

Media statement – for immediate release
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Commerce Commission decision on Orion's network prices and reliability targets

Orion notes the Commerce Commission released its final decision on Orion's post-earthquake pricing and reliability targets today. Orion will now thoroughly analyse the 245 page report.

Under the Commerce Act, the Commission determines Orion's prices and reliability targets. Based on the Commission's belief of what is in the best long term interest of electricity consumers in Christchurch and central Canterbury, the Commission has announced an above-inflation price increase for Orion of 8.4 percent in April 2014. Annual increases at CPI plus one percent will be allowed for the four following years. Orion's charges make up around one quarter of a household's electricity bill.

Since the February 2011 earthquake, Orion's prices have been frozen in real terms despite its costs rising in the rebuild environment and its revenue being severely reduced. Orion's price increases have been below inflation since 2001.

"Orion is very mindful of the impact any price increase has, especially for those on lower incomes. However, it is critical we ensure our network is resilient enough to protect our community from future disasters that may strike. Despite this increase, Orion and its shareholders will incur a substantial financial impact from the Canterbury earthquakes," says Orion CEO Rob Jamieson.

"Our driver is, and always has been, to manage our network in the best long term interests of consumers and our community. This means we need to restore our network to pre-quake levels of resilience and reliability and support the rebuild of Christchurch. That is a responsibility we take very seriously," continues Mr Jamieson.

"An example of the importance of network resilience is the seismic strengthening work that we started in the 1990's. This industry leading work protected much of Christchurch after the February 2011 earthquake and prevented continual blackouts potentially lasting months."

"There's a lot for us to consider in the Commission's decision. Our next step is to work through the detail."

"Despite being unique amongst electricity network companies in facing huge earthquake costs as well as business-as-usual costs, this decision means that our pricing will still be below the New Zealand average. Our network infrastructure plans are also now the most scrutinised in New Zealand. Those plans provide a great



platform for us to continue the work required to restore the network's resilience," says Mr Jamieson.

Ends.