPI_{Q3,t-1} + CPI_{Q4,t-1}}{CPI_{Q1,t-2} + CPI_{Q2,t-2} + CPI_{Q3,t-2} + CPI_{Q4,t-2}} - 1 \\ \therefore \Delta CPI_{2005} &= \frac{CPI_{Q1,2004} + CPI_{Q2,2004} + CPI_{Q3,2004} + CPI_{Q4,2004}}{CPI_{Q1,2003} + CPI_{Q2,2003} + CPI_{Q3,2003} + CPI_{Q4,2003}} - 1 \\ &= \frac{1115 + 1124 + 1131 + 1141}{1098 + 1098 + 1103 + 1111} - 1 \\ &= 2.29\% \end{aligned}$$

$$\begin{aligned}\therefore R_{2005} &= \$91,960.7\text{k} (1 + 2.290\%)(1 - 1\%) \\ &= \$93,125.9\text{k}\end{aligned}$$

Substituting these values in the price threshold condition noted above gives:

$$\frac{NR_t}{R_t} \leq 1$$

$$\frac{\$92,357.3\text{k}}{\$93,125.9\text{k}} = 0.992$$

Therefore, as the price threshold condition is satisfied, Orion complies with the price threshold specified in Clause 5(1)(a) of the Notice.

Price threshold supporting information

Notional revenue calculation

This worksheet shows the quantities, prices, and corresponding revenues used in Orion's calculation of $\sum_i P_{i,2005} Q_i$ above.

Connection Categories	Base Weighted Quantities Year to 31 March 2003	Assessed Prices as at 31 March 2005			Notional Revenue (\$000)		
		Line	Trans- mission	Units	Line	Trans- mission	Delivery
General Connections							
Fixed Component							
Outside Lighting (per connection)	36,750 connections	11.00	-	c/day	1,475.5	-	1,475.5
Capacity Component							
Zone A all year and Zone B winter: Nights, weekends & public holidays	1,034,281 MWh	0.5100	0.2500	c/kWh	5,274.8	2,585.7	7,860.5
Working weekdays	825,719 MWh	4.3200	1.0100	c/kWh	35,671.1	8,339.8	44,010.9
Zone B summer: Any time, any day	245,000 MWh	2.0400	0.5800	c/kWh	4,998.0	1,421.0	6,419.0
Peak							
Zone A	390,200 kVA	88.70	38.50	\$/kVA/year	34,610.7	15,022.7	49,633.4
Zone B	59,700 kVA	88.70	38.50	\$/kVA/year	5,295.4	2,298.5	7,593.9
Irrigation Special Prices							
Transitional Irrigation Package	10,137 kW	118.600	58.200	\$/kW/year	1,202.2	590.0	1,792.2
- refund (capacity)	45,000 MWh	(2.040)	(0.580)	c/kWh	(918.0)	(261.0)	(1,179.0)
- refund (peak)	12,000 kVA	(88.70)	(38.50)	\$/kVA/year	(1,064.4)	(462.0)	(1,526.4)
PF correction rebate	14,000 kVA	(23.50)	-	\$/kVA/year	(329.0)	-	(329.0)
Interruptibility rebate	1,563 kW	(5.86)	-	\$/kW/year	(9.2)	-	(9.2)
Major Customer Connections							
Fixed (standard connections)	330 connections	500.05	-	\$/year	165.0	-	165.0
Fixed (secondary connections)	20 connections	266.30	-	\$/year	5.3	-	5.3
Control Period Demand	103,500 kVA	61.00	29.20	\$/kVA/year	6,313.5	3,022.2	9,335.7
Assessed capacity line	184,300 kVA	24.40	-	\$/kVA/year	4,496.9	-	4,496.9
Assessed capacity transmission	199,500 kVA	-	22.00	\$/kVA/year	-	4,389.0	4,389.0
Embedded Generation (line part only)							
Real power component	2,912 kW	(57.95)	¹	\$/kW/year	(168.8)	-	(168.8)
Reactive power component	1,577 kVA	(18.91)	¹	\$/kVA/year	(29.8)	-	(29.8)
Miscellaneous							
Monthly invoice charge	42 invoices/mth	20.00	-	\$/invoice	10.1	-	10.1
Builders' temporary supplies ²	813 connections	44.44	-	c/day	131.9	-	131.9
Total Notional Revenue (\$000)					97,131.2	36,945.9	134,077.1

Notes

1 The prices for embedded generation differ from those published in Orion's schedule, Export Prices for Distributed Generation, as per note 7 of that schedule. All embedded generation under this assessment was in place prior to 31 March 2004 and prices defined in the document Electricity Pricing for Major Customer Connections apply. These are:

$$95\% \times 61.00 = \$57.95 / \text{kWh/year, and}$$

$$31\% \times 61.00 = \$18.91 / \text{kVA/year.}$$

2 Includes administration, electricity supply and electricity delivery. Refer also to *excluded services* below.

3 All prices and revenues exclude GST.

Refer to Appendix A for Orion's price schedules applying on the assessment date, 31 March 2005.

Pass-through costs

Pass-through costs include transmission charges (including charges payable to Transpower and avoided transmission charges), rates payable to territorial local authorities and levies payable to the Electricity Commission.

- **Transmission charges**

Transmission charges for the year ended 31 March 2005 are calculated as Transpower charges plus avoided transmission charges, less the component of Transpower charges passed on transparently to electricity retailers, as follows (excl GST):

	(\$000)	(\$000)
Transpower Charges		
Connection	7,200.1	
Interconnection	32,049.2	
EV Adjustment	0.0	
New Investment	51.9	
Voltage Support	0.0	
Loss Rental Rebates	<u>(3,189.3)</u>	
		36,111.9
 plus Avoided Transmission Charges		
(amounts paid to embedded generators representing avoided transmission costs)		
ICP 0005882699RN40B	28.6	
ICP 0005902177RN961	7.0	
ICP 0005902541RN317	52.8	
ICP 0006087329RN426	2.0	
ICP 0006578896RNB6B	1.4	
ICP 0006678963RN383	1.0	
ICP 0007112440RN8B4	2.9	
ICP 0007112646RN33C	<u>7.8</u>	
		103.5
 less Transparent "pass on" charges (payments) to Retailers		
Voltage Support	0.0	
Loss Rental Rebates	<u>(3,189.3)</u>	
		(3,189.3)
 gives Transmission Charge		39,404.7

- **Rates**

Rates paid to local and regional Councils in respect of system fixed assets (excl GST):

Rates	
Substations	327.1
Other rateable network assets	<u>1,554.7</u>
	1,881.8

- **Electricity Commission Levies**

Levies paid to the Electricity Commission (excl GST):

EC Levies	433.2
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Combined, these costs represent Orion's pass-through deduction in the assessment period:

Transmission charges	39,404.7
Local authority rates	1,881.8
Electricity Commission levies	<u>433.2</u>
	\$41,719.8

Price threshold excluded services

Clause 3 of the Notice defines *specified services* that are included in the price threshold assessment. The definition permits certain activities of a lines business to be excluded from the assessment where there is effective competition for those services.

Orion directly charges customers for very few services, and makes extensive use of external contractors rather than maintaining contracting staff in-house. Customers requiring electrical work are generally referred to their own electrical contractor, or to a number of Orion-approved contractors for major work. Customers then pay the contractor directly.

Other services are provided by Orion at no charge. A description follows of the various types of services which are offered and/or provided by Orion, and the reason for their exclusion from the price threshold calculation.

Connection, disconnection or reconnection services

Exclusions under paragraph a(iii) of the definition of *specified services* in clause 3 of the Notice:

- New permanent connections - establishment and enlivening
Orion does not charge for processing applications for new permanent connections to its electricity network.

When connecting to existing boundary boxes, Orion employs contractors to terminate customers' cables at no cost to the customer. When connecting to existing overhead lines, the customers' (Orion-approved) contractors raise and terminate cables and Orion may make a contribution towards this cost.

Orion does not charge for enlivening a new permanent connection.
- Temporary connections - establishment, enlivening and removal
Temporary connections are enlivened (and removed) by any one of three Orion-approved contractors. Orion is billed by the contractor, and recharges this in turn to the customer without adding any margin.
- Disconnections and reconnections
Disconnection and reconnection of customers' premises to Orion's network are mostly undertaken directly by electrical contractors who are employed by the electricity retailers. Some retailer-requested disconnections and reconnections are also performed by Orion's contractors and Orion recharges the costs of undertaking the work to the retailer who requested the work.
- Demolitions
Orion does not charge for the disconnection of a property for demolition purposes provided that adequate notice is given. Where adequate notice is not given, Orion either passes on the charges of an Orion-approved contractor, or charges for an Orion operator at the rate that would be charged by an Orion-approved contractor.

Other goods and services

Exclusions under paragraph a(vi) of the definition of *specified services* in clause 3 of the Notice:

- **Network extensions**
Customer-driven network extensions, such as new subdivisions and individual extensions, are constructed by the developer's electrical contractor, or by a contractor who is employed by the customer. Extensions are connected to Orion's network by an Orion-approved contractor, provided that they comply with the requirements of Orion's published network design standards and Specifications. In most situations, Orion makes a contribution to these extensions.
- **Dedicated equipment charges to major customers**
Orion charges major customers for equipment that is dedicated in its use to deliver electricity to these customers. Dedicated equipment is owned and maintained by Orion, and includes items such as transformers, switchgear, protection devices, ripple relays and metering interface equipment. Many major customers elect to provide their own equipment or use an alternate provider. As there is effective competition for this service it has been excluded from the price threshold assessment.
- **Replacement of fuses (pole and boundary box)**
Failed fuses are replaced by an Orion-approved contractor, or an Orion operator. There is no charge to the customer for the first visit within a six month period. Orion charges the customer for subsequent visits at the rate billed by the contractor, without adding any margin.
- **Builders' temporary supplies**
Orion administers small capacity, generally single phase builders' temporary supplies and also owns a pool of temporary supply boxes which are offered for use by builders. The service is divided into two parts:
 - The first part relates to administration (including tracking and billing), electricity and electricity delivery, and is included as a *specified service* and considered in the price threshold calculation.
 - The second part of the service is the optional use of an Orion-owned temporary supply box. This part of the service operates in active competition with a significant number of temporary supply boxes owned by other parties, and is excluded from the assessment on this basis.

For large capacity three-phase temporary supplies, the developer employs an Orion-approved contractor for its design and construction. The developer pays all costs.

- **Other services**
Through arrangements with contractors, Orion can organise a number of other services including high load escorts, relocation of overhead mains for bargeboard or fascia replacement, isolation for painting or tree trimming, covering lines for safety, resetting circuit breakers and switches, rewiring central supply fuses and repairs on customer premises.

These services are performed by a number of electrical contractors, and in most cases the customer is invoiced directly by the contractor.

Quality threshold reliability information

Clauses 6(1)(a) and 6(1)(b) of the Notice require that reliability measures in relation to *duration* and *frequency* of planned (class B) and unplanned (class C) interruptions in the assessment period do not exceed the average over the five year period ending on 31 March 2003. The Notice also requires this statement to include a description of the policies and procedures Orion uses to record these statistics during the year ending on the assessment date.

Recording reliability information

Orion records interruptions on its network in a Control Centre log. The details recorded include:-

- District substation
- Feeder
- Switching device where isolation occurred
- Asset type affected
- Cause of interruption
- Time/date off
- Time/date for each restored section
- Number of consumers affected in each restored section
- Explanatory notes

The number of consumers whose power is restored at each restoration stage is calculated by a network-trace of connected consumers on Orion's GIS network model.

This information is then loaded in a "Reliability" MS Access database and reliability statistics are queried from this database as required.

Finally, the total number of connected consumers on the network is obtained from Orion's "Connections" database. Orion maintains details of all connections on this database and regularly undertakes reconciliations with the EC Registry.

Interruption duration

This assessment is based on the System Average Interruption Duration Index (SAIDI). Clause 6(1)(a) of the Notice requires that:

$$SAIDI_{2005} \leq \frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5}$$

The individual SAIDI results are:

SAIDI (minutes per year)	Class	Year ending 31 March						
		2005	2004	2003	2002	2001	2000	1999
SAIDI for total number of interruptions (classes B & C)		51.65	42.42	96.18	38.20	62.25	51.83	67.71
SAIDI for total number of interruptions within each interruption class (= a/b)	Class B	7.68	6.50	10.59	4.91	3.13	6.44	17.55
	Class C	43.97	35.93	85.59	33.29	59.12	45.39	50.17
where -								
a = sum of interruption duration factors for all interruptions within the particular interruption class	Class B	1,352,439	1,124,417	1,806,095	826,268	521,074	1,047,025	2,784,242
	Class C	7,742,492	6,216,157	14,591,721	5,599,642	9,845,244	7,377,331	7,960,050
b = Total consumers		176,083	173,028	170,490	168,231	166,538	162,543	158,673

The right-hand side of the condition above becomes:

$$\frac{67.71 + 51.83 + 62.25 + 38.20 + 96.18}{5} = 63.23 \text{ minutes per year}$$

Orion’s result for 2005 of 51.65 minutes satisfies the condition in the Notice requirement.

Interruption frequency

This assessment is based on the System Average Interruption Frequency Index (SAIFI). Clause 6(1)(b) of the Notice requires that:

$$SAIFI_{2005} \leq \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5}$$

The individual SAIFI results are:

SAIFI (interruptions per year)	Class	Year ending 31 March						
		2005	2004	2003	2002	2001	2000	1999
SAIFI for total number of interruptions (classes B & C)		0.74	0.62	0.93	0.60	0.60	0.83	0.84
SAIFI for total number of interruptions within each interruption class (= a/b)	Class B	0.03	0.02	0.04	0.02	0.02	0.03	0.09
	Class C	0.71	0.59	0.89	0.58	0.58	0.80	0.75
where -								
a = sum of electricity consumers affected by each of those interruptions within that interruption class	Class B	4,732	4,094	6,529	3,265	3,163	4,503	15,000
	Class C	125,187	102,631	151,227	97,462	96,795	130,525	118,249
b = Total consumers		176,083	173,028	170,490	168,231	166,538	162,543	158,673

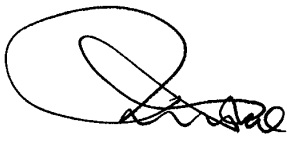
The right-hand side of the condition above becomes:

$$\frac{0.84 + 0.83 + 0.60 + 0.60 + 0.93}{5} = 0.76 \text{ interruptions per year}$$

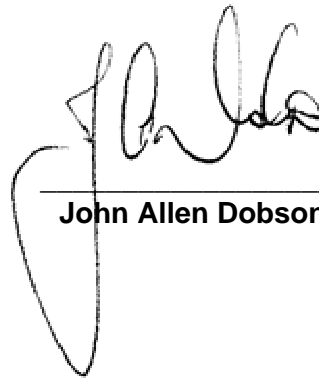
Orion’s result for 2005 of 0.74 interruptions per year satisfies the condition in the Notice requirement.

Directors' certificate of threshold compliance statement

We, Peter Rae and John Allen Dobson, being directors of Orion New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Orion New Zealand Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice.



Peter Rae



John Allen Dobson

Dated 17 May 2005



**Report of the Auditor-General
TO THE READERS OF THE
THRESHOLD COMPLIANCE STATEMENT DATED 20 MAY 2005
OF ORION NEW ZEALAND LTD**

We have audited the attached statement, prepared by Orion New Zealand Limited for assessment as at 31 March 2005 and dated 20 May 2005. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 (“the Notice”). In this report the attached statement is called “the threshold compliance statement”.

Directors’ responsibilities

Directors of Orion New Zealand Limited are responsible for certification of the threshold compliance statement in accordance with the Notice.

Auditor’s responsibilities

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

The Auditor-General has appointed K J Boddy of Audit New Zealand to carry out the audit.

Basis of opinion

We conducted the audit in accordance with the Auditor-General’s Auditing Standards which include the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 1 to 10 of the threshold compliance statement and which relate to:

- the price path threshold set out in clause 5 of the Notice; and
- the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.

It also included assessment of the significant estimates and judgments, if any, made by Orion New Zealand Limited in the preparation of the threshold compliance statement and assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed the audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, we have undertaken procedures to provide reasonable assurance that:

- the amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Orion New Zealand in accordance with the Electricity (Information Disclosure) Regulations 1999; and

those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

Independence

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Orion New Zealand Limited.

Unqualified opinion

We have obtained all the information and explanations we have required.

Price path threshold

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts and details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Orion New Zealand Limited against that threshold for the assessment period ended on 31 March 2005.

Quality threshold: SAIDI and SAIFI statistics

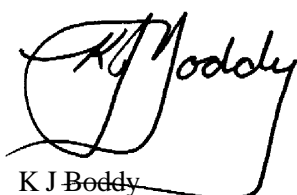
In our opinion, having made all reasonable enquiry, to the best of our knowledge:

the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated and prepared in accordance with the Notice and in accordance with Orion New Zealand's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and give a true and fair view of the performance of Orion New Zealand Limited for the assessment period ended on 31 March 2005;

the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Orion New Zealand Ltd in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Orion New Zealand Limited; and

the SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Orion New Zealand Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2005.

The audit was completed on 20 May 2005 and our opinion is expressed as at that date.



K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters Relating to Electronic Presentation of the Audited Threshold Compliance Statement

This audit report relates to the threshold compliance statement of Orion New Zealand Limited as at 31 March 2005 included on Orion New Zealand Limited's website. The Orion New Zealand Board is responsible for the maintenance and integrity of the Orion New Zealand Limited web site. We have not been engaged to report on the integrity of the Orion New Zealand website. We accept no responsibility for any changes that may have occurred to the threshold compliance statement.

The audit report refers only to the threshold compliance statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this statement. If readers of this report are concerned with the inherent risk arising from electronic data communication they should refer to the published hard copy of the statement and related audit report dated 20 May 2005 to confirm the information included in the audited statement presented on this website.

Legislation in New Zealand governing the preparation and dissemination of statements may differ from legislation in other jurisdictions.

Appendix A – Delivery and export price schedules



Delivery Price Schedule

Applicable from 1 April 2004 to 31 March 2005

General Connections	Line	Trans- mission	Delivery	
Fixed				
Outside Lighting (per connection)	11.00 ⁶	-	11.00 ⁶	c/day
Peak³				
Both Zones	88.70 ⁷	38.50	127.20 ⁷	\$/kVA/yr
Capacity³				
Zone A all year and Zone B Winter⁴:				
Nights, weekends & public holidays	0.51	0.25	0.76	c/kWh
Working weekdays	4.32	1.01	5.33	c/kWh
Zone B Summer⁴:				
Any time, any day	2.04	0.58	2.62	c/kWh
Irrigation Connections				
Transitional Irrigation Package (closed) <i>(Net effective price. For irrigation in zone B only. See document "Transitional Irrigation Package" for full details and conditions)</i>	118.60	58.20	176.80	\$/kW/yr
Irrigation Power Factor Correction Rebate <i>(See document "Irrigation Power Factor Correction Rebate" for full details and conditions)</i>	(23.50)	-	(23.50)	\$/kVA/yr
Irrigation Interruptibility Rebate <i>(Not available to connections on the Transitional Irrigation Package. For irrigation in zone B only. See document "Irrigation Interruptibility Rebate" for full details and conditions)</i>	(5.86)	-	(5.86)	\$/kW/yr
Major Customer Connections				
Fixed	500.05	-	500.05	\$/yr
Control period demand ⁵	61.00	29.20	90.20	\$/kVA/yr
Assessed capacity - Line ⁵	24.40	-	24.40	\$/kVA/yr
Assessed capacity - Transmission ⁵	-	22.00	22.00	\$/kVA/yr
Miscellaneous				
Provision of Equipment - refer to Schedule B of the document "Electricity Delivery Pricing For Major Customer Connections"				
Charge to the purchaser of Delivery Services - Electricity Retailers and some Major Customers	20.00		20.00	\$/monthly invoice
Charges for associated services - refer to the document "Charges for Associated Services"				

Notes

- GST is payable in addition to these prices.
- Orion's documents "Application of Electricity Delivery Prices" and/or "Electricity Delivery Pricing for Major Customer Connections" apply.
- Peak and Capacity prices for general connections are applied to peak loadings and volumes derived from measurements taken at Grid Exit Points. Zone A is the area supplied by Addington, Arthur's Pass, Bromley, Castle Hill, Coleridge, Islington and Papanui Grid Exit Points. Zone B is the area supplied by Hororata and Springston Grid Exit Points.
- Winter is defined as the period April - September inclusive, summer is October - March inclusive. Night is defined as the period from 9pm to 7am, day is the period from 7am to 9pm.
- Demand and Capacity prices for Major Customer Connections are applied to measurements taken at the connection.
- The fixed line price for Outside Lighting is effective from 1 July 2004. The price from 1 April 2004 through 30 June 2004 is 10.0 cents per day.
- The Peak line price for General Connections is effective from 15 April 2004. The line price from 1 April 2004 to 14 April 2004 is \$85.00/kVA/yr, with a corresponding delivery price of \$123.50/kVA/yr. To apply these different prices in the year from 1 April 2004, Orion's invoices will be based on the weighted average line price of \$88.56/kVA/yr, with a corresponding weighted average delivery price of \$127.06/kVA/yr.
- The estimated number of (energised) connections to which these charges apply as at 1 February 2004 were:

Outside Lighting Connections	37,700
General Connections	171,588 (plus Outside Lighting connections)
Major Customers Connections	392



Export Prices for Distributed Generation

Applicable from 1 April 2004

The prices below represent Orion's credit to Electricity Retailers reflecting the benefit to Orion from embedded generation. The credit does not represent the purchase of this electricity. The retailer receiving the credit is the retailer who has contracted to purchase the output from the generator. For pricing purposes, generators are grouped according to their generator output ratings in kilowatts (kW):

Distributed Generator Output Rating	Line	Transmission	Delivery	
Small (0 - 5 kW) ²	<i>Standard 'General Connection' delivery prices apply at all times</i>			
<i>During Chargeable Peak Periods Only</i>				
Medium (5 - 30 kW) ³	45.00	24.40	69.40	c/kWh
Large (> 30 kW) - Real Power ³	67.50	36.60	104.10	\$/avg kW/yr
Large (> 30 kW) - Reactive Power ³	22.00	11.90	33.90	\$/avg kVAr/yr

Notes

- GST is credited in addition to these prices.
- For Small generators, export volumes are not included with a retailer's chargeable GXP volumes and are therefore not charged. This is effectively a credit to the retailer at the delivery prices applying to general connections.
- For Medium and Large generators the prices relate to Orion's Chargeable Peak Period only, defined as complete half hour periods (beginning or ending on the hour) occurring while Orion is undertaking load management to control peak loading. If there are fewer than ten such half hours in a season, the difference will be made up using the half hours of highest loadings during the season.
- The same prices apply in all of Orion's zones.
- The retailer is responsible for ensuring that appropriate metering is in place to record the exported quantities, and for providing the quantities to Orion for Orion to apply the credits.
- Minimum metering required is:
 - For Small generators - Import & export kWh meters with reverse stops or a combined import/export kWh meter that records import and export volumes separately (that is, 'net metering' is not permitted).
 - For Medium generators - As for small generators for low exported kWh volumes and/or where the retailer agrees. Otherwise, import/export half-hour recording kWh meter.
 - For Large generators with a capacity between 30 kW and 350 kW connected to Orion's low voltage network - Import/export half-hour recording kWh meter.
 - For Large generators where exported reactive power is to be considered, or where the capacity exceeds 350 kW, or where the generator is connected to Orion's high voltage network - 4-quadrant meter that records, for every half-hour:
 - Net real energy (kWh) imported or exported; and
 - Net reactive energy (kVArh) imported or exported.
 Note that any net import of reactive power during the Chargeable Peak Period is charged at the prices above, rather than credited.
- These prices do not apply to exporting generators in place prior to 31 March 2004 and electing to stay on the pricing basis described in section 10 of the document "Electricity Delivery Pricing for Major Customer Connections".
- These prices apply to export from distributed generators of up to 1 megawatt output rating.