



**Annual price-setting
compliance statement**
For the assessment period ending 31 March 2025

For prices applying from 1 April 2024
Issued 29 February 2024

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1. Purpose

This annual price-setting compliance statement (Statement) states Orion New Zealand Limited compliance with price-quality regulation as per clauses 11.23 and 11.3 of the Electricity Distribution Services Default Price-Quality Path Determination 2020 (the Determination).

1.1 Disclaimer

Information disclosed in this Statement has been prepared solely for the purposes of the Determination. The information in this Statement should not be used for any other purpose than that intended under the Determination.

1.2. Date Prepared

This Statement was prepared on 29 February 2024.

2. Statement of Compliance

2.1 Compliance with the Price Path

Orion New Zealand Limited has complied with the price path in clause 8.4 of the Determination for the assessment period ending 31 March 2025.

Clause 8.4 of the Determination requires that, for the second to fifth assessment periods, to comply with the price path for an assessment period, a non-exempt Electricity Distribution Business's (EDB's) forecast revenue from prices for that assessment period must not exceed the lessor of:

- a) The forecast allowable revenue for that assessment period; and
- b) The amount determined in accordance with the following formula:

The forecast revenue from prices for the previous assessment period x (1 + limit on annual percentage increase in forecast revenue from prices)

Compliance is established in table 1 below, which demonstrates that forecast revenue from prices for the assessment period does not exceed the forecast allowable revenue for that assessment period.

Table 1 – Statement of price path compliance for the assessment period ending 31 March 2025

Calculation components	Amount (\$'000)
Forecast revenue from prices 2025	\$257,779
Forecast allowable revenue 2025	\$257,783
Forecast revenue from prices 2024 x (1+10%)	\$260,218
Result	Compliant with the price path

This statement provides the detail about the prices and assumptions that underpins Orion New Zealand.

2.2 Certification

This Statement was certified in accordance with clause 11.2(c) of the Determination on 29 February 2024. A copy of the directors' certificate is included in Appendix A.

3. Calculation of forecast revenue from prices

Forecast revenue from prices is calculated by multiplying prices as at, 01 April 2024 by the forecast quantities as at, 31 March 2025 for each of the consumer groups. The Determination requires that the forecasts are demonstrably reasonable.

The forecast quantities are derived by escalating the prior years' actual quantities by the growth assumption for each consumer group. The growth assumptions are calculated based on a 6-year linear

trend percentage growth in consumption, demand, capacities, and number of ICPs for each consumer group.

A summary of Orion New Zealand Limited forecast revenue from prices is included in Table 2 below. Supporting calculation of the forecast revenue from prices is included in Appendix B. Appendix C provides full tables of forecast revenue from prices for each consumer group.

Table 2 – Summary of Orion New Zealand Limited forecast revenue from prices

Term	Description	Amount ('000)
ΣP 2024/25*Q 2024/25	Forecast prices between 01 April 2024 and 31 March 2025 multiplied by forecast quantities for the period ending 31 March 2025.	\$257,779

The 2025 assessment period is the fifth assessment period of the regulatory period (2021-2025). In accordance with the Determination, the forecast allowable revenue (FAR) for this assessment period has been determined using the following formula:

FAR = Forecast net allowable revenue (FNAR) + forecast pass-through and recoverable costs (FRPC) + opening wash up account balance (OWAB) + pass-through balance allowance (PTBA)

Orion New Zealand Limited FAR for the 2025 assessment period is \$257.78 million. The calculation of FAR is provided in table 3 below.

Table 3 – Calculation of the forecast allowable revenue

Term	Description	Amount ('000)
Forecast net allowable revenue	Forecast net allowable revenue as set out in Table 1.4.1 in Schedule 1.4 for the period ending 31 March 2025	\$171,521
Forecast pass-through costs	The sum of all the forecast pass-through costs	\$10,407
Forecast recoverable costs	Forecast recoverable costs, excluding any recoverable cost that is a revenue wash-up draw down amount	\$61,392
Opening wash-up account balance	Closing wash-up account balance for the previous assessment period	\$14,463
Pass-through balance allowance	The pass-through balance allowance for the fourth assessment period	NIL
Total FAR		\$257,783

The four components of the FAR for the assessment period ending 31 March 2025 are described in more detail below.

3.1 Forecast net allowable revenue

The forecast net allowable revenue (FNAR) for the fifth assessment period is \$171.521 million. The FNAR is specified in Table 1.4.1 in Schedule 1.4 of the Determination.

3.2 Forecast Pass-through and Recoverable costs

Orion New Zealand Limited forecast recoverable and pass-through costs (FRPC) for the assessment period ending 31 March 2025 are \$71.799 million. The Determination requires a demonstrably reasonable forecast of pass-through and recoverable costs. The forecast values and the methodologies that Orion New Zealand Limited has applied to forecast pass-through and recoverable costs are outline in Table 4 below. In Orion New Zealand Limited's opinion, all the methods deliver demonstrably reasonable forecasts of pass-through and recoverable costs.

Cost component	Amount (\$'000)
Forecast pass-through costs	
Local authority rates	\$7,519
Commerce Commission levies	\$1,439
Electricity Authority levies	\$1,300
Utilities Dispute levies	\$150
Forecast recoverable costs	
Transpower Connection, residual, benefit based and transitional cap charges	\$56,482
Transpower New Investment Contract charges	\$3,277
Avoided transmission charges from asset transfers	\$0
Quality incentive adjustment	\$678
Capex wash-up adjustment	\$799
FENZ levy	\$155
Total forecast pass-through and recoverable costs	\$71,799

Method of forecasting Pass-through costs

Pass-through cost components	Forecasting methodology
Local authority rates	Taking the current inflation environment and applying inflationary increases.
Commerce Commission	
Electricity Authority levies	Authority consulting on budgets with a substantial uplift in their revenue.
Utilities Dispute levies	Council strategic review and media releases on potential higher than inflation increases in rates and taxes.

Method of forecasting Recoverable costs

Recoverable cost components	Forecasting Methodology
Incremental rolling scheme	Calculated in accordance with 3.1.1(1)(a) of the Electricity Distribution Services Input Methodologies Determination 2012 (Input Methodologies)
Transpower Connections costs	As notified by Transpower
Transpower residual costs	
Transpower benefit-based costs	
Transpower Transitional cap	
Transpower New Investment Contract charges	As notified by Transpower in December each year
Avoided transmission charges from asset transfers	Calculated in accordance with Determination schedule 5.1 clause 1(a)(i). The amount determined by Transpower for the year preceding the assessment period in which the charge was first recovered.
Distributed generation allowance	Forecast as zero as Orion New Zealand Limited has not historically incurred costs, paid, nor received avoided transmission charges arising from distributed generation
Claw-back	Forecast as zero as Orion New Zealand Limited does not expect to have claw-back applied by the Commerce Commission under section 54K (3) or 53ZB(3) of the Commerce Act 1986

Catastrophic event allowance	Forecast as zero as Orion New Zealand Limited does not expect to have a catastrophic event during the disclosure year.
Extended reserve allowance	Forecast as zero as Orion New Zealand Limited has not applied to the Commerce Commission for an allowance, per Schedule 5.2 of the Determination, in the disclosure year.
Quality incentive adjustment	Calculated in accordance with Determination schedule 4. Refer to our annual compliance statement for the year ending 31 March 2023 for further details
Capex wash-up adjustment	Calculated in accordance with clause 3.3.3(1)(p) of the Input Methodologies. Refer to Table below for calculations.
Transmission asset wash-up adjustment	Forecast as zero as Orion New Zealand Limited does not intend to purchase any transmission asset during the coming assessment period.
Reconsideration event allowance	Forecast as zero as Orion New Zealand Limited has not applied to the Commerce Commission for a reconsideration event allowance in the disclosure year.
Quality standard variation engineer's fee	Forecast as zero as Orion New Zealand Limited has not applied to the Commerce Commission for a quality standard variation in the assessment period.
Urgent project allowance	Forecast as zero as Orion New Zealand Limited has not had an urgent project as defined in the Input Methodologies
Fire and emergency NZ levies	Based on historical growth rates
Innovation project allowance	Forecast as zero as Orion New Zealand Limited has not applied to the Commerce Commission for an innovation project allowance, per Schedule 5.3 of the Determination, in the disclosure year

Table 5 - The capex wash-up adjustment

Term	Description	Units	Value
Capex wash-up adjustment	Difference between the revenues for DPP regulatory period using actual values of commissioned assets for a prior regulatory period and the revenues using forecast commissioned assets applied by the Commission when setting prices	\$000	\$2,808
l	Number of disclosure years in the DPP regulatory period	Years	5
r	Cost of debt applying to the DPP regulatory period	%	2.92%
y	Number of disclosure years preceding the disclosure year in question in the DPP regulatory period	Years	4
Adjusted Capex wash-up adjustment	$(\text{Capex wash-up adjustment}/(l-1) \times (1+r)^{(y+0.5)})$	\$000	\$799

3.3 Opening Wash-Up account balance

The opening wash-up account balance (OWAB) for the assessment period ending 31 March 2025 is positive \$14.463 million.

The OWAB is calculated in accordance with Schedule 1.7 of the Determination and represents the closing wash-up balance for the assessment period ended 31 March 2024, adjusted for the time-value of money. The calculations are shown in tables 6 and 7 below.

Table 6 – Closing wash-up account balance for the assessment period ending 31 March 2024

Term	Description	Value (\$000)
Wash-up amount for the previous assessment period	Wash-up amount for the assessment period ending 31 March 2023	\$13,313
Voluntary undercharging amount foregone for previous assessment period	Amount of voluntary undercharging in the second assessment period which is foregone from future revenues	-
67 th percentile estimate of post-tax WACC		4.23%
Closing wash-up account balance	(Wash-up amount for previous period – Voluntary undercharging amount foregone for previous period) x (1+67 th percentile estimate of post-tax WACC) ^ 2	\$14,463

Table 7 – Opening wash-up account balance for the assessment period ending 31 March 2025

Term	Description	Value (\$000)
Opening wash-up account balance	Closing wash-up account balance from previous assessment period	\$14,463

Appendix A Directors' Certificate for the Annual Price-Setting Compliance Statement

We, Paul Jason Munro and Michael Earl Sang, being directors of Orion New Zealand Limited New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached annual price-setting compliance statement of Orion New Zealand Limited New Zealand limited, and related information, prepared for the purposes of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* has been prepared in accordance with all relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable.



Paul Jason Munro

29 February 2024



Michael Earl Sang

29 February 2024

APPENDIX B QUANTITY FORECASTING

B1 Forecast Quantities as at 31 March 2025

Calculating forecast revenue as at 31 March 2025 from prices effective 01 April 2024 requires Orion New Zealand Limited to prepare a forecast of quantities for the assessment period. Orion New Zealand Limited prices have both fixed and variable components; accordingly, prices are set on numbers of installation connection points (ICPs), connection, consumption (kWh), capacity (kVA) and demand (kW).

Connection and consumption forecasts use a bottom-up approach for each price category. Connections, consumption, and demand forecasts are determined escalating the prior year quantities in each pricing area by using a 6-year linear trend. Orion New Zealand Limited has applied forecast growth assumptions, rather than historical trends.

Year-end forecasts of connection, capacity, and demand quantities are determined using year-to date actual quantities, as at 30 November 2023 and forecasting to the year-end using a linear growth trend.

Year-end forecasts of variable (consumption) quantities are derived by combining actual quantities as at 30 November 2023 with the forecast quantities derived for the remaining four months of the 2024 pricing year.

B2 Installation Connection Points Growth Factor

Forecasts of connections are based on existing connections with a 3% growth on average. This is based on historical increases in network connections as detailed in the Asset Management Plan. We estimated the average number of ICP's on the network to be 225,522 when setting the fixed charges for 2024/2025.

Variable volumes have historically increased by 1%. The assumption is that this trend will continue. Over the past 2 years we have seen an increase in consumption primarily due to colder snaps in winter. In addition, more irrigation has been required in the assessed price groups due to the warmer summers.

B3 Fixed and Variable Charges

Prices have a fixed and variable volume component within each price category. These charges are based on forecast number of connection points, kVA capacity and kWh consumption volumes.

Variable quantity forecasting requires a different approach to fixed quantity forecasting since variable quantities are subject to seasonal patterns, whereas fixed quantities are much more stable, with a generally linear growth trend throughout the year.

Forecast for the next pricing year is based on a 6-year linear regression to generate the forecast as a starting point with expected growth.

B4 Directly Billed Customers

Directly billed customer charges are based on the terms and conditions of their Delivery Service Agreements.

APPENDIX C PRICES AND FORECAST QUANTITIES FOR PRICES EFFECTIVE 01 APRIL 2024

The table below provides for each consumer group:

- forecast quantities for the assessment period ending 31 March 2025
- unit prices (i.e., distribution plus pass-through and recoverable costs) for the assessment period, becoming effective 1 April 2024; and
- forecast revenue from prices for the assessment period ending 31 March 2025

Price Category	Unit	Unit price (\$)	Forecast quantity	Days applicable	Forecast revenue (\$'000)
STREETLIGHTING, IRRIGATION AND GENERAL CONNECTIONS					
Residential Connection -Uncontrolled	\$/con/day	0.5998	35,058	365	7,675.7
Residential Connection -Controlled	\$/con/day	0.5036	160,851	365	29,565.0
General Group 1 - Uncontrolled	\$/con/day	0.9408	8,205	365	2,817.7
General Group 1 - Controlled	\$/con/day	0.7367	3,210	365	863.1
General Group 2 - Uncontrolled	\$/con/day	1.0071	9,737	365	3,579.4
General Group 2 - Controlled	\$/con/day	0.8658	2,095	365	662.0
General Group 3 - Uncontrolled	\$/con/day	3.9718	3,694	365	5,355.2
General Group 3 - Controlled	\$/con/day	3.2386	569	365	672.6
Irrigation capacity charge	\$/kW/day	0.1897	76,484	182	2,641.0
Streetlighting	\$/con/day	0.0131	54,332	365	259.0
Weekend volume charge	\$/kWh	0.03012	663,05.9	MWh	19,972.4
Peak volume charge ¹	\$/kWh	0.12020	814,185.6	MWh	97,862.4
Shoulder volume charge ²	\$/kWh	0.07007	609,314.6	MWh	42,692.8
Off peak volume charge ³	\$/kWh	0.00558	345,712.0	MWh	1,928.8
Saver Off Peak volume charge ⁴	\$/kWh	0.00000	146,876.1	MWh	NIL

¹ Peak (Mon to Fri, 7am –11am and 5pm-10pm)

² Shoulder (Mon to Fri, 11am – 5pm)

³ Off Peak (Mon to Fri, 10pm -3am)

⁴ Super Off Peak (Anytime between 3am – 5am)

Irrigation Power factor correction rebate	\$/kVAr/day	(0.1197)	22,636	182	(493.0)
Irrigation Interruptibility rebate	\$/kW/day	(0.0296)	49,250	182	(265.5)
MAJOR CUSTOMER CONNECTIONS AND EMBEDDED NETWORKS					
Major connection	\$/con/day	20.000	427	365	3,117.1
Major additional connection	\$/con/day	15.000	127	365	695.3
Extra switches	\$/switch/day	3.9000	113	365	160.9
11k Metering equipment	\$/con/day	5.3000	48	365	92.9
11kV Underground cabling	\$/km/day	4.7000	7.3	365	12.5
11kV Overhead lines	\$/km/day	3.5000	3.0	365	3.8
Transformer capacity	\$/kVA/day	0.0118	385,340	365	1,664.3
Peak charge (CPD) ⁵	\$/kVA/day	0.2925	118,259	365	12,838.8
Nominated maximum demand	\$/kVA/day	0.0992	306,982	365	11,118.2
Metered maximum demand	\$/kVA/day	0.0925	249,362	365	8,417.4
DIRECTLY BILLED LARGE CAPACITY CUSTOMERS					
Directly billed customer 1	\$/year				2,394
Directly billed customer 2	\$/year				1,488
EXPORT CREDITS					
Real power component	\$/kW/day	(0.0676)	472.4	365	(11.7)
Reactive power component	\$/kVAr/day	(0.0222)	129.7	365	(1.1)
Forecast Revenue from Prices FY2025					257,779.4

⁵ Control Period Demand we aim to control for 80 – 100 between May and August

APPENDIX D COMPLIANCE WITH THE DETERMINATION.

This schedule demonstrates how this Statement complies with the Determination.

Determination requirement	Determination Reference	Statement Reference
<p>Clause 1 1(2)</p> <p>The ‘annual price-setting compliance statement’ must -</p>		
State whether or not the non-exempt EDB has:		
<ul style="list-style-type: none"> In respect of the second to fifth assessment periods of the DPP regulatory Period, complied with the price path in clause 8.4 for the assessment period; 	Clause 11.2(a)(iii)	Table 1
<ul style="list-style-type: none"> State the date on which the statement was prepared; and 	Clause 11.2(b)	Section 2
<ul style="list-style-type: none"> Include a certificate in the form set out in Schedule 6, signed by at least one Director of the non-exempt EDB. 	Clause 11.2 (c)	Appendix A
<p>Clause 11(3)</p> <p>The “annual price-setting compliance statement’ must include the following information</p>		
<ul style="list-style-type: none"> The non-exempt EDB’s calculation of its forecast revenue from prices together with supporting information for all components of the calculation; 	Clause 11.3 (a)	Section 3, Appendix B and Appendix C
<ul style="list-style-type: none"> The non-exempt EDB’s calculation of its forecast allowable revenue together with supporting information for all components of the calculation 	Clause 11.3 (b)	Section 3
<ul style="list-style-type: none"> If the non-exempt EDB has not complied with the price path, the reasons for the non-compliance; and 	Clause 11.3 (c)	Not applicable
<ul style="list-style-type: none"> If the non-exempt EDB has not complied with the price path, any actions taken to mitigate any non-compliance and to prevent similar non-compliance in future assessment periods. 	Clause 11.3 (d)	Not applicable