

Changes to Orion's electricity delivery prices for major customer connections

We have completed our annual review and set prices for electricity delivery and equipment that take effect from 1 April 2019.

Although most major customers contract with their electricity retailer for their electricity delivery service, retailers generally reflect our prices in their contracts, so our changes will affect you. This notice provides a summary of the key changes affecting major customer connections.

Summary of changes

This year we have taken the second step in the rebalancing that we started last year - increasing some prices and reducing others, to better reflect costs at the smaller end of the major customer range.

Separately, we have reached the end of our regulated "customised price path" that was put in place to facilitate our rebuild following the earthquakes, and we are applying a price reduction as we move back to the default price path.

We are also pleased to be passing on a reduction in the amount that we pay for the national grid. This reduction is a result of a favourable variation in seasonal loading levels, which we do not expect will be repeated next year.

Together, the overall average price movement is a reduction of 7.2%, but the rebalancing means that the impact on individual customers will vary above and below this average. The changes include:

- a higher \$10 per day fixed charge, offset by a reduction in the control period demand price, and
- further widening the range where customers can elect to be in either the major customer or general connection category to minimise charges.

From 1 April 2019 connections with loads that regularly peak in the 150 kVA to 300 kVA range will be able to elect whether to be in the major customer or general category from 1 April each year. With the initial introduction of this extended range we will individually approach customers and facilitate a category change where a clear saving is available.

The rationale for the changes and feedback from our consultation is available on our website at www.oriongroup.co.nz/customers/our-prices.

Pricing methodology

In establishing our prices we have updated our cost allocation model and reassessed the magnitude of the cost reflective components within our pricing. This model is presented in our published pricing methodology document which shows the basis for allocating costs and the return we expect to achieve for each connection category.

We consider a range of issues when setting prices but we think the most important objective is to set prices that appropriately reflect our costs. This approach encourages customers to use electricity when it is economically appropriate to do so, and any cross-subsidy between users is minimised.

Loading and other changes lead to variations in our cost allocation from year to year and, over time, we adjust prices to reflect the longer term trends in these factors.

Export and generation credits

The Electricity Authority has made changes to the rules which affect how these payments are funded. Effectively payments are only available for distributed generation that is both installed prior to December 2016 and approved by them. At the date of issue, the Electricity Authority has not approved any generation in Orion's network area as being eligible for these payments.

As a result we have had to remove the transmission part of our export credits, and this reduces the credit substantially, with the total credit price reducing 74% from its current level.

We have also decided to remove the separate generation credits arrangement that we had with a small number of customers on the basis that the reduced credit would no longer meet the fuel cost for operating generation.

Customers can instead approach Transpower directly for recognition of any transmission benefit (for example, under Transpower's demand response program at <https://www.transpower.co.nz/keeping-you-connected/demand-response>).

In light of these changes we recommend that exporting customers should reconsider their operation of generators.

Further information

A brief overview of how our major customer pricing works is available at www.oriongroup.co.nz/major-summary.

Full detailed information on how we determine quantities and apply prices is set out in section 5 of our pricing policy available at www.oriongroup.co.nz/PricingPolicy.

You may also wish to talk to your electricity retail account manager or call Bruce Rogers, Pricing Manager at Orion (phone 03 363 9870) for more information.

Delivery price changes for major customer connections

(issued 18 December 2018)



The following schedule is an extract from our main schedules showing price changes that affect connections in our major customer pricing category.

All prices exclude GST	Current prices 1 April 2018 to 31 March 2019	New prices from 1 April 2019	Unit of measure
Electricity delivery			
Fixed charge	7.50	10.00	\$/con/day
Peak charge (control period demand)	0.4730	0.4148	\$/kVA/day
Nominated maximum demand charge	0.1102	0.1135	\$/kVA/day
Metered maximum demand charge	0.0862	0.0713	\$/kVA/day
Monthly invoice and contract charge (for directly contracted major customers)	30.00	30.00	\$/invoice
Dedicated equipment			
Extra switches	3.6100	3.6700	\$/switch/day
11kV Metering equipment	4.3700	4.4500	\$/con/day
11kV Underground cabling	3.2300	3.2900	\$/km/day
11kV Overhead lines	2.0300	2.0700	\$/km/day
Transformer capacity	0.0135	0.0138	\$/kVA/day
Export credits			
<i>(30 to 750 kW generators, export during control periods, subject to prior approval)</i>			
Real power (kW) credit	(0.2202)	(0.0897)	\$/kW/day
Reactive power (kVAr) credit	(0.0277)	(0.0295)	\$/kVAr/day
Generation credits			
<i>(credits withdrawn from 1 April 2019)</i>			
Generation volume credit	(0.50000)	0.00000	\$/kWh

Notes

Daily prices are applied all year, including where the measurement period (for example, during control periods) is assessed over a shorter period.

This schedule is a summary only. For full details on our prices and how we apply them, please refer to our *Pricing Policy* document, and our published electricity delivery price schedule, available from our website.

Dedicated equipment prices include standard maintenance, replacement (at end of useful life) and component certification (where appropriate). Initial installation costs and non-recoverable asset costs are charged in addition. Other services may be provided on a 'fee for service' basis by agreement.

Export credits are subject to specific requirements and full details are set out in our *Export Credits Policy* document, available from our website.