



# Orion New Zealand Limited

## Statement of intent

For FY18, FY19 and FY20

Approved by the board  
6 April 2017

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## Directors

Nick Miller – chairman  
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Bruce Gemmell  
Bob Simpson  
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## Chief Executive Officer

Rob Jamieson

## A Introduction

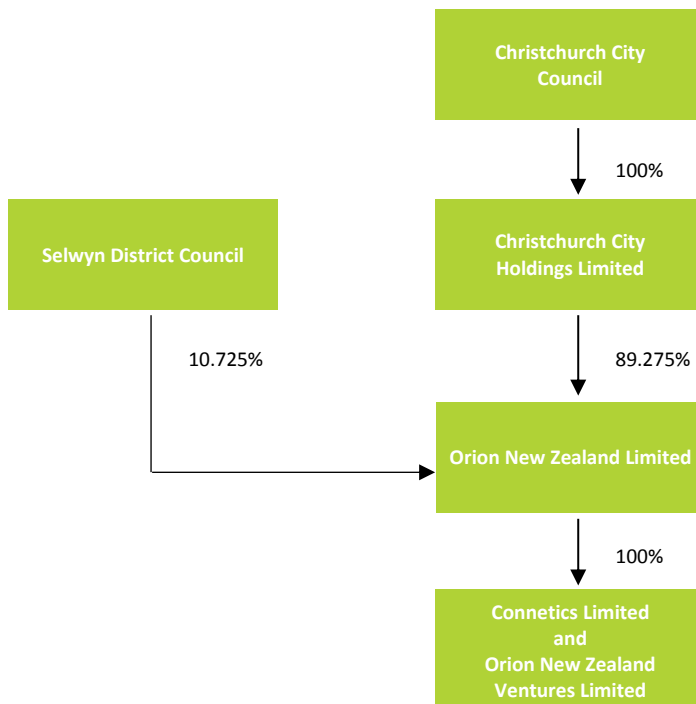
Our customers rely on the electricity we deliver in Christchurch and central Canterbury. Keeping this vital 'lifelines' infrastructure operating safely and sustainably is our top priority.

This statement of intent (SOI) sets out Orion New Zealand Limited's (Orion's) overall intentions and objectives. This SOI also covers our wholly-owned subsidiary companies, Connetics Limited and Orion New Zealand Ventures Limited.

Orion and its subsidiaries are energy companies, pursuant to the Energy Companies Act 1992. This SOI has been prepared in accordance with section 39 of the Act and clause 11 of Orion's constitution. Pursuant to section 36 of the Act, our principal objective is to operate as a successful business.

We review and update our SOI annually, in consultation with our shareholders. This SOI covers FY18, FY19 and FY20.<sup>1</sup>

Our group structure is as follows:



The following diagram shows how this SOI sits within our governance framework:



<sup>1</sup> Financial years are denoted with the "FY" prefix. For example, FY18 represents the year ended 31 March 2018.

## B Our key roles and our objectives

### Our key roles

We have an important role in meeting our community's aspiration for:

- a 'liveable' city and region – with strong, connected communities
- a healthy environment
- a prosperous economy.

Our purpose, vision and ambition is to connect communities and ignite innovation, and values are to connect, create and collaborate.

In support of our community's vision, our key roles are to:

- connect our customers with New Zealand's, largely renewable electricity generation – mostly hydro, geothermal and wind
- ensure that our electricity delivery service matches our customers' and our community's expectations for network capacity, safety, resilience and reliability – prudently, efficiently and sustainably
- act in the long term interests of our customers, our community and our shareholders.

Delivering on our key role enables local individuals and businesses to invest for growth, confident that their electricity will go on and stay on when they 'flick the switch'.

We will aim to:

- provide a safe, resilient, reliable, efficient and sustainable electricity distribution service in the long term interests of our customers and community in the Christchurch and central Canterbury region – consistent with good industry practice
- ensure that Transpower provides a safe, resilient, reliable, efficient and sustainable transmission service in the long term interests of our customers and community – consistent with good industry practice
- provide commercial services that are ancillary to our electricity distribution service – this includes Connetics providing contracting services to its external customers
- support competition among electricity retailers and generators
- seek investment/acquisition opportunities in the infrastructure and energy sectors
- manage, grow and if appropriate, realise our other subsidiary and associate company interests.

### Our customer focus

We will aim to engage, collaborate with and provide good customer service to:

- our connected customers – including those who want to adopt new technologies
- those who want to connect to our network or upgrade their existing connection
- property developers
- regulatory agencies
- electricity retailers and generators
- electrical contractors and engineering consultants
- external customers who receive contracting services from Connetics.

### Our network resilience

As a key 'lifelines utility', we need to be ready if high impact, low probability (HILP) events occur. We will aim to ensure that our emergency readiness plans and practices are prudent, robust and fit for purpose. We will also aim to substantively complete our post-quake recovery programme in FY18. We are on track to substantively restore our electricity distribution network's resilience and reliability to pre-quake levels by the end of FY18. Our last two major quake recovery milestones are to complete the following projects in FY18:

- repairs to our quake-damaged Lancaster zone substation
- build of a new resilient and fit-for-purpose depot for Connetics at Waterloo business park.

## **Our commercial objectives**

We will aim to operate as a successful and sustainable business and provide our shareholders with appropriate returns on their investment. To achieve this, we will aim to:

- achieve our performance targets as set out in this SOI
- understand and meet our customers' needs
- continually improve our customer engagement and our customer service
- be agile in adapting to and adopting emerging technologies
- innovate and continually improve the efficiency and effectiveness of our operations
- prudently and efficiently invest in our electricity distribution network
- recover our prudent and efficient costs, including an appropriate return on investment
- prudently and efficiently identify and manage our key risks
- comply with relevant legislation, regulation and planning requirements
- co-operate with and meet the objectives of relevant regulatory agencies
- undertake new investments in the infrastructure and energy sectors which are expected to:
  - yield a return at least equal to those investments' risk-adjusted weighted average cost of capital, and
  - increase the commercial value of the business
- provide services that are ancillary to our electricity delivery service on a commercial basis
- if appropriate, sell investments over time.

## **Our costs**

We will seek innovative ways to be efficient and effective. For example, we signal the long-term economic costs of providing our network delivery service to our customers in our network delivery prices. These signals aim to incentivise our customers to reduce load at peak times, which in turn reduces the need for us to invest in expensive network capacity to meet peak loads that occur for relatively short periods.

We will carefully plan our network capital and operating expenditures and we will competitively tender our substantive network works and procurement.

We believe that the long term economic costs for our customers of lower levels of network capacity, safety, resilience and reliability significantly outweigh the short term benefits of any related cost savings.

## **Our network delivery prices**

Our electricity distribution charges make up around a quarter of a typical power bill in our region.

We will aim to ensure that our network prices reflect our prudent and efficient costs. Full economic cost recovery retains our incentive to continue to invest in our network and our service, in the long term interests of our customers, our community and our shareholders.

We will comply with the network delivery price limits that the Commerce Commission sets for us.

We will pass on Transpower's charges for electricity transmission to our customers.

## **Our response to emerging technologies**

Emerging technologies are an increasing focus for our industry. Current discussion centres on electric vehicles (EVs), in-home photovoltaics (PV), in-home battery storage systems and in-home energy management systems – but there will be many more new technologies and innovations. These innovations will lead to more choice for customers, changing customer needs and opportunities for further efficiencies and business growth.

In light of these issues, we:

- are continuously assessing emerging technologies, while engaging with industry experts and stakeholders

- are underway with partners to install a network of public charging stations throughout our network region. We aim to have at least twenty installed by the end of FY18
- have purchased 15 Mitsubishi Outlander hybrids and a Nissan Leaf EV. At least 30% of our operational passenger fleet will be converted to electric drive capability over the next two years, we are well on our way to meeting this target with over 20% of our operational passenger fleet already converted
- are a founding and active member of the Christchurch EV forum.

### **Our risk management**

We will aim to identify and manage our key risks, consistent with good industry practice and the risk management standard AS/NZS 31000. There is more information about our key risks, and our risk management processes and plans, in section 6 of our ten-year network AMP.

### **Our social responsibility**

Our ultimate council shareholders use our dividends in the manner specified in their respective plans and budgets. We consider that achieving an appropriate risk-adjusted return on capital invested is in our customers' and our community's long term interests.

We will aim to act in a socially responsible way and as a good corporate citizen – with empathy for our community. In some of our key decisions, we will actively consult with our customers and key stakeholders.

### **Our care for the environment**

We are committed to environmental sustainability. Our environmental sustainability policies are on our website, and we review them on a regular basis. Our guiding principles include to:

- actively consult with stakeholders on key environmental issues
- minimise waste and the release of pollutants
- use resources (including energy) wisely
- restore where we have impacted the natural environment
- apply appropriate resources environmental management – and identify and manage risk.

The New Zealand Government has made a commitment to reduce carbon emissions via the 2016 Paris Agreement. In support of that commitment, it makes sense for us to identify and mitigate the major sources of our footprint.

Over 90% of our annual carbon footprint comes from electrical losses, a natural phenomenon caused by the heating of an electricity distribution network as electricity passes through it, and from the carbon embedded in our network assets. The higher our system peaks, the higher our carbon footprint from both of these effects. So we try to reduce our system peaks and overall carbon footprint via demand side management (DSM) initiatives in order to achieve:

- lower electrical losses during peak demand periods – electrical losses increase considerably when network assets are highly loaded during peak demand periods.
- fewer network assets needed to meet demand during peak periods
- less fossil fuel generation needed to meet demand during peak demand periods.

One key DSM initiative is our residential hot water control system. During peak demand periods, we switch residential hot water heating off to reduce system peaks. In this way, hot water cylinders act as virtual batteries that shift customer demand from one period to another, which contributes to long term carbon savings.

Another key DSM initiative is our cost-reflective network pricing, which helps our larger business customers to make efficient decisions about which form of energy to use and when to use it, which contributes to long term carbon savings.

We also assist local businesses to install standby generation that can be used during peak demand or emergency periods, and we continue to co-operate with other electricity distributors on the upper South Island centralised load management control system.

We are also the founding sponsor of EVelocity, a charitable trust that facilitates teams of school students building electric vehicles and racing them. EVelocity aims to inspire students into design, engineering and technology so that they can help create a more sustainable future.

We will aim to identify and adopt technologies that help to reduce our overall carbon footprint.

For most homeowners, insulation is the best investment they can make to achieve energy efficiency and a warmer and healthier home. Community Energy Action, provides free or subsidised insulation, efficient heating, recycled curtains, independent energy advice and helps to make local homes warmer. CEA is a charitable trust that assists homeowners and tenants in Christchurch, and central and north Canterbury. We have sponsored and supported CEA for over 20 years and we plan to continue to do so for the foreseeable future.

### **Our people**

We will aim to attract, retain, develop and motivate high calibre employees at all levels – to support our principal objective, to operate as a successful business. We are a socially responsible and equal opportunities employer.

We are especially conscious of our public responsibilities in the setting of remuneration for senior executives, which is closely managed by the board and made publically available via the annual report. We regularly compare our employee remuneration against market data. In general, we aim to meet the market, subject to employee performance.

All individual employment agreement terms and conditions are subject to *one-up* approval. For example, the board approves the chief executive's employment terms and conditions and the board remuneration committee approves those of the direct reports to the chief executive. Four collective employment agreements cover around 45% of the group's employees. The board negotiates the chief executive officer's remuneration, after taking independent expert advice on relevant market data. The board reviews the chief executive officer's remuneration annually.

We aim to provide a work environment that enables professional and personal growth for our employees and we recognise our responsibility to ensure our people can do their jobs effectively. To ensure that we have skilled employees, we will continue with our initiatives that focus on recruitment, training, retention and succession.

### **Our commitment to health and safety**

Health and safety is everyone's responsibility.

We aim to have safe worksites and a safe network – for our employees, contractors, visitors, our customers and the public. We take a risk-based approach to health and safety. We aim to have a fit-for-purpose health and safety management system, one with effective and robust:

- objectives and performance targets
- board and management reporting
- incident investigation, applying any lessons learnt
- identification and risk management of critical safety risks
- investment to achieve our health and safety objectives
- continuous improvement
- compliance with legislation.

### **Our commitment to comply with relevant legislation**

We will continue our comprehensive legislative compliance programmes and we will aim to ensure we meet our obligations under relevant legislation and regulations.

## **C Our governance**

### **The board**

The company's shareholders appoint the directors to govern and direct the company's activities. The board is the overall and final body responsible for the proper direction and control of the company's activities and decision-making. The board's responsibilities include areas of stewardship such as:

- commercial performance
- business plans and budgets
- company policies
- financial and dividend policies

- management oversight and development
- delegations of authority
- identification and management of business risks
- identification and management of business opportunities
- internal control systems
- integrity of management information systems
- relationships with stakeholders and external parties
- compliance with relevant law
- reports to shareholders.

### **Statement of intent (SOI)**

In accordance with section 39 of the Energy Companies Act 1992 and the company's constitution, the board submits a draft SOI to its shareholders in February each year. After due consultation with the company's shareholders and after considering comments from those shareholders, the board approves the final SOI and delivers it to the company's shareholders. A copy is also placed on the company's public website.

### **Board membership**

Pursuant to the company's constitution:

- one director is appointed by the Selwyn District Council
- all other directors are appointed by Christchurch City Holdings Limited, one of which is appointed in consultation with the Selwyn District Council
- the board chairman is elected by the board.

### **Board operation**

The operation of the board is governed by the company's constitution and the board's code of conduct.

The board chairman has a leadership role in the conduct of the board and its relationship with shareholders and other major stakeholders. The chairman maintains a close professional relationship with the company's chief executive officer, and through him, the senior management team.

New directors undertake an induction process to familiarise them with matters related to the company.

### **Code of conduct**

The board has adopted a code of conduct. The code clarifies how the board and directors shall undertake their responsibilities, including:

- the role and fundamental obligations of the board and directors
- the terms of reference and operation of board committees
- independence and conflicts of interest, including any conflicts with management
- board procedures
- the role of the chairman
- interaction with the chief executive officer and the senior management team
- reliance on information and independent advice
- confidentiality of company information
- shareholder participation
- board and director performance review and development.

The board reviews the code of conduct at regular intervals to reflect good practice.



## **Conflicts of interest**

The board operates a formal directors' interests register and this register is reviewed at the start of every board meeting for any necessary updates. Directors are required to:

- not have any significant conflict of interest and/or the appearance of a conflict of interest that is potentially detrimental to the company
- declare any interest immediately to the board and refrain from voting on an issue or a transaction in which they have an interest
- disclose to the board all business relationships relevant to the company
- if requested by any other director, withdraw from any meeting where discussion of an issue or transaction will occur in which they have an interest
- comply with sections 139 to 149 of the Companies Act 1993
- not generally provide business or professional services of an ongoing nature to the company.

## **Policies**

The board reviews the company's key policies at regular intervals.

## **Board performance and review**

The board regularly reviews its performance and the performance of the chief executive officer. The reviews aim to identify opportunities and set plans for performance development and improvement.

## **Board meetings**

The board meets approximately ten times per year. Additional meetings are convened as and when required. The board's annual work programme is set by the board before the start of each calendar year. The board receives formal agenda papers and regular reports, generally a week in advance of meetings. Senior managers are regularly involved in board discussions. Directors also have other opportunities to obtain information and seek independent expert advice.

## **Board committees**

The board delegates some responsibilities and tasks to board committees. However, the board retains the ultimate responsibility and accountability for any committee's actions or inactions. All directors receive agenda papers for committee meetings and all directors have the right to attend committee meetings.

The board's two standing committees are as follows:

- the audit committee liaises with the company's independent auditor and it reviews the quality and reliability of internal controls and financial information used by and issued by the board
- the remuneration committee reviews the company's remuneration policies and practices, and reviews and sets the remuneration of the company's chief executive officer and senior management team respectively.

## **Liability insurance**

The company arranges comprehensive liability insurance policies for the company, directors and officers within the limits and requirements as set out in the Companies Act 1993 and the company's constitution.

## **Loans to directors**

The company and group do not make loans to directors.

Employees may not become involved in any activity that may affect or compromise their ability to perform their duties, or may be in conflict with the interests of the company. If employees become aware that they (or their family members or associates) have a potential conflict of interest, they are required to advise their manager.

## **Legislative compliance**

The board receives regular updates and representations from management on legislative compliance. Areas of relevant law include industry-specific regulation, health and safety, corporate, taxation, financial reporting, commercial, environmental, human resources and privacy. Compliance manuals and training are made available to all employees and the company engages independent experts for advice on some issues.

## **Investments in other companies**

The board receives regular updates on, and monitors the performance of each investee company.

### **Auditor**

Pursuant to section 45 of the Energy Companies Act 1992 and section 15 of the Public Audit Act 2001, Audit New Zealand on behalf of the Auditor-General is the auditor of the company.

## **D Our capital structure and our dividends**

We will aim to manage the company's capital structure so that we have sufficient financial flexibility to cope with and recover from future catastrophic events.

Cost effective insurance for underground cables and overhead lines (or a significant drop in network revenues following a catastrophic event) is not available. Because of this, Orion should have relatively conservative debt gearing. We will aim to ensure that the company retains at least a strong capacity to pay its debts when they fall due – this implies retaining an implicit Standard and Poor's credit rating of at least A-minus.

We forecast that our debt gearing will rise in FY18 due to:

- our investment programme to restore network resilience and reliability
- our dividend policy.

Despite the forecast rise in debt gearing, we forecast that the company will retain sufficient financial flexibility, even if another catastrophic event similar in magnitude to the 22 February 2011 quake occurs.

We will pay dividends to our shareholders after taking into account:

- the company's current and forecast financial position and performance
- the company's current and forecast investment and funding requirements
- the solvency test, pursuant to section 53 of the Companies Act 1993.

We will pay our ordinary imputed dividends in two equal instalments – in June and December.

Our forecast dividends are close to the maximum that we forecast can be paid as fully imputed dividends.

## **E Acquisitions and divestments**

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with our objectives. When the board considers a transaction to be significant to the company's business operations, we will consult with our shareholders.

Major transactions as defined in section 129(2) of the Companies Act 1993, will be subject to shareholders' approval by special resolution. Notwithstanding the above, when we are considering a significant acquisition or disposal of assets or securities, we will consult with our shareholders with as much lead-time as is commercially practicable in the prevailing circumstances. Where we decide to incorporate or subscribe for shares in subsidiaries to undertake our commercial activities, we will ensure effective management.

Board control of any subsidiary is exercised by our directors and management.

## **F Our relationships with our shareholders and with the wider CCC/SDC group**

We will operate on a 'no surprises' basis with shareholders in respect of significant matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

It may be possible to develop commercial opportunities with the wider CCC/SDC group to benefit Orion, the wider group and the Canterbury region. We will aim to work with the wider group to explore such opportunities and develop new business opportunities as appropriate.

Local authorities sometimes ask us to undertake projects that are inconsistent with our normal commercial objectives. We will seek to recover the full cost of these projects from the local authorities who request them. It is difficult to forecast the extent of these transactions over the next three years.

Our council shareholders have agreed that it is their responsibility to determine the priorities for discretionary undergrounding projects and to pay for such work on an agreed basis. This is a commercially sound arrangement which puts the correct incentives on the parties and is appropriate for shareholders and Orion. Virtually all new urban extensions to our network are underground, in compliance with the City Plan. In rural areas, it is often up to the developer to decide whether reticulation is underground or overhead. A portion of our system reinforcement, safety and improvement projects will continue to include undergrounding of overhead reticulation.

If a shareholder decides to sell shares in Orion, we will co-operate and work with that shareholder and its advisors, subject to our obligations at law.

No material intercompany transactions are forecast to take place with our shareholders, or the wider CCC group, during the three years covered by this SOI, except:

- payment of dividends
- services provided or received on an arms length commercial basis
- services received that are covered by local authority rates.

## G How we will report to our shareholders

We will submit our draft SOI to our shareholders for consultation annually, as required under the Energy Companies Act 1992 and the company's constitution. Where appropriate, we will submit a revised SOI to our shareholders. Our performance targets are shown in **Appendices 1 to 6** of this SOI.

We will submit an annual report to our shareholders. Our annual report will include our audited financial statements (including performance statements) and other information as necessary to permit an informed assessment of the group's performance and financial position during the reporting period. We will submit quarterly interim reports to our shareholders. These reports will contain unaudited information similar in content to our annual report and they will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting.

Our reports to shareholders will also outline our performance in terms of:

- financial
- network development
- network reliability
- environment
- health and safety
- community and employment.

Our accounting policies will comply with applicable NZ IFRS standards and interpretations and will be consistent with the accounting policies adopted by the Christchurch City Council group. The accounting policies we applied to prepare the financial forecasts in this SOI are the same accounting policies we applied to prepare our audited financial statements for the year ended 31 March 2016 – [oriongroup.co.nz/corporate/corporate-publications/annual-reports/](http://oriongroup.co.nz/corporate/corporate-publications/annual-reports/). Our actual accounting policies during the three year period of this SOI may change as a result of changes to NZ IFRS standards and interpretations.

We will update and publish our ten-year network AMP before 1 April each year.

We will provide information requested by the shareholders in accordance with the requirements of the Energy Companies Act 1992 and the company's constitution. The books, records and accounts maintained by, or on behalf of, the company will be made available in accordance with the Companies Act 1993 and the Energy Companies Act 1992.

## H The commercial value of our shareholders' investment

We estimate that the commercial value of our shareholders' investment in the group is at least that which is stated as shareholders' equity in our audited financial statements. We reassess this value annually when we prepare our audited financial statements.

## Appendix 1 Our financial performance targets

		FY18	FY19	FY20
Network delivery revenue	\$m	254.1	265.6	259.1
Profit after tax	\$m	46.8	49.9	45.1
Fully imputed dividends	\$m	52	53	47
Profit after tax to average equity	%	7.2	7.7	7.0
Debt to debt plus equity	%	30	32	32
Equity to debt plus equity	%	70	68	68
Equity to total assets	%	56	55	55

The following are definitions for the above terms:

<i>Profit after tax</i>	As defined under NZ IAS1
<i>Debt</i>	Net interest bearing debt
<i>Equity</i>	Shareholders' equity, including accumulated reserves
<i>Total assets</i>	The carrying value of all assets.

Our key assumptions for our financial performance targets above are:

- our financial targets are for the consolidated group
- our financial targets are in nominal terms and include forecast inflation
- our future network prices will comply with the Commerce Commission's Orion CPP determination
- all transmission charges from Transpower will be 'passed through' to customers
- our future opex and capex will be in line with our approved network AMP, effective from 1 April 2017
- no major investments/divestments
- no future natural disasters or materially adverse decisions by regulatory agencies
- no future asset revaluations.

## Appendix 2 Our network reliability targets

	Customer connections 31 March 2017 <sup>2</sup>	Target FY18	Target FY19	Target FY20	Current forecast FY17	Actual FY16	Industry average FY16
<b>Orion network:</b>					*	*	*
Duration of supply interruptions in minutes per connected customer – SAIDI							
- urban	168,000	24	22	22	32	32	
- rural	30,000	408	363	368	404	585	
- overall	198,000	82	73	73	88	113	162
Number of supply interruptions per connected customer – SAIFI							
- urban	168,000	0.7	0.6	0.6	0.7	0.6	
- rural	30,000	2.7	2.3	2.3	2.6	4.4	
- overall	198,000	1.0	0.9	0.9	1.0	1.2	1.7

\* These columns are stated gross – before the Commerce Commission’s normalisation (see notes 2 and 3 below).

### Notes:

1. Natural disasters and other catastrophic events can cause significant numbers and/or durations of network supply interruptions. The future occurrence and/or severity of these major events cannot be predicted.
2. The Commerce Commission has set performance limits for our overall network reliability, pursuant to our customised price-quality path (CPP). The Commission assesses our performance relative to those limits, after ‘normalising’ for the impacts of ‘major events’. Our targets above are consistent with our CPP network reliability limits, but they include no allowance for major events.
3. After applying the Commission’s normalisation methodology:
  - a. we achieved our CPP network reliability limits in FY16
  - b. we achieved our network reliability limits in FY17<sup>3</sup>.
4. As Christchurch ‘spreads west’ in the post-quake rebuild, it is becoming more difficult to define the split between urban and rural.
5. The industry averages are the weighted averages for all 29 New Zealand electricity distribution networks.
6. SAIDI and SAIFI are standard industry measures for network reliability – they include planned and unplanned interruptions, but they exclude interruptions that:
  - a. are caused by electricity generators or Transpower
  - b. are caused by the low voltage (400V) network
  - c. last for less than one minute.

<sup>2</sup> Approximate.

<sup>3</sup> Subject to audit confirmation.

## Appendix 3 Our network development targets

### 1. Work with the Christchurch City Council (CCC), Government agencies and property developers to support the Christchurch central city rebuild

Target date: Ongoing

We work with CCC, Government agencies and property developers on an ongoing basis.

Our 66kV and 11kV underground cable assets in the CBD sustained relatively little damage from the quakes and we aim to provide a resilient and reliable network to CBD businesses and residents in the years ahead. Each new development in the CBD needs to be individually assessed.

The CCC and Government agencies may also require new network configurations in the CBD as they further develop and implement aspects of the CBD rebuild.

We are working with the authorities, building owners and contractors in order to minimise network outages and to protect and recover our network assets as appropriate.

### 2. Support the key regional quake recovery planning documents

Target date: Ongoing

Our key role here is to restore network resilience and reliability and to support customer load growth and new connections. Our key network planning and accountability document is our ten-year network asset management plan (AMP). We will aim to ensure that our AMP remains up to date and consistent with good industry practice, while taking approved regional recovery documents fully into account.

### 3. Substantively complete our post-quake repair/recovery projects

Target date: 31 March 2018

We have successfully completed many large and small post-quake recovery projects over the last six years. Our overall objectives have been to

- restore our electricity distribution network to pre-quake levels of resilience and reliability by 2019
- support the city's and region's wider rebuild.

We have completed all necessary remediation to our underground cable and overhead lines assets and we have worked closely with regulatory agencies and developers.

Our remaining two large recovery projects are to repair our Lancaster zone substation and to build a new fit for purpose and resilient depot for Connetics. We commenced these two projects in late 2016. We expect to substantively complete our relatively minor remaining repairs to our other substations during FY18.

### 4. Undertake network reinforcements to facilitate completion of the Sheffield irrigation scheme.

Target date: 30 November 2017

This irrigation scheme is being developed by Central Plains Water Limited to supply farmers in the Sheffield and Annat areas. The scheme aims to be operational next summer – and to facilitate this timing, we are upgrading our 11kV lines in the area and our Annat zone substation.

## Appendix 4 Our environmental targets

### 1. Comply with applicable environmental legislation

Target date: Ongoing

We are committed to being environmentally responsible, consistent with our principal objective to operate as a successful business. The board reviews our overarching environmental policy at least annually and we publish it on our website.

Our most significant impacts, or potential environmental impacts, are:

- our carbon footprint
- sulphur hexafluoride (SF<sub>6</sub>) gas losses to the atmosphere from our network equipment
- uncontained oil spills from our network transformers.

Our targets for these three key issues are below.

### 2. Undertake and encourage demand side management (DSM)

Target date: Ongoing

Our DSM initiatives aim to reduce network peaks so as to reduce electrical losses, prevent overinvestment in network assets and reduce the need for fossil fuel (especially coal and gas) generation during peak demand periods. These issues account for over 90% of our carbon footprint and our DSM initiatives reduce that footprint.

Key elements of our DSM initiatives are:

- our cost-reflective network pricing – which aims to reflect the economic costs of providing our network delivery service. Our pricing helps our customers to make efficient decisions about which form of energy to use and when to use it, which contributes to overall economic welfare and long term carbon savings
- our residential hot water cylinder load control system – which helps us shift demand to off-peak periods
- our assistance to local businesses to install standby generation – which can help reduce demand during peak periods
- our collaboration with other electricity distributors on the upper South Island centralised load management control system.

### 3. Keep annual SF<sub>6</sub> gas losses below 1% per year

Target date: Ongoing

Most of our 66kV circuit breakers use SF<sub>6</sub> gas as the interruption medium. We haven't yet found a viable vacuum option for this voltage. In our memorandum of understanding with the Ministry for the Environment, we commit to keeping annual SF<sub>6</sub> gas losses below 1% of the total contained in our network equipment. We have documented procedures to assist us to achieve that commitment.

### 4. Keep non-contained transformer oil spills to nil

Target date: Ongoing

We have installed oil containment bunding at our zone substations that have oil-filled transformers. We also have documented oil spill mitigation procedures to quickly and effectively deal with incidents should they occur.

**5. Support and sponsor Community Energy Action (CEA)**

Target date: Ongoing

We have sponsored and supported CEA since its inception in 1994. We currently make financial sponsorship grants to CEA of \$200,000 per year and we will continue that level of financial sponsorship in FY18. We will also continue to assist CEA with day to day operational issues. More than 20,000 local homes have benefited from CEA's services.

**6. Work with partners to expand the number of public electric vehicle (EV) charge stations in our region**

Target date: 31 March 2018

New Zealand's electricity generation is largely renewable, so it makes sense to facilitate the take-up of EVs and hybrid vehicles in our region.

Our research tells us that the vast majority of EV charging will be done at home. Research also tells us that EV 'range anxiety' is a key impediment to customers converting from petrol vehicles to EVs. In order to reduce range anxiety, we and our partners have so far installed:

- twelve charge stations at our head office site at 565 Wairakei Road that the public may use free of charge during weekday work hours
- eight public charge stations around our region.

We are continuing to collaborate with our partners with the aim to have at least twenty public EV chargers around our region by 31 March 2018 – although timings partly depend on property owners' own plans. By 31 March 2018, up to five of our public chargers will be fast-charge, able to fully-charge an EV battery in half an hour.

Our EV charger sites are easy to locate on the popular EV app – [plugshare](#)<sup>4</sup>.

**7. Convert 30% of our operation passenger vehicle fleet to electric drive capability**

Target date: 31 March 2019

We are well on our way to meeting this target, with over 20% of our operational passenger fleet already converted. We currently have 15 Mitsubishi Outlander hybrids and one Nissan Leaf EV in our fleet.

**8. Support the Christchurch City Council's sustainable energy strategy**

Target date: Ongoing

We will continue to seek ways to reduce peak loads on our network and increase our network load factor.

We will enable the safe and efficient connection of a range of distributed electricity generation, including renewables.

We have been the principal sponsor of the first two EVelocity events, where local high school teams design, build and race electric vehicles at a local track. We are continuing our sponsorship of this event this year.

**9. Obtain global resource consents for earthworks in Christchurch**

Target date: 31 March 2018

We are seeking global consents from the CCC and Ecan for earthworks associated with our underground network in Christchurch. The councils' consent requirements to manage environmental risks will be included in all of our job specifications for our contractors. Our aims are improved environmental outcomes and reduced costs from this new approach.

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<sup>4</sup> We have a link to the plugshare app on our website – [oriongroup.co.nz](#)



## Appendix 5 Our health and safety targets

### 1. No serious safety events impacting our employees

Target date: Ongoing

This target covers Orion's and Connetics' employees. A serious event is defined as a notifiable event, as per section 25 of the Health and Safety at Work Act 2015.

### 2. No serious safety events impacting our contractors

Target date: Ongoing

This target covers Orion's and Connetics' external contractors. A serious event is defined as a notifiable event, as per section 25 of the Health and Safety at Work Act 2015.

### 3. No accidents (excluding car versus pole traffic accidents) involving members of the public

Target date: Ongoing

This target excludes car versus pole accidents, because it's not possible to ensure the completeness and accuracy of car versus pole accident data.

### 4. Promote our local public safety education and awareness programme in the safe use of electricity

Target date: Ongoing

Our public safety programme covers issues such as tree owner responsibilities near overhead lines, close approach to lines with irrigators and other operators of plant, scaffolding near lines, householder maintenance near lines, digging near underground cables and safety and security near electrical equipment. We especially target contractors and their principals because they are exposed to significant hazards in the field – especially those involved in the wider post-quake rebuild.

Our messages are delivered through a series of community shows, presentations to targeted groups and through regular media outlets such as local newspapers and radio. We especially target contractors and their principals because they are exposed to significant electricity distribution network hazards in the field – this includes contractors involved in the wider post-quake rebuild.

The Ministry of Business Innovation and Employment has published a mandatory code of practice for working within four metres of our overhead network. Orion's written consent is required to allow such work to be undertaken near our network. There is an industry best practice guide for working near our underground network.

Our programme includes:

- develop and grow constructive relationships with contractors, their principals and other interested parties to promote safety around our electricity network assets
- advertise safety messages via local radio, print and rural A&P shows
- process safe approach consent applications.

## Appendix 6 Our community and employment targets

### 1. Achieve voluntary annual staff turnover of less than 5% for Orion and less than 10% for Connetics

Target date: Ongoing

These targets exclude the impacts of employees leaving for reasons of retirement, redundancy or on completion of a fixed term (or casual) employment contract or disciplinary related.

Employee turnover was:

- 4.4% in FY16 for Orion (current forecast 3% in FY17)
- 8.5% in FY16 for Connetics (current forecast 8% in FY17).

### 2. Ensure sustainable network asset management competence via our Orion engineering development programme

Target date: Ongoing

Our programme continues to successfully develop and place talented and motivated people into key positions in our business. We advertise internally and externally for candidates. Successful candidates are selected on merit.

Engineering trainees are trained and gain work experience in the business, with a view to placing them in areas where there are current or forecast skill shortages and/or succession opportunities. Trainees usually complete the programme in three to four years, and are then offered roles in the company.

As at 31 December 2016, six employees were in the Orion engineering development programme.

### 3. Ensure sustainable contracting skills competence via our Connetics apprentice scheme

Target date: Ongoing

Connetics will continue with this scheme to ensure that our key contracting subsidiary company sustainably develops and improves its industry competencies.

As at 31 December 2016, Connetics employed 29 apprentices.

### 4. Support the CPIT Trades Innovation Centre

Target date: Ongoing

The Christchurch Polytechnic Institute of Technology (CPIT) has a simulated subdivision at its Sullivan Avenue site, where trades trainees can be trained in real life situations. The facility is fully operational for electricity distribution – including overhead lines, underground cables and substations – and it's an important part of our competence training for our employees, for our contractors and for the industry.