

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 2024.

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.

Regulated price increase

Orion operates under a regulated default price-quality path (DPP) which was updated and reset by the Commerce Commission to apply for the 5-year period beginning 1 April 2020. Initially the price path reset provided a 6.0% reduction in total delivery prices, and the following 4 years include a CPI based increase, together with a range of regulatory allowances.

The following table provides a breakdown of the overall movement in the components making up our delivery prices applying from 1 April 2024:

| | | |
|---|--|------------------|
| Distribution cost allowances | Regulated allowances for operations, maintenance, administration and asset-based costs | +0.8% +\$1.9m |
| Transmission related costs | Charges from Transpower for the national grid, and related regulatory allowances vary from year to year | +1.5% +3.7m |
| Regulatory costs and levies (including incentives and adjustments) | The DPP includes incentives relating to expenditure and reliability, and includes adjustments for variations | +6.6% +15.6m |
| Network growth and other factors | When chargeable quantities increase we must set lower prices to remain within the revenue limit set under the DPP and vice-versa | -1.6% |
| Overall price increase | | +7.3% |

Within this overall movement, major customers will on average receive a lower price increase of **3.9%**. This lower increase is due largely to forecast quantity growth and a lower allocation of transmission costs. Looking more closely, the different price components are changing by different amounts, and as each major customer connection has a different exposure to each component, the movement will vary. For the vast majority the increase will be between 2% and 8%.

No price restructuring

Unlike some of our other connection categories, the major customer connection pricing structure is already considered to be cost reflective, with costs recovered via a combination of fixed and demand-based charges, and no structural changes are proposed at the present time.

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 credits

Our export credits reflect the savings in investment that are available when peak loads are reduced with generation. The asset-based cost of investments (and therefore the savings) were reduced significantly following the regulatory price path reset which commenced on 1 April 2020, and the effects continue to flow through as reductions in export credit prices.

This year we have reviewed the factors supporting the credits and applied a 8.4% reduction to align with the cost reflective distribution component of our general connection peak demand charge.

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 Tarryn Butcher, Pricing Manager at Orion (phone 027 204 7877) for more information.

31 January 2024

Delivery price changes for major customer connections



(issued 31 January 2024)

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 2023 to 31 March 2024 | New prices from 1 April 2024 | Unit of measure |
|---|---|---------------------------------|--------------------|
| Electricity delivery | | | |
| Fixed charge | 15.00 | 20.00 | \$/con/day |
| Fixed charge (additional connections) | 10.00 | 15.00 | \$/con/day |
| Peak charge (control period demand) | 0.2949 | 0.2974 | \$/kVA/day |
| Nominated maximum demand charge | 0.1073 | 0.0992 | \$/kVA/day |
| Metered maximum demand charge | 0.0748 | 0.0925 | \$/kVA/day |
| Monthly invoice and contract charge (for directly contracted major customers) | 49.00 | - | \$/invoice |
| Dedicated equipment | | | |
| Extra switches | 3.6700 | 3.900 | \$/switch/day |
| 11kV Metering equipment | 5.0200 | 5.300 | \$/con/day |
| 11kV Underground cabling | 4.4000 | 4.700 | \$/km/day |
| 11kV Overhead lines | 3.1800 | 3.500 | \$/km/day |
| Transformer capacity | 0.0122 | 0.0118 | \$/kVA/day |
| Export credits <i>(30 to 750 kW generators, export during control periods, subject to prior approval)</i> | | | |
| Real power (kW) credit | (0.0625) | (0.0676) | \$/kW/day |
| Reactive power (kVAr) credit | (0.0205) | (0.0222) | \$/kVAr/day |

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.