



Orion New Zealand Limited

Electricity Distribution Services
Default Price-Quality Path Determination 2020

Annual compliance statement

For the year ending 31 March 2023

Issued 30 August 2023



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INTRODUCTION

- 1 Orion New Zealand Limited (Orion) is subject to price-quality regulation under Part 4 of the Commerce Act 1986. The Commerce Commission has set a Default Price-Quality Path (DPP) that Orion is subject to for five years, 1 April 2020 to 31 March 2025 (the DPP regulatory period).
- 2 This annual compliance statement is published per clause 11.4 of the Electricity Distribution Services Default Price-Quality Path Determination 2020 (the Determination). This statement applies to the third assessment period, commencing 01 April 2022 and ending 31 March 2023.
- 3 This statement confirms that Orion:
 - complies with the requirements to calculate the wash-up amount for the assessment period (Section 3);
 - complies with the quality standards for the assessment period (Section 4); and
 - has not entered into any agreements with another electricity distribution business (EDB) or Transpower for an amalgamation, merger, major transaction, or non-reopener transaction in the assessment period (Section 5).

Date Prepared

This annual compliance statement was prepared on 30 August 2023. A copy is available at Orion's office at 565 Wairakei Road, Burnside, Christchurch. The annual compliance statement is published on Orion's group website at www.oriongroup.co.nz and additional copies can be provided on request.

COMPLIANCE STATEMENTS

3. WASH-UP AMOUNT CALCULATION STATEMENT

As required by clause 8.6 of the Determination, Orion must calculate a wash-up amount for each assessment period using the methodology specified in Schedule 1.6 of the Determination.

The wash-up amount calculated for this assessment period will be used in determining the forecast allowable revenue for the fifth assessment period, beginning 1 April 2024, as part of the opening wash-up account balance.

As demonstrated in Table 1 below, and consistent with clause 8.6 of the Determination, Orion has complied with the requirement to calculate the wash-up amount for the third assessment period.

Wash up amount		
Term	Description	Value (\$000)
Actual allowable revenue (AAR)	Actual net allowable revenue + actual pass-through costs and actual recoverable costs	248,138.0
Actual revenue (AR)	Actual revenue from prices + other regulated income	234,825.1
Revenue foregone (RV)	Actual net allowable revenue x (RRP -20%) when Revenue Reduction Percentage is greater than 20%, otherwise nil	Nil
Wash-up amount	AAR-AR-RV	13,312.9

Table 1: Wash-up amount calculation

This wash-up amount calculated for this assessment period will increase the forecast allowable revenue for the fifth assessment period starting 1 April 2024. The main reasons for the wash-up of this assessment period are:

- The actual net allowable revenue (\$178,741.4k) exceeded the forecast net allowable revenue (\$164,860.0k) by \$13,881.4k. The CPI adjustments for the last two quarters of the year were much higher than forecasted which increased the actual net allowable revenue.
- The actual revenue from prices (\$230,137.4k) were \$1,705.6k lower than the forecast revenue from prices (\$231,843.0k). The consumption for the year was lower than forecasted due to an unusually wet summer in Mid Canterbury, resulting in actual variable revenue being lower than forecasted variable revenue.

The variable resulting in these differences (i.e., CPI and weather patterns) could not have been demonstrably forecasted as at 31 March 2022, when the prices for this assessment period were set.

3.1 ACTUAL ALLOWABLE REVENUE

Actual allowable revenue includes actual pass-through and recoverable costs excluding any recoverable cost that is a revenue wash-up draw down amount.

Table 2 below shows the actual allowable revenue for the third assessment period is consistent with Schedule 1.6 of the Determination.

Actual allowable revenue		
Term	Description	Value (\$000)
Actual net allowable revenue (ANAR)	Amount calculated in accordance with Schedule 1.6 of the Determination	178,741.4
Actual pass-through costs	Sum of all pass-through costs that were incurred or approved by the Commission in the assessment period	6,147.4
Actual recoverable costs	Sum of all recoverable costs that were incurred or approved by the Commission in the assessment period	65,617.1
Revenue wash-up draw down amount	Opening wash-up account balance of the assessment period which is the closing wash-up account balance of the previous assessment	-2,367.9
Total actual allowable revenue (AAR)	Actual net allowable revenue + actual pass-through costs and actual recoverable costs	248,138.0

Table 2: Actual allowable revenue calculation

Further information supporting actual pass-through costs and actual recoverable costs are included in Appendix A.

3.2 ACTUAL REVENUE

The Determination defines actual revenue as the sum of actual revenue from prices and other regulated income.

Table 3 below shows actual revenue for the assessment period consistent with clause 4.2 of the Determination.

Actual revenue		
Term	Description	Value (\$000)
Actual revenue from prices	Actual prices between 1 April 2022 and 31 March 2023 multiplied by actual quantities for the assessment period	230,137.4
Other regulated income	Other income associated with supply of electricity distribution services	4,687.6
Total actual revenue (AR)	Sum of actual revenue from prices + other regulated income	234,825.1

Table 3: Actual revenue calculation

Further information supporting actual revenue from prices is included in Appendix B.

3.3 REVENUE FOREGONE

Per clause 4.2 of the Determination, revenue foregone is the actual net allowable revenue multiplied by (the revenue reduction percentage – 20%). Where the revenue reduction percentage is not greater than 20%, the revenue foregone is nil.

Table 4 below shows that Orion’s revenue foregone was not greater than 20% for the third assessment period and is nil.

Revenue foregone		
Term	Description	Value
Actual net allowable revenue (ANAR)	Actual net allowable revenue for the third assessment period	\$178,741.4k
Revenue reduction percentage (RRP)	1 – (actual revenue from prices ÷ forecast revenue from prices)	0.7%
Revenue foregone (RV)		Nil

Table 4: Revenue foregone calculation

4. QUALITY STANDARD STATEMENT

Orion must comply with the quality standards specified in the Determination. This section of the Annual Compliance Statement demonstrates Orion’s compliance with the quality standards.

4.1 STATEMENT OF COMPLIANCE WITH PLANNED INTERRUPTIONS QUALITY STANDARDS

Planned interruptions consists of all Class B interruptions on the Orion network measured as System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).

Clause 9.2 of the Determination specifies that to comply with the planned interruption’s reliability assessment cap, the sum of planned SAIDI and SAIFI assessed values for all five assessment periods of the DPP regulatory period (i.e., the five years 1 April 2020 to 31 March 2025) must not exceed the planned accumulated SAIDI and SAIFI limits as specified in Schedule 3.1 of the Determination.

Table 5 and Table 6 below show the planned accumulated SAIDI and SAIFI limits for Orion for the DPP regulatory period and the planned SAIDI and SAIFI assessed values for the third assessment period and show that Orion has complied with planned interruption quality standards.

Orion has also compared the planned accumulated SAIDI assessed values for the regulatory period to date (i.e., the first three assessment periods) against the planned accumulated average limit at the end of the third assessment period.

Planned interruptions quality standard - SAIDI	
Planned accumulated SAIDI limit for the regulatory period	198.4
Planned SAIDI assessed value for the third assessment period	20.01
Planned accumulated SAIDI at the end of the third assessment period	73.79
Planned accumulated average SAIDI limit at the end of the third assessment period	119.04
Compliance result	Compliant

Table5: Planned SAIDI for the assessment period

Planned accumulated SAIFI limit for the regulatory period	0.7481
Planned SAIFI assessed value for the third assessment period	0.0731
Planned accumulated SAIFI at the end of the third assessment period	0.2409
Planned accumulated average SAIFI limit at the end of the third assessment period	0.4489
Compliance result	Compliant

Table 6: Planned SAIFI for the assessment period

Further information supporting planned SAIDI assessed values are included in Section 4.1.1

4.1.1 Planned SAIDI assessed values

Orion has calculated the SAIDI assessed value in accordance with subclause 2 of Schedule 3.1

Table 7 below shows the calculations of Orion planned SAIDI assessed values for the assessment period.

Planned SAIDI assessed value		
Term	Description	Value
Class B non-notified interruptions	Class B interruptions excluding the Class B notified interruptions	10.59
Class B notified interruptions falling outside window	Class B notified interruptions occurred partially or wholly outside of their specified notified window or alternate day	0.76
SAIDI_B	Sum of Class B non-notified interruptions	11.35
Class B notified interruptions falling inside window	The SAIDI values of any Class B notified interruptions where the SAIDI value is the greater of that calculated based on: <ul style="list-style-type: none"> (i) The duration of minutes accumulated for each ICP that the Class B notified interruption occurred for; and (ii) The period of the notified interruption window minus two hours 	15.35
Class B intended interruptions cancelled without notice	The 'intended SAIDI values' of any intended interruption cancelled without notice is the greater of that calculated based on: <ul style="list-style-type: none"> (i) The duration of minutes accumulated for each ICP that the intended interruption occurred for, which will be nil; and (ii) The period of the notified interruption window minus two hours. 	1.95
Class B intended interruptions cancelled with notice	The 'intended SAIDI values' of any intended interruption cancelled with notice, where the 'intended SAIDI value' for each of those intended interruptions cancelled with notice is nil.	nil
SAIDI_N	Sum of Class B notified interruptions	17.30
Planned SAIDI assessed value	SAIDI_B +(SAIDI_N/ 2)	20.01

Table 7: Planned SAIDI assessed value calculation

4.2 STATEMENT OF COMPLIANCE WITH UNPLANNED INTERRUPTION QUALITY STANDARDS

Clause 9.8 of the Determination specifies that to comply with the annual unplanned interruption's reliability assessment Orion unplanned SAIDI and SAIFI assessed values must not exceed the SAIDI and SAIFI annual limits.

The unplanned SAIDI assessment value and the unplanned SAIFI assessment value are specified in Schedule 3.2 of the Determination.

Unplanned SAIDI is calculated by listing all unplanned Class C interruptions on the Orion network for the assessment period.

Unplanned SAIDI is normalised for major events (MEs). For any 24-hour period that starts on the hour or half past the hour, a SAIDI major event is triggered when the sum of SAIDI values over that 24-hour period for unplanned interruptions exceeds Orion's SAIDI unplanned boundary value of 7.60, specified in Schedule 3.2 of the Determination.

Table 8 below shows that Orion has complied with the unplanned interruptions quality standard as Orion unplanned SAIDI assessed value is less than it's unplanned SAIDI limit for the assessment period.

Unplanned interruptions quality standard - SAIDI		
Unplanned SAIDI Limit	Schedule 3.2 of the Determination	84.71
Unplanned SAIDI assessed value	Sum of the SAIDI values for Class C interruptions commencing within the assessment period, where the SAIDI value for each 30-minute period that starts on the hour or half past the hour within a SAIDI major event that exceeds 1/48 th of the SAIDI unplanned boundary value for that assessment period is replaced with the 1/48 th of the SAIDI unplanned boundary value for that assessment period.	43.37
Compliance result		Compliant

Table 8: Unplanned SAIDI for the assessment period

Unplanned SAIFI is calculated by listing all unplanned Class C interruptions on the Orion network for the assessment period.

Unplanned SAIFI is normalised for major events (MEs). For any 24-hour period that starts on the hour or half past the hour, a SAIFI major event is triggered when the sum of SAIFI values over that 24-hour period for unplanned interruptions exceeds Orion's SAIFI unplanned boundary value of 0.0668, specified in Schedule 3.2 of the Determination.

Table 9 below shows that Orion has complied with the unplanned interruptions quality standard as Orion's unplanned SAIFI assessed value is less than it's unplanned SAIFI limit for the assessment period.

Unplanned interruptions quality standard - SAIFI		
Unplanned SAIFI limit	Schedule 3.2 of the Determination	1.0336
Unplanned SAIFI assessed value	Sum of the SAIFI values for Class C interruptions commencing within the assessment period, where the SAIFI value for each 30-minute period that starts on the hour or half past the hour within a SAIFI major event that exceeds 1/48 th of the SAIFI unplanned boundary value for that assessment period is replaced with the 1/48 th of the SAIFI unplanned boundary value for that assessment period	0.5059
Compliance result		Compliant

Table 9: Unplanned SAIFI for the assessment period.

Information about policies, procedures and calculations¹ for measuring planned and unplanned interruptions during the assessment are included in Appendix C.

¹ Due to a reallocation of a class B interruption to a Class C interruption, an immaterial variance in the published Orion Annual Report for 2023 has been highlighted.

4.3 MAJOR EVENTS

There were no SAIDI or SAIFI major events identified during the assessment period. Therefore, there were no normalisation adjustments to apply to the calculated SAIDI and SAIFI results for unplanned interruptions.

4.4 STATEMENT OF COMPLIANCE WITH EXTREME EVENT STANDARD

Clause 9.10 of the Determination specifies that, to comply with extreme event standards, Orion must not have an extreme event in the assessment period. The calculation of the unplanned interruptions excluded any unplanned interruption that is the result of major external factors. The extreme event standard limit is specified in paragraphs (1)(a) and (b) of Schedule 3.3 of the Determination.

Table 10 below shows that Orion has complied with the extreme event standard for the assessment period.

Extreme event standard	
Number of extreme events	Nil
Compliance result	Compliant

Table 10: Extreme event standard for the assessment period

4.5 QUALITY INCENTIVE ADJUSTMENT

The quality incentive adjustment is intended to provide an incentive for Orion to maintain or improve its quality of supply over the DPP regulatory period.

The method to calculate the quality incentive adjustment is specified in Schedule 4 of the Determination.

Table 11 below shows that Orion's quality incentive adjustment for the assessment period is a reward of \$678k.

Quality Incentive Adjustment		
Term	Description	Value (\$)
SAIDI planned adjustment	$(\text{SAIDI}_{\text{planned, target}} - \text{SAIDI}_{\text{planned, assessed}}) \times 0.5 \times \text{IR}$	- 107,416
SAIDI unplanned adjustment	$\text{SAIDI}_{\text{unplanned, target}} - \text{SAIDI}_{\text{unplanned, assessed}} \times \text{IR}$	731,803
Total uncapped adjustment	SAIDI planned adjustment + SAIDI unplanned adjustment	624,388
Revenue at risk	$0.02 \times \text{ANAR}$	\$3,574,827
Total reward		624,388
67 th percentile estimate of post-tax WACC		4.23%
Quality incentive adjustment		\$678,328

Table 11: Quality incentive adjustment calculation

The quality incentive adjustment will be applied as a recoverable cost when setting our prices two years after this assessment period, i.e., prices effective 1 April 2024.

Table 12 below show the inputs used to calculate Orion’s quality incentive adjustment for the assessment period.

Quality Incentive Adjustment Inputs					
Raw Inputs					
Term	Units	Value	Term	Units	Value
SAIDI planned interruption collar	minutes	0	SAIDI unplanned interruption collar	minutes	0
SAIDI planned interruption target	minutes	13.23	SAIDI unplanned interruption target	minutes	66.47
SAIDI planned interruption cap	minutes	39.68	SAIDI unplanned interruption cap	minutes	84.71
Planned SAIDI assessed value	minutes	20.01	Unplanned SAIDI assessed value	minutes	43.37
Incentive rate		\$31,686			
Actual net allowable revenue (ANAR)		\$178,741k			
Output Calculations					
SAIDI planned interruption target	minutes	13.23	SAIDI unplanned interruption target	minutes	66.47
Minimum of the planned SAIDI cap and assessed value	minutes	20.01	Minimum of the unplanned SAIDI cap and assessed value	minutes	43.37
Planned SAIDI subject to incentive	minutes	-6.78	Unplanned SAIDI subject to incentive	minutes	23.10
Weighted incentive rate (IR x 0.5)		\$15,843	Incentive rate (IR)		\$31,686
SAIDI planned adjustment	- \$107,416		SAIDI unplanned adjustment	\$731,803	

Table 12: Quality incentive adjustment calculation

5. TRANSACTIONS

Orion has not entered into any agreements with another EDB or Transpower for an amalgamation, merger, major transaction, or transfer in the assessment period.

6. DIRECTORS CERTIFICATION

A Directors' certificate in the form set out in Schedule 7 of the Determination is included in Appendix D.

7. ASSURANCE REPORT

An assurance report meeting the requirements of Schedule 8 of the Determination is included in Appendix E.

APPENDIX A – PASS-THROUGH AND RECOVERABLE COSTS

Pass-through costs

Table 13 below shows the actual pass-through costs for the third assessment period.

Actual pass-through costs	
Actual pass-through costs	Actual (\$000)
Rates on system fixed assets	4,871.6
Commerce Act Levies	595.2
Electricity Authority levies	550.5
Utilities Disputes levies	130.1
Total actual pass-through cost	6,147.4

Table 13: Pass-through costs for the assessment period

Recoverable costs

Table 14 below shows the actual recoverable costs for the third assessment period

Actual recoverable costs	
Actual recoverable costs	Actual (\$000)
IRIS incentive adjustment	Nil
Transpower transmission charges	62,696.2
Transpower new Investment contract charges	730.2
Avoided transmission charges from asset transfers	309.9
System operator serviced charges	Nil
Distributed generation allowance	Nil
Catastrophic even allowance	Nil
Extended reserve allowance	Nil
Quality incentive adjustment	996.6
Capex wash-up adjustment	754.6
Revenue wash-up draw down amount	Nil
Fire and Emergency NZ levies	129.6
Innovation project allowance	Nil
Urgent project allowance	Nil
Total actual recoverable costs	65,617.1

Table 14: Recoverable costs for the assessment period

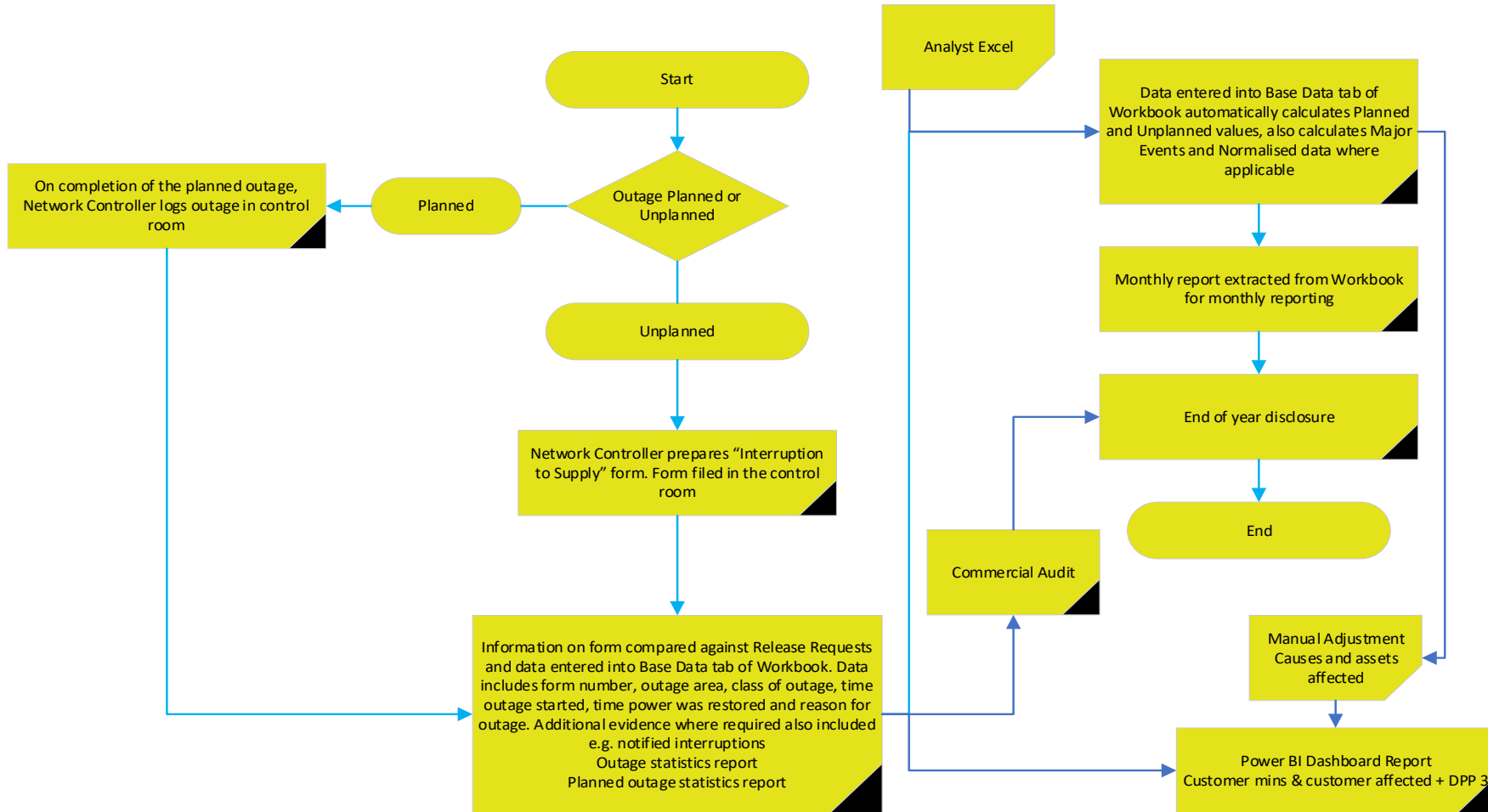
APPENDIX B – ACTUAL REVENUE FROM PRICES

The actual prices and quantities for actual revenue from prices for the third assessment period.

	FY2023 Delivery prices	FY2023 Actual quantities	Days applicable	Price x quantity (\$000)
Streetlighting, general and irrigation connections				
Streetlighting fixed charge	0.0978 \$/con/day	52,216 cons	365 days	1,863.9
General fixed charge	0.3000 \$/con/day	214,249 cons	365 days	23,460.2
Streetlighting and general connections Peak charge (peak period demand)	0.3660 \$/kW/day	500,673 kW	365 days	66,885.0
Streetlighting, general and irrigation connections volume charge				
Weekdays (Mon to Fri, 7am - 9pm)	0.05946 \$/kWh	1,173,992 MWh		69,805.5
Nights & weekends (Sat & Sun)	0.01844 \$/kWh	1,327,006 MWh		24,470.0
General connections				
Low power factor charge	0.2000 \$/kVAr/day	0 kVAr	365 days	-
Irrigation connections				
Capacity charge	0.4308 \$/kW/day	76,384 kW	182 days	5,988.9
Power factor correction rebate	(0.1590) \$/kVAr/day	22,927 kVAr	182 days	(663.5)
Interruptibility rebate	(0.0398) \$/kW/day	48,779 kW	182 days	(353.3)
Major customer connections and embedded networks				
Fixed charge	10.0000 \$/con/day	411.1 cons	365 days	1,500.6
Fixed charge (additional connections)	5.0000 \$/con/day	109.4 cons	365 days	199.7
Extra switches	3.2000 \$/switch/day	111.2 switches	365 days	129.8
11k Metering equipment	4.5000 \$/con/day	47.0 cons	365 days	77.2
11kV Underground cabling	3.7100 \$/km/day	7.3 km	365 days	9.9
11kV Overhead lines	2.6000 \$/km/day	3.0 km	365 days	2.8
Transformer capacity	0.0106 \$/kVA/day	357,221.8 kVA	365 days	1,382.1
Peak charge (control period demand)	0.3547 \$/kVA/day	113,915.0 kVA	365 days	14,748.1
Nominated maximum demand	0.1061 \$/kVA/day	283,217.9 kVA	365 days	10,968.0
Metered maximum demand	0.0701 \$/kVA/day	239,405.5 kVA	365 days	6,125.5
Large capacity connections				
Distribution services				
Asset charge (dedicated assets)	9.200 \$/kVA/year	19,000.0 kVA	365 days	174.8
Asset charge (dedicated assets)	13.680 \$/kVA/year	16,000.0 kVA	365 days	218.9
Asset charge (shared assets)	20.570 \$/kVA/year	18,900.0 kVA	365 days	388.8
Asset charge (shared assets)	23.630 \$/kVA/year	13,650.0 kVA	365 days	322.5
Operations, maintenance & administration (dedicated assets)	11.560 \$/kVA/year	19,000.0 kVA	365 days	219.6
Operations, maintenance & administration (dedicated assets)	7.840 \$/kVA/year	16,000.0 kVA	365 days	125.4
Operations, maintenance & administration (shared assets)	24.480 \$/kVA/year	18,900.0 kVA	365 days	462.7
Operations, maintenance & administration (shared assets)	13.550 \$/kVA/year	13,650.0 kVA	365 days	185.0
Transmission services				
Connection charge	5.900 \$/kVA/year	12,342.4 kVA	365 days	72.8
Connection charge	1.450 \$/kVA/year	9,644.1 kVA	365 days	14.0
Customer investment contract charge	0.000 \$/kVA/year	0.0 kVA	365 days	-
Interconnection charge (summer)	47.480 \$/kVA/year	12,342.4 kVA	365 days	586.0
Interconnection charge (summer)	46.340 \$/kVA/year	9,644.1 kVA	365 days	446.9
Interconnection charge (winter)	56.100 \$/kVA/year	4,206.4 kVA	365 days	236.0
Interconnection charge (winter)	54.660 \$/kVA/year	1,389.9 kVA	365 days	76.0
Export credits				
Real power component	(0.0682) \$/kW/day	290.5 kW	365 days	(7.2)
Reactive power component	(0.0224) \$/kVAr/day	71.4 kVAr	365 days	(0.6)
Miscellaneous				
Monthly invoice charge	30.00 \$/invoice	504 invoices		15.1
Failure to pay notice	50.00 \$/notice	3 invoices		0.2
Default and termination notice	100.00 \$/notice	0 invoices		-
Actual Revenue from Prices FY2023				230,137.4

APPENDIX C – POLICIES AND PROCEDURES FOR MEASURING PLANNED AND UNPLANNED INTERRUPTIONS

POLICIES AND PROCUDURES FOR MEASURING PLANNED AND UNPLANNED INTERRUPTIONS



APPENDIX D: DIRECTORS' CERTIFICATE FOR ANNUAL COMPLIANCE STATEMENT

Schedule 7: Form of director's certificate for annual compliance statement

Clause 11.5(d)

We, Paul Jason Munro and Michael Earl Sang, being directors of Orion New Zealand Ltd certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached annual compliance statement of Orion 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 the relevant requirements.



Paul Jason Munro



Michael Earl Sang

30 August 2023

Independent Assurance Report

**To the directors of Orion New Zealand Limited and to
the Commerce Commission on the Annual Compliance Statement for the
assessment period ended 31 March 2023 as required by the
Electricity Distribution Services Default Price-Quality Path Determination 2020
(consolidated 20 May 2020)**

The Auditor-General is the auditor of Orion New Zealand Limited (the company). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to undertake a reasonable assurance engagement, on his behalf, on whether the Annual Compliance Statement on pages 3 to 12 for the assessment period ended on 31 March 2023 has been prepared, in all material respects, in compliance with the Electricity Distribution Services Default Price-Quality Path Determination 2020 (consolidated 20 May 2020) (the Determination).

Opinion

In our opinion, in all material respects:

- as far as appears from our examination, the information used in the preparation of the Annual Compliance Statement has been properly extracted from the company's accounting and other records, sourced from its financial and non-financial systems; and
- the company has complied with clauses 11.5 and 11.6 of the Determination in preparing the Annual Compliance Statement for the assessment period ended 31 March 2023.

Basis for opinion

We conducted our engagement in accordance with the Standard on Assurance Engagements (SAE) 3100 (Revised): *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board. An engagement conducted in accordance with SAE 3100 (Revised) requires that we also comply with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

We have obtained sufficient recorded evidence and explanations that we required to provide a basis for our opinion.

Directors' responsibilities

The directors of the company are responsible for the:

- preparation of the Annual Compliance Statement under clause 11.4 and in accordance with the requirements in clauses 11.5 and 11.6 of the Determination; and

- identification of risks that may threaten compliance with the clauses identified above and controls which will mitigate those risks and monitor ongoing compliance.

Auditor's responsibilities

Our responsibilities in terms of clause 11.5(e) and schedule 8(1)(b)(vi) and 8(1)(c) of the Determination, are to express an opinion on whether:

- as far as appears from our examination, the information used in the preparation of the Annual Compliance Statement has been properly extracted from the company's accounting and other records, sourced from its financial and non-financial systems; and
- the Annual Compliance Statement, for the assessment period ended 31 March 2023, has been prepared, in all material respects, in accordance with the requirements in clauses 11.5 and 11.6 of the Determination.

To meet these responsibilities, we planned and performed procedures in accordance with SAE 3100 (Revised), to obtain reasonable assurance about whether the company has complied, in all material respects, with clauses 11.5 and 11.6 of the Determination.

In relation to the wash-up amount set out in clause 8.6 of the Determination, our procedures included recalculation of the wash-up amount in accordance with schedule 1.6 of the Determination and assessing it against the amounts and disclosures contained on pages 3 to 6 of the Annual Compliance Statement.

In relation to the quality standards in clause 9 of the Determination, our procedures included examination, on a test basis, of evidence relevant to the values and disclosures contained on pages 7 to 10 of the Annual Compliance Statement.

In relation to the quality incentive adjustment set out in Schedule 4 of the Determination, our procedures included recalculation of the quality incentive adjustment in accordance with schedule 4 of the Determination and assessing it against the amounts and disclosures contained on page 10 of the Annual Compliance Statement.

An assurance engagement to report on the company's compliance with the Determination involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the requirements. The procedures selected depend on our judgement, including the identification and assessment of the risks of material non-compliance with the requirements.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance with clauses 11.5 and 11.6 of the Determination may occur and not be detected. A reasonable assurance engagement throughout the assessment period does not provide assurance on whether compliance with clauses 11.5 and 11.6 of the Determination will continue in the future.

Restricted use

This report has been prepared for use by the directors of the company and the Commerce Commission in accordance with clause 11.5(e) of the Determination and is provided solely for the purpose of establishing whether the compliance requirements have been met. We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors of the company and the Commerce Commission, or for any other purpose than that for which it was prepared.

Independence and quality control

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board; and
- quality management requirements, which incorporate Professional and Ethical Standard 3 Quality Management for Firms that perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The Auditor-General, and his employees, and Audit New Zealand and its employees may deal with the company on normal terms within the ordinary course of trading activities of the company. Other than any dealings on normal terms within the ordinary course of trading activities of the company, this engagement, the assurance engagement on the Information Disclosures and the annual audit of the company's financial statements and performance information, we have no relationship with, or interests in, the company.



Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
30 August 2023