



Orion New Zealand Limited
P.O. Box 13896, 218 Manchester Street
Christchurch, New Zealand
Phone +64 3 363 9898, Fax +64 3 363 9899

www.oriongroup.co.nz

Commerce Act (Electricity Distribution Thresholds) Notice 2004

Threshold compliance statement

Seventh assessment (31 March 2009)

Approved and issued 6 May 2009)



CONTENTS

Introduction..... 3

Price threshold statement..... 4

Quality threshold statement..... 4

 Reliability..... 4

 Customer communication..... 5

Price threshold calculation 6

Price threshold calculation 6

 Notional revenue 6

 Allowable notional revenue 6

Price threshold supporting information..... 8

 Notional charges calculation 8

 Pass-through costs 11

Price threshold excluded services 12

Quality threshold reliability information 15

 Recording reliability information 15

 Interruption duration 16

 Interruption frequency 17

Conclusion 18

Appendix A – Price schedules..... 19

Directors’ certificate 22

Audit report 23

INTRODUCTION

- 1 Orion New Zealand Limited (Orion) owns and operates the electricity distribution network in central Canterbury between the Waimakariri and Rakaia rivers, and from the Canterbury coast to Arthur's Pass. Our network covers 8,000 square kilometres of diverse geography, including Christchurch city, Banks Peninsula, farming communities and high country regions. We receive electricity from Transpower's national grid at 10 different locations and we distribute this electricity to approximately 190,000 homes and businesses.
- 2 We charge electricity retailers on a wholesale basis for this delivery service. Retailers, in turn, include this cost in their retail electricity prices - our charges typically amount to around one third of a household's electricity bill.
- 3 As a natural monopoly service provider, we are subject to government regulation under the Commerce Act 1986. Pursuant to the requirements of this Act, the Commerce Commission has set price and quality thresholds as a screening measure to identify distributors that warrant further investigation.
- 4 The price and quality thresholds, together with the information reporting requirements, are set out in the Commerce Act (Electricity Distribution Thresholds) Notice 2004, as amended by the Commerce Act (Electricity Distribution Thresholds) Amendment Notice 2006 (the *notice*).
- 5 This threshold compliance statement has been prepared to demonstrate our compliance, or otherwise, with the thresholds in the notice.
- 6 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" as at 31 March 2009, the seventh assessment date.
- 7 We consider that the information in this statement is not commercially sensitive. Therefore clause 7(4) of the notice does not apply to us. We have, however, made a change to the structure of our pricing and our treatment of this with respect to clauses 7(2) and 5(2) is described in paragraph 24 below.
- 8 We prepared this compliance statement and issued it on 6 May 2009.

PRICE THRESHOLD STATEMENT

- 9 Clause 5(1)(a) of the notice requires notional revenue to not exceed allowable notional revenue at the assessment date. We have calculated these revenues as at 31 March 2009 in accordance with the intent of clause 5(1)(a) of the notice (as detailed below in the section headed *price threshold calculation*):
- 9.1 our notional revenue was \$100,892.4k; and
 - 9.2 our allowable notional revenue was \$101,403.1k.
- 10 As our notional revenue was less than our allowable notional revenue, we comply with the price path threshold prescribed in clause 5(1)(a). However as noted in paragraph 7 above, we have taken an alternative approach to the calculation of part of our notional revenue. This is described in paragraph 24 below.
- 11 Clause 5(1)(b) of the notice requires notional revenue during each assessment period to not exceed the greater of allowable notional revenue at the assessment date (31 March 2009) or allowable notional revenue at the previous assessment date (31 March 2008).
- 11.1 our maximum notional revenue (calculated in accordance with the intent of 5(1)(b)) during the period occurred on 31 March 2009, and was \$100,892.4k; and
 - 11.2 our allowable notional revenue was \$101,403.1k at the assessment date and \$98,525.7k at the previous assessment date.
- 12 As our notional revenue at all points during the period was less than our allowable notional revenue at the end of the period, we comply with the price path threshold prescribed in clause 5(1)(b). The qualification in paragraph 10 above also applies with respect to 5(1)(b).

QUALITY THRESHOLD STATEMENT

Reliability

- 13 Clause 6(1)(a) of the notice sets out an interruption duration threshold requirement, as measured by the system average interruption duration index (SAIDI), and clause 6(1)(b) sets out an interruption frequency threshold requirement, as measured by the system average interruption frequency index (SAIFI).
- 14 In respect of both planned interruptions by Orion and unplanned interruptions originating within our network, the thresholds require our SAIDI and SAIFI for the year to the assessment date to not exceed the average SAIDI and SAIFI over the five year period to 31 March 2003.

- 15 Calculating these reliability indices in accordance with clause 6(1) of the notice (as detailed below in the section headed *quality threshold reliability information*):
- 15.1 our SAIDI for the assessment period was, 61.61 which is less than our five year average SAIDI to 31 March 2003 of 63.23 minutes; and
 - 15.2 our SAIFI for the assessment period was, 0.60 which is less than our five year average SAIFI to 31 March 2003 of 0.76.
- 16 We therefore comply with the reliability thresholds in clauses 6(1)(a) and 6(1)(b).

Customer communication

- 17 The notice sets out a customer communication requirement in clause 6(1)(c). This clause requires distribution businesses to report on their customer communication initiatives every two years and we did this in our previous statement.

PRICE THRESHOLD CALCULATION

- 18 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:

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

Notional revenue

- 19 Using the definitions provided in clause 5(1)(a), notional revenue is evaluated as:

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

where t denotes the calendar year during which the assessment date occurs, that is 2009.

$$NR_{2009} = \sum_i P_{i,2009} Q_i - K_{2009}$$

where $\sum_i P_{i,2009} Q_i$ 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 to 31 March 2009. This expression is evaluated as \$152,454.3k in the worksheet on page 8 titled *notional charges calculation*, and

K_{2009} is the sum of all pass-through costs for the year to 31 March 2009. This expression is evaluated as \$51,561.9k in the worksheet on page 10 titled *pass-through costs*.

$$\begin{aligned} \therefore NR_{2009} &= \$152,454.3k - \$51,561.9k \\ &= \$100,892.4k \end{aligned}$$

Allowable notional revenue

- 20 Using the definitions provided in Clause 5(1)(a), allowable notional revenue is evaluated as:

$$R_t = R_{t-1} (100\% + \Delta CPI_t) (100\% - X\%)$$

where t denotes the calendar year during which the assessment date occurs, that is 2009, and X is the factor specified for each distribution business, 1% for Orion.

$$R_{2009} = R_{2008} (100\% + \Delta CPI_{2009}) (100\% - 1\%)$$

where R_{2008} is the allowable notional revenue as at 31 March 2008, the previous assessment date. This is provided in our previous threshold compliance statement as at 31 March 2008 (issued 6 May 2008) as \$98,525.7k, and

ΔCPI_{2009} is the average change in CPI (all groups index published by Statistics New Zealand)
calculated as:

$$\Delta\text{CPI}_t = \left[\frac{\text{CPI}_{Q1,t-1} + \text{CPI}_{Q2,t-1} + \text{CPI}_{Q3,t-1} + \text{CPI}_{Q4,t-1}}{\text{CPI}_{Q1,t-2} + \text{CPI}_{Q2,t-2} + \text{CPI}_{Q3,t-2} + \text{CPI}_{Q4,t-2}} - 1 \right] \times 100\%$$
$$\therefore \Delta\text{CPI}_{2009} = \left[\frac{\text{CPI}_{Q1,2008} + \text{CPI}_{Q2,2008} + \text{CPI}_{Q3,2008} + \text{CPI}_{Q4,2008}}{\text{CPI}_{Q1,2007} + \text{CPI}_{Q2,2007} + \text{CPI}_{Q3,2007} + \text{CPI}_{Q4,2007}} - 1 \right] \times 100\%$$
$$= \left[\frac{1044 + 1061 + 1077 + 1072}{1010 + 1020 + 1025 + 1037} - 1 \right] \times 100\%$$
$$= 3.96\%$$

$$\therefore R_{2009} = \$98,525.7\text{k} (100\% + 3.96\%)(100\% - 1\%)$$
$$= \$101,403.1\text{k}$$

21 Substituting the values calculated above in the price threshold condition gives:

$$\frac{\text{NR}_{2009}}{R_{2009}} = \frac{\$100,892.4\text{k}}{\$101,403.1\text{k}} = 0.995 < 1$$

22 Therefore, as the price threshold condition is satisfied, we comply with the price threshold specified in clause 5(1)(a) of the notice. As noted earlier, paragraph 24 of this statement describes an alternative approach that we have used to establish a new base quantity for the purposes of calculating notional revenue in a way that reflects a structural change to our delivery pricing. We believe this approach complies with the intent of the notice.

PRICE THRESHOLD SUPPORTING INFORMATION

Notional charges calculation

23 This worksheet shows the quantities, prices, and corresponding charges used in our calculation of $\sum P_{i,2009} Q_i$ above. Published price schedules with supporting prices are provided in appendix A. All prices and revenues exclude GST.

Price components for specified services	Base Quantities (Q_i) year to 31 March 2009	Assessed delivery prices (P_{i,2009}) as at 31 March 2009	Notional annual delivery charges (P_{i,2009} x Q_i) \$000
General connections			
Fixed Component			
Outside lighting (per connection)	36,750 connections	11.35 c/conn/day	1,522.5
Peak			
Zone A (applied during winter only)	390,200 kVA	154.60 \$/kVA/yr	60,324.9
Zone B (applied during summer only)	59,700 kVA	154.60 \$/kVA/yr	9,229.6
Capacity			
Zone A			
7:00am - 9:00pm on working weekdays	780,934 MWh	5.707 c/kWh	44,567.9
9:00pm - 7:00am and on weekends or public holidays	974,000 MWh	0.710 c/kWh	6,915.4
Zone B			
During winter			
7:00am - 9:00pm on working weekdays	44,785 MWh	5.707 c/kWh	2,555.9
9:00pm - 7:00am and on weekends or public holidays	60,281 MWh	0.710 c/kWh	428.0
During summer	245,000 MWh	2.709 c/kWh	6,637.1
Irrigation			
Transitional Irrigation Package	10,137 kW	193.40 \$/kW/yr	1,960.5
- refund (capacity)	45,000 MWh	(2.71) c/kWh	(1,219.1)
- refund (peak)	12,000 kVA	(154.60) \$/kVA/yr	(1,855.2)
PF correction rebate	14,000 kVAr	(25.80) \$/kVAr/yr	(361.2)
Interruptibility rebate	11,700 kW ¹	(6.45) \$/kW/yr	(75.5)
Major customer connections			
Fixed (standard connections)	330 connections	512.00 \$/conn/yr	169.0
Fixed (secondary connections)	20 connections	273.00 \$/conn/yr	5.5
Control Period Demand	103,500 kVA	139.20 \$/kVA/yr	14,407.2
Assessed capacity - distribution	184,300 kVA	23.60 \$/kVA/yr	4,349.5
Assessed capacity - transmission	199,500 kVA	14.75 \$/kVA/yr	2,942.6
Export and generation credits (distribution part only)			
Real power export	2,912 kW	(58.73) \$/kW/yr ^c	(171.0)
Reactive power export	1,577 kVAr	(20.17) \$/kVAr/yr ^c	(31.8)
Generation credits	0 kWh	(32.00) c/kWh	0.0
Miscellaneous			
Monthly invoice charge	42 invoices/mth	20.00 \$/invoice	10.1
Builders' temporary supplies ³	813 connections	48.00 c/conn/day	142.4

Total notional charges $\sum_i P_{i,2009} Q_i$ **152,454.3**

Notes

- The base quantity for the interruptibility rebate has been revised as noted below.
- The export credit prices for larger generators (greater than 30kW) differ from those published in our credit schedule, *Export and generation credits*, as a result of contractual commitments to an historic pricing basis. We credit 2.2% of customers' real export and 12.0% of their reactive export using historic prices. For the purpose of this threshold assessment, the weighted average credit price is used. We have not applied any export credits for smaller (less than 30kW) generators.

Only the distribution part of export credits is included in the calculation of notional charges. The transmission part is excluded from the calculation, and instead the actual amounts credited are included as an avoided transmission charge (refer to following section headed *pass-through costs*).
- The builders' temporary supply price relates to administration, electricity supply and electricity delivery. Refer also to *excluded services* below.

- 24 Orion has made a change to the structure of its pricing for connections classified as 'Transitional Irrigation Package' (TIP). The change was to separate out the interruptibility rebate component which had been a mandatory and implicit part of the capacity price for these connections. The change has provided individuals within this group of customers the choice to make their own decision about the cost/quality trade-off available through the interruptibility rebate arrangement.

We aimed to apply this change on a revenue neutral basis by implementing a rebate payment for all connections in the category and adding the same amount to their charges. However, at the same time we adjusted our cost allocation between connection categories, increased our prices to meet cost increases (as provided for with the CPI based threshold adjustment), caught up on our under-collection of the previous year's cost increases and adjusted the amount we provide for the rebate.

The change occurred from 1 April 2007, but was not captured in our last threshold compliance statement due to an oversight. (Had it been captured it would not have affected compliance as it would have reduced 2008 notional revenue.) To correct this oversight we have captured the structural change in this threshold compliance statement.

The overall change for this connection category was:

- 1 April 2006 to 31 March 2007: Capacity charge of \$198.00 per kW per year
- 1 April 2007 to 31 March 2008: Capacity charge of \$202.20 per kW per year, plus
Interruptibility rebate of \$6.30 per kW per year

Restructuring of prices is covered under clause 5(2) of the notice, which requires Orion to prove that the restructuring, of itself, did not create an increase in our revenue. It then provides for the new structure to be implemented as if it applied on the reference date.

In terms of this clause, as a result of the combination of changes applied, it is not possible for us to prove that the restructuring, of itself, did not create an increase in our revenue. Regardless, it would not be appropriate to apply the new structure and current quantities as if they applied on the reference date because this would distort the separation between price movements and quantity growth that the threshold notice relies on to achieve its purpose.

On this basis, in relation to our restructuring of prices, in terms of clause 5(5) and clause 7(2)(a), we consider that clause 5(2) is "clearly meaningless" and offer the following alternative approach to demonstrate that we have complied with the substance of the threshold requirements.

Alternative approach for assessing restructuring of prices

The intention of the price threshold assessment is to test price movements while allowing distribution businesses to receive additional revenue from greater sales quantities.

Orion has adopted a new price structure for one of its connection categories known as the 'Transitional Irrigation Package' by separating out a rebate that was previously bundled into the total charge for these customers. For the threshold assessment we have considered adding the new rebate, at its current quantity, to the base quantities. However, we consider that this would provide us with an inappropriate step increase in our revenue because the current quantity is much greater than the rebate that was inherent in the charges for this category at the time base quantities were established.

To maintain the separation between quantity movements and price movements, and to ensure that distribution businesses are not benefited or adversely affected by their adoption of a new set of chargeable quantities, it is necessary to establish a revised set of base quantities under the new structure that reflect the same level of growth as quantities replaced. Using this approach retains the impact of the threshold to the date of the restructuring, but allows it to adjust to the quantity movement of the revised pricing structure after this date.

To achieve this, we have assessed quantities for the new pricing basis that reflect the same level of usage as the old pricing basis (in the latest year available), and we have regressed the new quantities to the base year using the observed weighted average quantity movement for the old pricing basis, as follows:

	Current quantity	Base quantity	Growth
<i>Old structure</i>			
Capacity charge	20,106 kW	10,137 kW	98.34%
<i>New structure</i>			
Capacity charge	20,106 kW	10,137 kW	98.34%
Interruptibility rebate	20,106 kW	10,137 kW	98.34%

Up to the date we are applying this change in the threshold assessment (1 April 2008), this new set of quantities exhibits the same growth as the set of quantities replaced, so adopting the new quantities and prices has no impact on the "base weighted" price assessment under the price threshold calculation.

With this approach allowable notional revenue does not need to be altered and the threshold assessment is a simple comparison of this to the product of actual prices (under the new structure) and the revised set of (regressed) base quantities.

We have adjusted our base quantities to reflect this revised set of charge components, adding the revised interruptibility rebate quantity (10,137 kW) to the existing base quantity (1,563 kW) for rebates that are applied to connections in a different category.

Pass-through costs

- 25 Pass-through costs include transmission charges (including charges payable to Transpower and M-co for transmission services, and avoided transmission charges), rates payable to territorial local authorities, and levies payable to the Electricity Commission.
- 26 Transmission charges for the year to 31 March 2009 are calculated as Transpower charges (excluding the component of Transpower charges passed on transparently to electricity retailers) plus avoided transmission charges, as follows:

	\$000	\$000
Transpower and System Operator charges		
Connection	9,605.9	
Interconnection	39,238.7	
EV adjustment	0.0	
New investment	456.1	
Loss and constraint rebates received from Transpower	(13,377.9)	
Loss and constraint rebates transparently passed on to electricity retailers	13,377.9	
	49,300.7	
plus Avoided transmission charges		
Transmission component of amounts paid to customers with generators		
Export credits	190.1	
Generation credits	21.6	
	211.7	
gives Transmission charge		49,512.4

Note that EV adjustment charges ceased in March 2008.

- 27 Combined with rates paid to local and regional councils in respect of system fixed assets, and levies paid to the Electricity Commission, these costs represent our pass-through deduction for the period, calculated below:

	\$000
Transmission charge (from above)	49,512.4
Local authority rates	1,734.7
Electricity Commission levies	314.8
	51,561.9

PRICE THRESHOLD EXCLUDED SERVICES

- 28 Clause 3 of the notice defines *specified services* that are included in the price threshold assessment. The definition permits certain lines business activities to be excluded from the assessment where there is effective competition for those services.
- 29 We have included all delivery service charges for conveying electricity in the calculation of notional revenue. We have also included associated service charges where they meet the definition of specified services, and where they are not provided in effective competition with other providers.
- 30 We directly charge customers for very few services, and make 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. We provide other services without charge, and these are also excluded.
- 31 A description follows of the various types of services which Orion offers and/or provides, and the reason for their exclusion from the price threshold calculation.

New connections and network extensions

- 32 The value of assets vested in Orion by customers in the form of capital contributions is excluded. We take into account the average economic value of customer-driven network reinforcement and extensions (including new subdivisions) and, in most situations, we cover a portion of the cost of new assets. Where appropriate, we encourage the customer to select and directly employ independent contractors to design and build network extensions that comply with our published network design standard requirements and specifications.

Disconnections and reconnections

- 33 Disconnections and reconnections of customers' premises to our 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 our contractors. We then recharge the costs of undertaking the work to the retailer who requested the work. As there is effective competition for this service it has been excluded from the price threshold assessment.

Demolitions

- 34 We do not charge for disconnecting a property for demolition purposes provided that adequate notice is given. Where adequate notice is not given, we either pass on the charges of an Orion-approved contractor, or charge for one of our operators at the rate that would be charged by an Orion-approved contractor (without margin).

Dedicated equipment charges to major customers

- 35 We charge major customers for electricity delivery equipment that is dedicated to them. We own and maintain this equipment which includes items such as transformers, switchgear, protection devices, ripple relays and metering interface equipment. Many major customers choose to provide their own equipment or use an alternative provider. As there is effective competition for this service we have excluded it from the price threshold assessment.

Replacement of fuses (pole and boundary box)

- 36 Failed fuses are replaced by an Orion-approved contractor, or one of our operators. There is no charge to the customer for the first visit within a six month period. We charge the customer for subsequent visits at the rate billed by the contractor, without adding any margin.

Builders' temporary supplies

- 37 We administer small capacity, generally single phase, builders' temporary supplies, and we also own a pool of temporary supply boxes which are offered for use by builders. The service is divided into three parts:
- 37.1 Installation and removal is carried out by any one of three Orion-approved contractors. We are billed by the contractor, and recharge this in turn to the customer without specifically adding any margin. On this basis, this service is excluded from the calculation of notional revenue.
 - 37.2 Administration (including tracking and billing), electricity and electricity delivery is provided only by Orion, and is included in the calculation of notional revenue.
 - 37.3 The actual temporary supply boxes are provided by competing suppliers. We charge separately for this optional part of the service and exclude this revenue on the basis of the active competition between suppliers.
- 38 We do not receive revenue in respect of the provision of larger capacity three-phase temporary supplies (other than through standard delivery charges, which are included in the calculation of notional revenue).

Other services

- 39 Through arrangements with contractors, we 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, resetting circuit breakers and switches, rewiring central supply fuses and repairs on customer premises.
- 40 These services are performed by a number of electrical contractors, and in most cases the customer is invoiced directly by the contractor. We have excluded these other services because they are not 'price' based and they do not form a material part of our revenue.

QUALITY THRESHOLD RELIABILITY INFORMATION

- 41 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 averages over the five year period to 31 March 2003. The notice also requires this statement to include a description of the policies and procedures we use to record these statistics during the year to the assessment date.

Recording reliability information

- 42 We record interruptions on our network in a control centre log. The details recorded include:
- 42.1 district substation;
 - 42.2 feeder;
 - 42.3 switching device where isolation occurred;
 - 42.4 asset type affected;
 - 42.5 cause of interruption;
 - 42.6 time/date off;
 - 42.7 time/date for each restored section;
 - 42.8 number of consumers affected in each restored section; and
 - 42.9 explanatory notes.
- 43 The number of consumers whose power is restored at each restoration stage is calculated by a network-trace of connected consumers on our GIS network model.
- 44 This information is then loaded in a *reliability* database, and reliability statistics are queried from this database as required.
- 45 Finally, the total number of connected consumers on the network is obtained from our *connections* database. We maintain details of all our network connections on this database, and we regularly undertake reconciliations with the Electricity Commission Registry.

Interruption duration

- 46 This assessment is based on the system average interruption duration index (SAIDI). Clause 6(1)(a) of the notice requires that:

$$\text{SAIDI}_{2009} \leq \frac{\text{SAIDI}_{1999} + \text{SAIDI}_{2000} + \text{SAIDI}_{2001} + \text{SAIDI}_{2002} + \text{SAIDI}_{2003}}{5}$$

Orion's SAIDI results are:

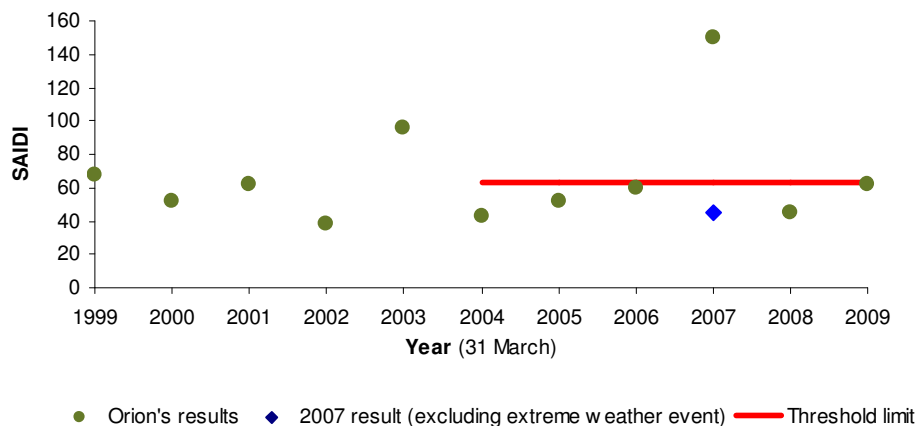
SAIDI	Year to 31 March						
	1999	2000	2001	2002	2003	...	2009
SAIDI for class B & C interruptions (minutes per connection per year)							
	67.71	51.83	62.25	38.20	96.18	...	61.61
SAIDI for interruptions within each interruption class (= a/b)							
Class B	17.55	6.44	3.13	4.91	10.59	...	21.19
Class C	50.17	45.39	59.12	33.29	85.59	...	40.42
where -							
a = sum of interruption duration factors within each interruption class							
Class B	2,784,242	1,047,025	521,074	826,268	1,806,095	...	3,986,479
Class C	7,960,050	7,377,331	9,845,244	5,599,642	14,591,721	...	7,605,110
b = average number of connections							
	158,673	162,543	166,538	168,231	170,490	...	188,158

- 47 Substituting our results, the right-hand side of the condition above becomes:

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

- 48 Our result for 2009 of 61.61 minutes satisfies the condition in the notice requirement.

SAIDI results during the reference period (1999 through 2003) and subsequent assessment periods are shown in the graph below:



Interruption frequency

- 49 This assessment is based on the system average interruption frequency index (SAIFI). Clause 6(1)(b) of the notice requires that:

$$SAIFI_{2009} \leq \frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5}$$

Orion's SAIFI results are:

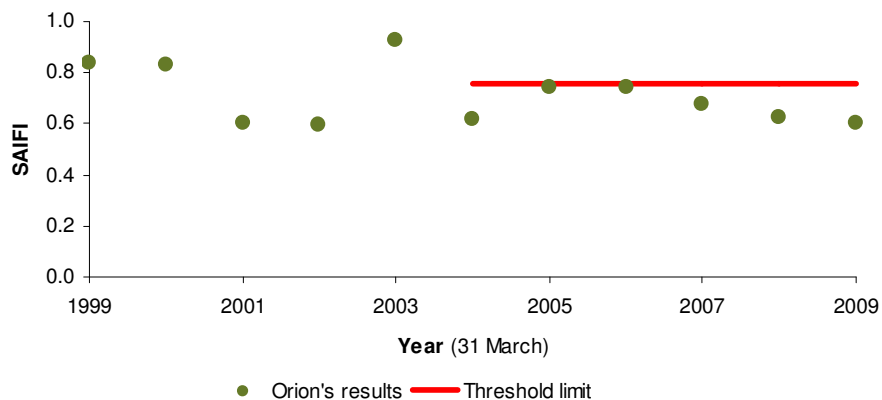
SAIFI	Year to 31 March						
	1999	2000	2001	2002	2003	...	2009
SAIFI for class B & C interruptions (interruptions per connection per year)							
	0.84	0.83	0.60	0.60	0.93	...	0.60
SAIFI for interruptions within each interruption class (= a/b)							
Class B	0.09	0.03	0.02	0.02	0.04	...	0.08
Class C	0.75	0.80	0.58	0.58	0.89	...	0.52
where -							
a = sum of connections affected by each interruption within each interruption class							
Class B	15,000	4,503	3,163	3,265	6,529	...	14,609
Class C	118,249	130,525	96,795	97,462	151,227	...	98,278
b = average number of connections							
	158,673	162,543	166,538	168,231	170,490	...	188,158

- 50 Substituting our results, the right-hand side of the condition above becomes:

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

- 51 Our result for 2009 of 0.60 interruptions per year satisfies the condition in the notice requirement.

- 52 SAIFI results during the reference period (1999 through 2003) and subsequent assessment periods are shown in the graph below:



CONCLUSION

- 53 The information provided above demonstrates that Orion has complied with the price and quality thresholds set out in the Commerce Act (Electricity Distribution Thresholds) Notice 2004, as amended by the Commerce Act (Electricity Distribution Thresholds) Amendment Notice 2006.

APPENDIX A – DELIVERY, ASSOCIATED SERVICE AND EXPORT PRICE SCHEDULES

Delivery prices

(applicable from 1 April 2008)



(excluding GST)

This schedule lists the wholesale prices that Orion uses to charge electricity retailers and directly contracted customers for the electricity delivery service in Orion's network area. This delivery service includes the transmission and distribution of electricity to homes and businesses, but does not include the cost of the electricity itself. Please refer to your electricity retailer for details of retail electricity prices.

	Distribution	Transmission	Delivery (total)	
Outside lighting connections <i>approx 40,977 connections as at January 2008</i>				
<i>eg streetlighting</i>				
Fixed charge	10.75	0.60	11.35	¢/day
<i>plus peak and capacity prices as noted for general connections below</i>				
General connections <i>approx 183,355 connections as at January 2008</i>				
Peak period demand				
Zone A (applied during winter only)	103.90	50.70	154.60	\$/avg kVA/yr
Zone B (applied during summer only)	103.90	50.70	154.60	\$/avg kVA/yr
Capacity (volume charges)				
Zone A				
7am-9pm on working weekdays	4.676	1.031	5.707	¢/kWh
9pm-7am & weekends or public holidays	0.553	0.157	0.710	¢/kWh
Zone B (during winter)				
7am-9pm on working weekdays	4.676	1.031	5.707	¢/kWh
9pm-7am & weekends or public holidays	0.553	0.157	0.710	¢/kWh
Zone B (during summer)	2.202	0.507	2.709	¢/kWh
Rebates				
Irrigation power factor correction rebate	(25.80)	-	(25.80)	\$/kVA/yr
Irrigation interruptibility rebate (zone B)	(6.45)	-	(6.45)	\$/kW/yr
Transitional Irrigation connections <i>approx 246 connections as at January 2008</i>				
Pump nameplate capacity charge	139.10	54.30	193.40	\$/kW/yr
Irrigation power factor correction rebate	(25.80)	-	(25.80)	\$/kVA/yr
Irrigation interruptibility rebate (zone B)	(6.45)	-	(6.45)	\$/kW/yr
Major customer connections <i>approx 394 standard plus 17 secondary connections as at January 2008</i>				
Fixed charge (standard connections)	512.00	-	512.00	\$/yr
Fixed charge (secondary connections)	273.00	-	273.00	\$/yr
Control period demand	90.20	49.00	139.20	\$/kVA/yr
Assessed capacity - distribution	23.60	-	23.60	\$/kVA/yr
Assessed capacity - transmission	-	14.75	14.75	\$/kVA/yr
Large capacity connections <i>1 connection as at January 2008</i>				
Distribution and transmission charges		<i>individually assessed</i>		
Miscellaneous				
Monthly invoice charge to retailers and directly contracted major customers	20.00	-	20.00	\$/invoice

Notes

1. Orion's documents *Application of delivery prices* and/or *Application of major customer delivery prices* apply.
2. 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, Middleton and Papanui grid exit points. Zone B is the area supplied by Hororata and Springston grid exit points.
3. Winter is defined as the period April - September inclusive, summer is October - March inclusive.
4. Demand and capacity prices for major customer connections are applied to measurements taken at the connection.



Associated service prices
(applicable from 1 April 2008)

The following charges apply to associated services as outlined in Schedule C of Orion's Delivery Service Agreement. For most services we require at least 3 working days advance notice and we will pass on any additional costs charged by subcontractors for urgent work where a shorter request period is given. Note also the extra charge for after-hours service included in the list. Charges are payable by the party requesting the service.

	Charges (excluding GST)								
Connection Services (residential and small commercial)									
<i>New connections and network extensions</i>									
In many situations Orion requires a capital contribution toward the cost of new assets or for the use of existing assets. Specific requirements apply in some situations. The following summarises the customer contributions required for the majority of new connections:									
<i>Urban</i>									
Single phase, up to 63 amps (including most residential connections)	\$600								
Three phase, up to 100 amps per phase	\$1,000								
<i>Rural</i>									
Fund the cost of any network extension required, plus									
Single phase, up to 63 amps	\$2,500								
Three phase, up to 100 amps per phase	\$6,000								
Full details, including the areas defined as urban and rural, are available in Orion's <i>Connections and extensions policy</i> available from the pricing page on our website (www.oriongroup.co.nz)									
<i>Site Survey*</i>	\$54 (urban)								
Establishing energisation status, recording meter numbers and readings, verification of address and location (as requested).	\$108 (rural)								
	\$162 (remote)								
<i>Temporary Isolation of Overhead Service Main*</i>									
Under this service, Orion will isolate, relocate, disconnect and/or reconnect overhead mains to allow customers to safely trim trees or replace, repair or paint spouting and barge boards on the customer's premises. In some situations more than one site visit is required - these charges apply "per visit". The cost of any additional equipment (shackles, cleats, mains entry box) will be charged in addition.									
	<table border="0" style="display: inline-table;"> <tr> <td style="text-align: right;">1 or 2 phase</td> <td style="text-align: right;">3 phase</td> </tr> <tr> <td style="text-align: right;">\$76 (urban)</td> <td style="text-align: right;">\$120 (urban)</td> </tr> <tr> <td style="text-align: right;">\$130 (rural)</td> <td style="text-align: right;">\$174 (rural)</td> </tr> <tr> <td style="text-align: right;">\$184 (remote)</td> <td style="text-align: right;">\$228 (remote)</td> </tr> </table>	1 or 2 phase	3 phase	\$76 (urban)	\$120 (urban)	\$130 (rural)	\$174 (rural)	\$184 (remote)	\$228 (remote)
1 or 2 phase	3 phase								
\$76 (urban)	\$120 (urban)								
\$130 (rural)	\$174 (rural)								
\$184 (remote)	\$228 (remote)								
<i>Temporary Disconnection**</i>	\$103 (urban)								
Temporary isolation of existing connections as a result of (for example) vacancy, non-payment or safety reasons. Includes return of meter readings to retailer or agent.	\$155 (rural)								
	\$206 (remote)								
<i>Reconnection**</i>	\$103 (urban)								
Reconnection of an existing premise following temporary disconnection. Includes return of meter readings to retailer or agent but excludes provision of a certificate of compliance (if required).	\$155 (rural)								
	\$206 (remote)								
<i>Decommissioning†</i>	No charge								
Permanently disconnect a site by physically isolating the service line from Orion's network. Removal of pole fuse and shackles, or remove underground service cable from Orion's boundary box. Does not include removal of meters or return of meter readings. A decommissioning request that cannot be carried out (for example, because the premise is occupied) will be charged as a <i>Site Survey</i> (see above).									
<i>Removal of Metering Equipment (optional)</i>	add \$54 (all areas)								
In conjunction with decommissioning (above), this additional charge is payable for removal of metering and associated equipment, return of equipment to designated Christchurch base, and return of meter readings to retailer or agent, where requested.									
<i>After-hours Service (optional)</i>	add \$155 (all areas)								
In relation to the above services, this additional charge is payable where it is requested that the work be carried out outside of normal business hours (normal business hours are 8am to 5pm, Monday to Friday excluding public holidays).									

See notes on following page

	Charges (excluding GST)
Single Phase Temporary Connections	
<p>This service covers the supply of small single phase temporary connections (generally for building and construction sites) adjacent to existing network reticulation, or where Orion is providing reticulation in the development of a permanent supply. Orion does not provide or install larger (generally three phase) temporary supplies - these can be arranged through a number of Orion-approved contractors.</p>	
<p><i>Installation and Removal</i> Covers both installation and removal of Orion-owned and non Orion-owned temporary supply boxes.</p>	<p>\$70 (urban) \$97 (rural) \$129 (remote)</p>
<p><i>Special Trip</i> Applies in addition to the installation and removal charge where an additional trip is required, either because the site is not ready when the contractor first calls, or where the removal cannot be carried out in conjunction with the enlivening of a permanent supply at the same site.</p>	<p>\$54 (urban) \$81 (rural) \$113 (remote)</p>
<p><i>Administration and Electricity Supply</i> Applies to Orion-owned and non Orion-owned temporary supply boxes. Covers retail electricity, delivery, billing and administration.</p>	<p>\$0.48 per day</p>
<p><i>Supply Box Hire</i> Applies in addition to the Administration and Electricity Supply component where an Orion-owned temporary supply box is installed.</p>	<p>\$1.48 per day</p>
High Load Escorting Service	
<p>Standard escort</p>	<p>\$65 per hour plus \$1 per km</p>
<p>Complex escort (requiring a tower truck and two lines staff)</p>	<p>price on application</p>

Notes: These services apply only for standard residential connections, and other standard connections up to a capacity of 3 x 60 amps. Extra charges may apply where additional work is required (eg for a Certificate of Compliance). All charges are applied "per site visit". For larger connections, or connections with an unusual configuration, please contact Orion contact centre on 0800 363 9898.

For all services other than network extensions and new connections, **Urban** is within a 20km radius of Cathedral Sq, **rural** is between 20km and 40km from Cathedral Sq, and **remote** is beyond 40km. For the Banks Peninsula area, the Hilltop Hotel is designated as the 40km radius point.

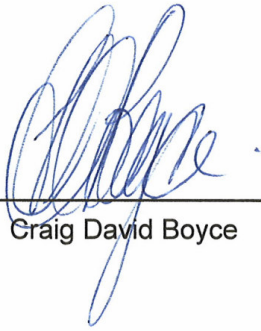
Orion can only undertake these services (marked with a hash) at the request of, or in conjunction with, an electricity retailer.

* Orion provides these services (marked with a star) as a last resort for difficult situations where the retailers' usual contractors are unable to complete the task. The charge reflects the usual range of difficulties encountered. Staff and contractor safety is paramount and Orion cannot guarantee that tasks will be completed.

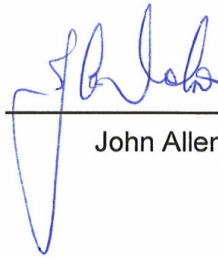
DIRECTORS' CERTIFICATE

ON THRESHOLD COMPLIANCE STATEMENT

We, Craig David Boyce 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.



Craig David Boyce



John Allen Dobson

Dated 6 May 2009

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

AUDIT REPORT

Report of the Auditor-General

To the readers of the Threshold Compliance Statement of Orion New Zealand Limited for the assessment period ended on 31 March 2009

We have audited the attached statement, prepared by Orion New Zealand Limited (the company) for assessment as at 31 March 2009 and dated 6 May 2009. 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

The directors of the company 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 me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit, on his behalf.

Basis of Opinion

We conducted the audit in accordance with 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 18 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 2009 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 the company 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 Limited 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

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit of the threshold compliance statement, we have carried out other audit and assurance engagements for the company. These included conducting the annual audit of the financial statements for the year ended 31 March 2008, reporting on the company's internal controls and the completing an audit report pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008. These engagements are compatible with those independence requirements.

Other than the audit and these engagements, we have no relationship with or interest in Orion New Zealand Limited.

Unqualified Opinion

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

Price Path Threshold

As set out on pages 9 to 11 of the threshold compliance statement, it is not practicable to determine whether the company has complied with clauses 5(1) to 5(4) of the Notice because they are clearly meaningless in relation to the company's distribution business. In our opinion, the company has demonstrated beyond reasonable doubt, by use of an alternative approach that has equivalent effect to the clauses concerned that the substance of those clauses has been complied with.

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 2009 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 the company'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 the company for the assessment period ended on 31 March 2009;
- 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 the company 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 2009, 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 the company 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 2009.

The audit was completed on 6 May 2009 and our opinion is expressed as at that date.



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Matters relating to the electronic presentation of the audited Threshold Compliance Statement

This audit report relates to the threshold compliance statement of Orion New Zealand Limited for the assessment period ended 31 March 2009 included on the company's website. The company's board of directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the threshold compliance statement since it was initially presented on the website.

The audit report refers only to the threshold compliance statement named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the threshold compliance statement. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited threshold compliance statement and related audit report dated 6 May 2009 to confirm the information included in the audited statement presented on this website.

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