



# Orion

New Zealand Limited

## 2014

Year in review

This year in review is Part 1 of our 2014 annual report. Part 2, which contains our audited financial statements, is available online at [oriongroup.co.nz](http://oriongroup.co.nz).

  
**Orion**  
*your network*

## Who we are

Orion New Zealand Limited owns and operates the electricity distribution network in central Canterbury.

We're one of the largest networks in New Zealand and we're owned by the Christchurch City Council (89.3%) and Selwyn District Council (10.7%).

Our core purpose is to deliver a safe, secure and cost-effective supply of electricity to our 190,000 customers.

During the year, our network availability was over 99.9% and we delivered 3,160 GWh of electricity.

## In the next five years

- > We'll invest over \$350m on new assets to restore network resilience, to support the region's wider rebuild, and to meet customer growth
- > 350km of high voltage underground cable will be laid in our network - that's the distance from Christchurch to Dunedin
- > Over 10,000 new connections - new homes and businesses - will be added to our network

Front cover: Adam Sweet, a technician with Orion contractor Power Jointing, undertakes a final audit of one of our residential electricity kiosks located in the recently developed Prestons subdivision in north-east Christchurch. We're experiencing unprecedented activity in residential and commercial development, with the demand for new connections and alterations to our network at levels never experienced before.

Year to 31 March 2014

## Key financial results

### \$50m net profit

> \$1m above last year

### \$148m electricity distribution revenue

> \$9m above last year

### \$54m network expenses

> \$3m above last year

### \$84m capital expenditure

> \$13m above last year

### \$34m fully imputed dividends

> \$2m above last year

### \$76m interest bearing debt

> \$15m above last year

### \$110m one-off upwards revaluation of network assets

## Key network results

### No injuries to the public

### 2,700 new connections to our network

### 4,400 applications from contractors to work near our network - double last year and ten times pre-quake levels

Despite being adversely affected by severe storms during the year, our network reliability levels remain on course to return to near pre-quake levels by 2019

# Chairman and chief executive's review

**We are committed to providing our community with a resilient and reliable power supply. Resilient and reliable infrastructure is the foundation for our region's wellbeing and economic success.**



## Safety

We make it a priority to keep people free from harm around our network. In this regard we had another successful year, with no serious electrical injury accidents on our network.

Our obligation to help keep our community safe extends to making sure homes in our community are warm. Canterbury is an area with cold winters where many depend on electrical heating. Our focus on network resilience and reliability is about keeping people safe. It's a responsibility we take seriously.

## Network plans

We design and build our network to the needs of our customers - those living here now and in 10 or 20 years' time.

Since the Canterbury quakes, we have invested in rebuild projects that reflect changes to the distribution of the city's and region's residents and businesses.

While there is much to do, we're making good progress.

Prior to the quakes, a customer on our network was, on average, without power for about 75 minutes every year - the New Zealand average was closer to 150 minutes. In a year's time, we're targeting to have our level of reliability back to around 100 minutes. To target this level of reliability, given the forces nature recently inflicted upon us, is an excellent achievement.

We're confident that our future spending will meet our customers' needs in a cost-efficient manner, and provide the vital platform of a secure and reliable electricity network which enables the Canterbury economy to grow.

## Network pricing

Under the Commerce Act, the Commerce Commission determines Orion's price targets. On 1 April 2014 we increased our charges to reflect the Commission's 2013 decision on our post-quake pricing.

After this Commission-approved increase, our prices are still below the New Zealand

average and make up around one-quarter of a household electricity bill.

It is critical we ensure our network is resilient and reliable enough to protect our community from future disasters or weather events that may strike. This requires continued sound network investment in the coming years which our pricing enables.

## Storms

A number of wind and rain storms battered Canterbury this year. Five separate storms each caused more than one million minutes of power loss to customers. The worst of these was on 10 September 2013, when gale force winds caused extensive and widespread damage to our network.

Only the September 2010 and February 2011 quakes resulted in more minutes of lost power than that witnessed after the September storm. The impact was double that of any other storm we have ever experienced.

Most of the damage to our network from these storms was due to trees.

As trees on private land are the responsibility of the land owner, we work with the community to reduce the number of trees that could have a negative impact on power lines. We extensively publicise the benefit of prudent tree management.

## Financial performance

We're pleased with this year's financial performance. Our network delivery revenues continue to recover and we're continuing to control our costs.

Our net profit was \$50.5m, \$13.5m above our statement of intent target and \$1.5m above last year.

We paid \$34m of fully imputed dividends to our shareholders, in line with our statement of intent target and \$2m above last year.

Based on independent valuations, our land and network values increased by around \$110m this year. This year's revaluations reverse over two-thirds of our post-quake

valuation decreases in 2011.

We're aiming to complete our remaining quake insurance claims, and recognise the associated revenues, in the coming year.

Our debt will rise as a result of our significant capital expenditure programme over the next four or five years. Our debt levels will however remain well within prudent levels.

The Commerce Commission has controlled our network prices under a default price path since 2010. We're now on the Commission's customised price path for the next five years. Given the increased certainty this provides, we'll review our capital structure over the coming year.

We have more detail, comparing this year's results with last year and our statement of intent targets, in our audited financial statements.

## Acknowledgements

Orion's continued excellent performance is due in large part to the skills and dedication of our employees and contractors, including our subsidiary, Connetics. On behalf of Orion's board and management, we thank them for their commitment, strong professional skills and ability to take on new challenges to ensure the company operates efficiently, successfully and sustainably.

Michael Andrews retired from the board in August 2013 and George Gould retired in October 2013, after serving for eight years and thirteen years respectively. We thank Michael and George for their service, particularly over the very challenging post-quake period.

Jeremy Smith joined the board in August 2013 and John Austin joined the board in May 2014.

We thank all directors for their service and business acumen during the year.

**CRAIG BOYCE** CHAIRMAN  
**ROB JAMIESON** CHIEF EXECUTIVE OFFICER  
11 June 2014

# 2014

## Year in review

### Safety first

Electricity is hazardous. This makes public, employee and contractor safety our priority. Our excellent safety record reflects our efforts to foster an industry culture of safe practice in the workplace.

Earthquake demolitions, repairs and rebuilds have meant a dramatic increase in the number of contractors who work near our substations, lines and cables. This year, our safety and risk team presented briefings to over 700 contractors on how to be safe around our network.

Contractors have different skills and experience when it comes to working near our network. This necessitates flexible approaches to safety education. Aside from presentations to targeted groups, we deliver our safety messages through radio and newspapers, trade and community shows, and on-site meetings with builders, digger operators and electricians.

Our ambition is clear - no harm to anyone.



Orion public safety advisor Trevor Hilston (at left) advising Naylor Love Construction's Health and Safety Manager Mark Taylor on safe work practices when working close to our network.

## CHECK BEFORE YOU DIG

Always assume buried cables are present before you start digging.  
Plan ahead and remember the three basic steps:

- 1 Get cable plans and do mark-outs
- 2 Use cable locating devices
- 3 Use safe digging practices

Use all three steps together to keep safe when working near underground cables.

Visit our website [oriongroup.co.nz](http://oriongroup.co.nz) or call us on **0800 363 9898** for free cable maps.



Our excellent safety record reflects our efforts to foster an industry culture of safe practice in the workplace.

## Protecting our community

**Our key role is to provide a resilient and reliable electricity network.**

During the year we were awarded the prestigious Civil Defence Emergency Management Gold Award for 'setting the benchmark for lifeline utility resilience'. This recognised the contribution our planning, training and readiness for disaster has made to the community.

We believe it's critical our network is resilient enough to protect our community from future disasters that may strike.

We continue to make sound investments in our network for the long term benefit of our community.

One example of this is a series of projects to complete a high voltage cable network in a 'ring formation' around Christchurch city. As well as serving the growing demand for power supply, this formation enhances security of power supply. If one large cable fails, supply can continue from another direction.

We're also heavily investing in our rural network. With the transformation of areas, such as Rolleston, into major residential and industrial areas, we're reinforcing and expanding our high voltage network across the region.



## Network recovery

**We aim to keep the lights on and to make it as easy as possible for new homes and businesses to connect to our network.**

We're continuing to systematically repair quake damage to our network.

We also continue to extend our network to the many residential and industrial subdivisions that are emerging post-quake. We're also assisting where we can in the rebuild of Christchurch's central business district.

We're making good progress on significant projects and we are confident of achieving our goal of returning network reliability to near pre-quake levels by 2019.



Above: Civil Defence Minister Nikki Kaye presents Orion chief executive Rob Jamieson with the Civil Defence Emergency Management (CDEM) Gold Award.

## Storms and trees

We've had several severe wind and rain storms this year. Each has caused significant power outages and damage to our network - especially in rural areas. The impact of the 10 September 2013 windstorm was twice as great as any other storm to ever hit our network.

The storms highlighted the need for our rural community to carefully consider tree management, as the vast majority of storm outages were caused by tree branches and whole trees falling through our lines.

As trees on private land are the responsibility of the land owner, we seek to work with land owners to ensure their trees are trimmed away from power lines. We extensively publicise the fact that trees can cause significant damage to our lines and result in power outages to many in the community.

Prudent risk management is another issue we publicised this year. Just as we consider 'what if' scenarios and have appropriate backup plans in place, we want our community to consider what it can do to manage the impact of electricity outages. For instance, dairy and other rural enterprises should have backup power supplies or other contingency plans in place to mitigate the impact of power outages.

We worked with Selwyn District Council, Environment Canterbury and neighbouring lines companies during the year to communicate these messages.



**The impact of the September 2013 windstorm was twice as great as any other storm to ever hit our network.**



## Continual improvement

We aim to continually improve our service and performance. During the year we made a number of incremental improvements to the way we work and the services we offer.

We added a second transportable data centre to our operation this year. This data centre houses computer systems crucial to the operation and control of our electricity network. With two transportable data centres, we are now more resilient and better able to operate our network in a disaster.

We also developed a unique approach to managing the central city rebuild. With whole blocks of the city being redeveloped, we have created a mobile substation that provides power supply to building construction sites. Once a building's construction is complete, the mobile substation can move to another construction site. As a result of this innovation, permanent power supply to a building can come from a new substation constructed out of sight within or behind a building, thereby enhancing the city's future appearance.

## Aiding our community

To contribute to our region's spirit and wellbeing we support various community organisations and events. We also work hard to let our customers know what we are doing and why.

We remain a primary sponsor of Community Energy Action. Our commitment to this charity, which provides insulation and energy advice services for the vulnerable in our society, has spanned twenty years. Community Energy Action has installed insulation in over 20,000 homes. These homes are now warmer, healthier and more energy efficient.

We also support various arts and sports events. During the year, we became one of the founding sponsors of the Canterbury Rams basketball team - a team endeavouring to build itself as a mainstay of the Canterbury sports scene.

We kept our community informed about their electricity supply. Through various newsletters and media placements we kept people up to date with where, when, how and why we were investing in and rebuilding our network. We also informed residents of works in their local areas.



Above: Orion Network Access Coordinator Hayley Head (far left) instructing a group of industry trainees on safe working practices at our CPIT TradeFiT training campus.



## Our people

Our achievements are due to the knowledge, experience and dedication of our employees. We aim to attract and retain the best possible team.

We provide our employees with opportunities to learn and develop - in their current and new roles. We run engineering and leadership development programmes and promote electricity trades training. We also have an active wellness programme to support the health and wellbeing of our employees and their families. Our programme includes health seminars, health checks, counselling services and quake support. We also continually review our organisational culture.

Practising and promoting our core values, which include valuing relationships, being trustworthy and proactive, and providing programmes to develop and support employees, helps us retain our skilled people. It helps keep our employee turnover below 5% per annum despite a very competitive labour market.

Our employee numbers have grown by just over 10% since the quakes to approximately 180 employees. This growth is relatively small given the significant increase in our workload since 2010. By focussing on systems, simplifying procedures and matching employees' skills with business needs, we're meeting customer needs while keeping employee numbers and associated costs down.

  
*your*NETWORK



# Directory

as at 11 June 2014

## Directors

**Craig Boyce**  
CHAIRMAN

**John Austin**

**Paul Munro**

**Jeremy Smith**

**Geoff Vazey**

## Corporate management

**Rob Jamieson**  
CHIEF EXECUTIVE OFFICER

**Gina Clarke**  
COMMUNICATIONS AND ENGAGEMENT MANAGER

**David Freeman-Greene**  
GENERAL MANAGER COMMERCIAL

**Brendan Kearney**  
GENERAL MANAGER CORPORATE SERVICES

**Craig Kerr**  
GENERAL MANAGER INFORMATION SOLUTIONS

**John O'Donnell**  
CHIEF OPERATING OFFICER

**Adrienne Sykes**  
GENERAL MANAGER HUMAN RESOURCES

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