



12 August 2016

Matthew Lewer
Manager, Price-Quality Regulation
Regulation Branch
Commerce Commission
Wellington

by email: regulation.branch@comcom.govt.nz

SUBMISSION ON ORION'S TRANSITION TO THE 2015-2020 DEFAULT PRICE-QUALITY PATH – DRAFT REPORT

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the Commerce Commission's (the **Commission**) consultation paper "Orion's transition to the 2015-2020 default price-quality path – draft report" (the **Paper**).
- 2 Orion's CPP application is the only CPP application to date. It was made as a result of the Canterbury earthquakes under the catastrophic event provisions of the IMs. We are now two years into the 5 year CPP regulatory period and we have made significant investments to restore the network to meet our customer's needs.
- 3 At the end of the CPP period, unless we apply for a second CPP, we will transition to the existing DPP for one year. This DPP has already set a number of parameters for Orion. For example, the quality limits that applied in the final year of the CPP will apply and the X factor for Orion will be zero. However, the Commission decided, and we agreed, that it would not be appropriate to set the prices that would apply to Orion when it set the existing DPP.
- 4 The paper sets out the draft decision the Commission has made for the prices that should apply for the single year of the DPP that applies when the CPP ends. The Commission's draft decision is to set Orion's starting prices at the same level as the allowable prices that apply at the end of the CPP, excluding claw-back, with a CPI adjustment. We consider that the Commission's decision meets the purpose of Part 4 and balances both our interests and those of our customers by effectively extending the building block analysis that the CPP is based on by a further year (less clawback). We also consider that this is consistent with the DPP decision to maintain the quality levels at the same levels as the final year of the CPP.
- 5 The Commission proposes to implement its decision by amending schedule 3B of the Electricity Distribution Services Default Price-Quality Path Determination 2015 [2014] NZCC33 as set out in the Draft Electricity Distribution Services Default Price-Quality Path Amendment Determination 2016.

- 6 We agree that the suggested implementation approach and the proposed methodology to calculate Orion's allowed notional revenue for 2020 using the formula outlined in clause 5 of the Draft Electricity Distribution Services Default Price-Quality Path Amendment Determination 2016 is appropriate.
- 7 Thank you for the opportunity to make this submission. We do not consider that any part of this submission is confidential. If you have any questions please contact Dennis Jones (Industry Developments Manager), DDI 03 363 9526, email dennis.jones@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Jamieson', written in a cursive style.

Rob Jamieson
Chief Executive