

Media statement

2.00 pm, Monday 25 February 2013

Orion submits rebuild proposal

Following its request for public comment late last year, Christchurch-based electricity network company Orion New Zealand Limited has lodged an application with the Commerce Commission to change its reliability targets and prices.

The application, if approved, will allow us to restore the electricity network in Christchurch and central Canterbury after the 2010 and 2011 earthquakes and recover the costs from consumers. Capital costs will typically be recovered over 50 years, while most other costs will be recovered over 10 years.

Orion's proposal would mean a 5% increase on the total average household bill, or in dollar terms, \$8.70 a month including GST from April next year.

"As a result of our final calculations, the figure of \$8.70 is slightly higher than the \$8.50 communicated in our draft proposal last year," says Orion Chief Executive Rob Jamieson. "These calculations are just another step in the Commerce Commission's process. Ultimately the Commission will decide whether any increase is justified and, if so, how much."

The proposed changes do not include annual inflation adjustments, which would be additional.

The Commission must now decide whether to accept Orion's application. If it does so, the Commission will thoroughly analyse the application and undertake formal public consultation before making a final decision in late 2013.

Thirty eight submissions were received after Orion's request for feedback.

"We're very grateful for the feedback and have reviewed it thoroughly. It's clear that people want us to restore a good quality electricity system," says Mr Jamieson.

"We found there was good support for our proposal to restore the network, spread the cost of doing so over time and recover costs from power consumers. Some submitters suggested that the costs should be met by a range of parties, such as our Council shareholders and the Government. A small number suggested that prices shouldn't go up at all."

"We are mindful of the impact that any price increase has, especially for those on lower incomes. However, we have to consider the long term interests of our region. We think it's fair to recover our reasonable costs from the consumers who use, and benefit from, our service. The proposed prices provide no more than a fair return and provide the right incentives for us to continue to make sound investments in a strong, essential electricity network for the good of our community."

"We have forwarded the feedback to the Commerce Commission for it to evaluate separately. We are still in the early stages of the Commission's process and there will be more opportunities for people to make their views known," he says.



Orion has today posted its proposal, including public comment it has received, on its website.

“The level of detail required by the Commission means that our proposal is 2,000 pages long. It would be one of the most open and transparent applications made by any business for any price increase,” says Mr Jamieson, “and the Commission has required that all our planned expenditure be independently verified.”

“On some issues the verifier has taken a different view to Orion – for example, whether we should go ahead and put new high voltage cables underground in residential areas when it could be cheaper to build overhead lines and pylons.”

“We appreciate these different opinions and we welcome further discussions on these issues. It’s important that the process is robust and thorough and we’re very keen to know what the Commission thinks. We’re especially interested in how the uninsurable costs of a disaster should be recovered, as this has implications for the whole industry,” he says.

The Commission has 40 working days to evaluate Orion’s proposal. At the end of that time, if the Commission decides that the application complies, the Commission will give public notice that the application is under consideration and set dates for public submissions.

Orion’s full application and proposal to the Commission can be viewed at www.oriongroup.co.nz/cpp.

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For further information, contact:

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About Orion

Orion New Zealand Limited owns and operates the electricity network in Christchurch and central Canterbury. Our network covers 8,000km² between the Rakaia and Waimakariri rivers and from the Canterbury coast to Arthur’s Pass. We deliver electricity to around 190,000 homes and businesses across this diverse geographical area.

Orion’s charges make up 25% of the monthly electricity bill for the average household or business. The Commerce Commission regulates all electricity distribution companies under the Commerce Act. For Orion, this means the Commission controls both its prices and levels of reliability.