

Orion New Zealand Limited Customised Price-Quality Path Determination 2013

[2013] NZCC XX

The Commission: S Begg
Dr M Berry
P Duignan
E Welson

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Regulation Branch, Commerce Commission

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Orion Customised Price-Quality Path Determination 2013

Determination version history		
This determination amends the <i>Electricity Distribution Services Default Price-Quality Path Determination 2010</i> (Commerce Commission Decision 685, 30 November 2009), as it applies to Orion New Zealand Limited.		
Determination date	Decision number	Determination name
29 November 2013	[2013] NZCC XX	Orion New Zealand Limited Customised Price-Quality Path Determination 2013.

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Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

1. Title

1.1 This determination is the Orion New Zealand Limited Customised Price-Quality Path Determination 2013.

2. Commencement

2.1 This determination takes effect on 1 April 2014.

3. Application

3.1 This determination amends the *Electricity Distribution Services Default Price-Quality Path Determination 2010* (Commerce Commission Decision 685, 30 November 2009) to set the customised price-quality path for Orion New Zealand Limited (Orion), and is made under sections 53Q and 53V of the Act.

3.2 This determination applies to Orion.

4. Interpretation

4.1 Unless the context otherwise requires—

- (a) terms used in this determination that are defined in the Act but not in this determination have the same meanings as in the Act;
- (b) terms used in this determination that are defined in the IM Determination but not in this determination have the same meanings as in the IM Determination;
- (c) words appearing in this determination with capitalised initial letters are defined terms and bear the meaning given to them in clause 4.2; and
- (d) a word which denotes the singular also denotes the plural and vice versa
- (e) references to clause are references to clauses of this determination, unless otherwise specified, and references to paragraphs are references to a paragraph in the Schedule to this determination in which the reference is made, unless another Schedule is specified.

4.2 In this determination, unless the context otherwise requires—

Act means the Commerce Act 1986

Amalgamate has the same meaning as clause 1.1.4 of the IM Determination

Amalgamation has the same meaning as clause 1.1.4 of the IM Determination

Assessed Values means the aggregate SAIDI Values and SAIFI Values for an Assessment Period, which are derived from a Normalised Assessment Dataset

Assessment Dataset means the set of daily SAIDI Values and SAIFI Values for an Assessment Period, with SAIDI Values and SAIFI Values for an Interruption that spans multiple calendar days accrued to the day on which the Interruption began

Assessment Period means a 12 month period commencing 1 April and ending on 31 March of the following year during the Regulatory Period for which compliance with the customised price-quality path must be demonstrated by Orion

Auditor, in relation to Orion, means a person who:

- (a) is qualified for appointment as auditor of a company under the Companies Act 1993; and
- (b) has no relationship with, or interest in, Orion that is likely to involve the person in a conflict of interest; and
- (c) has not assisted with the preparation of the Compliance Statement or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the Compliance Statement; and
- (d) has the necessary expertise to properly undertake an audit required by clause 10.2(d); but
- (e) need not be the same person as the person who audits Orion's accounts for any other purpose

Class B Interruptions means planned Interruptions

Class C Interruptions means Unplanned Interruptions originating within the System Fixed Assets

Commission means the Commerce Commission as defined in s 2 of the Act

Compliance Statement means the written statement required to be made by Orion under clause 10.1

Consumer has the same meaning as clause 1.1.4 of the IM Determination

Consumer-Owned has the meaning set out in section 54D of the Act

CPI has the same meaning as clause 1.1.4 of the IM Determination

Director has the same meaning as clause 1.1.4 of the IM Determination

EDB has the same meaning as clause 1.1.4 of the IM Determination

Electricity Distribution Services has the same meaning as clause 1.1.4 of the IM Determination

Electricity Lines Services has the same meaning as clause 1.1.4 of the IM Determination

First Assessment Period means the 12 month Assessment Period ending 31 March 2015

IM Determination means the *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26

Indirect Transmission Charges means a charge payable to Transpower for Electricity Lines Services provided to Orion in respect of the Transmission System in accordance with the Transmission Pricing Methodology, where the charge is an amount:

- (a) on-charged at cost to Orion by an EDB that is directly connected to the Transmission System; and
- (b) is not otherwise recovered as a Recoverable Cost

Input Methodology has the same meaning as in s 52C of the Act

Interruption means, in relation to the conveyance of electricity to a Consumer by means of a Prescribed Voltage Electric Line, the cessation of conveyance of electricity to that Consumer for a period of 1 minute or longer, other than by reason of disconnection of that Consumer—

- (a) for breach of the contract under which the electricity is conveyed; or
- (b) as a result of a request from the Consumer; or
- (c) as a result of a request by the Consumer's electricity retailer; or
- (d) for the purpose of isolating an unsafe installation

Merger means a transaction whereby an EDB takes over, or otherwise merges with, another EDB other than by an amalgamation under Part 13 of the Companies Act 1993, which without limitation includes:

- (f) the purchase of all the assets of another EDB; or
- (g) the acquisition of sufficient shares in another EDB to have an interest sufficient to enable it, whether directly or indirectly, to exert a substantial degree of influence over the activities of the EDB, or a scheme of arrangement under Part 15 of the Companies Act 1993 having like effect

Non-exempt EDB means an EDB other than a Consumer-Owned EDB exempt under section 54G(2) of the Act

Normalised Assessment Dataset means an Assessment Dataset normalised in accordance with Schedule 3

Orion means Orion New Zealand Limited

Orion DPP Determination means the *Electricity Distribution Services Default Price-Quality Path Determination 2010* (Commerce Commission Decision 685, 30 November 2009)

Pass-through Costs has the same meaning as clause 1.1.4 of the IM Determination, and are calculated for each Assessment Period in accordance with Schedule 2

Prescribed Voltage Electric Line means an electric line that is capable of conveying electricity at a voltage equal to or greater than 3.3 kilovolts

Prices has the same meaning as clause 1.1.4 of the IM Determination

Quantities has the same meaning as clause 3.1.1(5) of the IM Determination

Recoverable Costs has the same meaning as clause 1.1.4 of the IM Determination, and are calculated for the Regulatory Period in accordance with Schedule 2

Regulatory Investment Value means the value for 'regulatory investment value' determined in accordance with the information disclosure determination made under s 52P of the Act applicable for an Assessment Period in which a transaction referred to in clause 9.1 occurs

Regulatory Period means the period 1 April 2014 to 31 March 2019

Reliability Limits means the SAIDI and SAIFI levels, set out in Schedule 3, against which Orion's annual reliability performance is assessed

SAIDI Values means system average interruption duration index values based on Class B Interruptions and Class C Interruptions

SAIFI Values means system average interruption frequency index values based on Class B Interruptions and Class C Interruptions

System Fixed Assets means all fixed assets owned, provided, maintained, or operated by a Non-exempt EDB or Transpower that are used or intended to be used for the supply of Electricity Lines Services

Transmission Pricing Methodology means the methodology determined by the Electricity Authority to determine how Transpower's charges for its services are allocated and who is to be charged

Transmission System means New Zealand's national electricity grid

Transpower has the meaning set out in section 54B of the Act

Unplanned Interruption means any Interruption in respect of which less than 24 hours' notice, or no notice, was given, either to the public or to all Consumers affected by the Interruption.

5. Customised price-quality path

5.1 During the Regulatory Period Orion must comply with the customised price-quality path, which consists of both:

- (a) the price path specified in clause 7; and
- (b) the quality standards specified in clause 8.

6. Applicable Input Methodologies

6.1 The Input Methodologies that are applied through this determination are the following parts of the IM Determination:

- (a) Subpart 1 of Part 3 – Specification of price
- (b) Subpart 2 of Part 3 – Amalgamations
- (c) Subpart 3 of Part 3 – Incremental rolling incentive scheme
- (d) Section 1 of Subpart 3 of Part 5 – Determination of annual allowable revenues
- (e) Section 2 of Subpart 3 of Part 5 – Cost allocation and asset valuation
- (f) Section 3 of Subpart 3 of Part 5 – Treatment of taxation
- (g) Section 4 of Subpart 3 of Part 5 – Cost of capital
- (h) Subpart 6 of Part 5 – Catastrophic events and reconsideration of a customised price-quality path.

6.2 The Input Methodologies that are applied are subject to the variations agreed with Orion New Zealand Limited, which are attached as Schedule 6.

7. Price path

Starting prices

7.1 The starting prices for Orion for the Regulatory Period, specified as maximum allowable revenue for the First Assessment Period, are \$155.8 million.

Rate of change

7.2 The annual rate of change (ie, X), relative to the CPI, allowed during the Regulatory Period is 0%.

Allowable notional revenue

7.3 Allowable notional revenue (ANR_t) determined under this clause 7 specifies the maximum Prices that may be charged during an Assessment Period.

Conversion of MAR to ANR

7.4 The change in constant price revenue for the period 1 April 2013 to 31 March 2015 determined for the purpose of converting the maximum allowable revenue for the First Assessment Period (MAR_{2015}) to the allowable notional revenue for the First Assessment Period (ANR_{2015}) in accordance with Schedule 1A is 1.016.

Compliance with the price path

7.5 The notional revenue of Orion for each Assessment Period must not exceed the allowable notional revenue for the Assessment Period, such that:

$$\frac{NR_t}{ANR_t} \leq 1$$

where:

NR_t is the notional revenue for the Assessment Period t , being equal to:

$$\sum_i P_{i,t} Q_{i,t-2} - K_t - V_t$$

where:

t is the year in which the Assessment Period ends

i is each Price relating to an Electricity Lines Service

$P_{i,t}$ is the i^{th} Price during any part of the Assessment Period t

$Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Price during the Assessment Period $t-2$

K_t is the sum of all Pass-Through Costs for the Assessment Period t , specified in Schedule 2

V_t is the sum of all Recoverable Costs for the Assessment Period t , including the unrecovered transmission charges from prior years that are specified in paragraph 4 of Schedule 2

and

ANR_t is the allowable notional revenue for each Assessment Period t , as specified in:

- (a) Schedule 1A for the First Assessment Period ($t = 2015$); and

- (b) Schedule 1B for all other Assessment Periods ($t = 2016$ to 2019).

Restructuring of Prices

- 7.6 For the avoidance of doubt, the restructuring of Prices during an Assessment Period does not change the allowable notional revenue for that Assessment Period.
- 7.7 If Orion restructures its Prices during an Assessment Period, the Compliance Statement for the Assessment Period must:
- (a) state the Assessment Period in which restructure of Prices occurred; and
 - (b) if there is no Quantity for the Assessment Period ending two years prior that reasonably relates to a restructured Price, provide information demonstrating that Orion has complied with the price path in clause 7 using alternative Quantities, which must include:
 - (i) the methodology used to determine the Quantity for the Assessment Period ending two years prior that corresponds to each restructured Price; and
 - (ii) Quantity information corresponding to each restructured Price for the Assessment Period in which the restructure occurred, including a forecast of the Quantity for that period prepared by Orion at the time it restructured its Prices, and the actual Quantity; and
 - (iii) an explanation for any differences between the actual and forecasted Quantity for the Assessment Period in which the restructure occurred.

8. Quality standards

Compliance with quality standards

- 8.1 Orion must, in respect of each Assessment Period, either:
- (a) comply with the annual reliability assessment specified in clause 8.2 for that Assessment Period; or
 - (b) have complied with those annual reliability assessments for the two immediately preceding extant Assessment Periods.

Annual reliability assessment

- 8.2 Orion's Assessed Values for an Assessment Period must not exceed its Reliability Limits for that Assessment Period, such that:

$$\frac{SAIDI_{ASSESS,t}}{SAIDI_{LIMIT}} \leq 1$$

and

$$\frac{SAIFI_{ASSESS,t}}{SAIFI_{LIMIT}} \leq 1$$

where:

$SAIDI_{ASSESS,t}$ is the SAIDI Assessed Value for the Assessment Period t , and is calculated using the process outlined in Schedule 3;

$SAIDI_{LIMIT}$ is the SAIDI Reliability Limit for the Assessment Period t , as set out in Schedule 3;

$SAIFI_{ASSESS,t}$ is the SAIFI Assessed Value for the Assessment Period t , and is calculated using the process outlined in Schedule 3; and

$SAIFI_{LIMIT}$ is the SAIFI Reliability Limit for the Assessment Period t , as set out in Schedule 3.

9. Transactions

Requirement to notify the Commission of large transactions

- 9.1 Orion must notify the Commission in writing within 30 working days of any Amalgamation, Merger, or any transfer of assets governed by clause 9.3, where:
- (a) the Regulatory Investment Value of Orion's assets associated with the provision of Electricity Distribution Services is anticipated to increase or decrease by more than 10% as a result of the transaction; or
 - (b) Orion's total revenues recovered through Prices from Consumers for the supply of Electricity Distribution Services is anticipated to increase or decrease by more than 10% within an Assessment Period as a result of the transaction.

Transactions resulting in an Amalgamation

- 9.2 Where Orion completes an Amalgamation transaction with one or more EDBs, clause 3.2.1 of the IM Determination applies.

Transactions resulting in Consumers being supplied by a different EDB

- 9.3 Where Orion enters into a transaction (other than an Amalgamation or a Merger) involving a transfer of assets to or from Orion that, as a result of that transfer, results in any Consumer being supplied Electricity Lines Services by a different EDB than prior to the transaction:
- (a) for the Assessment Period in which the transaction is completed, the allowable notional revenue and notional revenue for that Assessment Period must be adjusted using the process outlined in Schedule 1C;

- (b) if the transaction is required to be notified to the Commission under clause 9.1, for the Assessment Periods following the transaction's completion:
 - (i) Orion must notify the Commission of its estimate of the transaction's impact on the Reliability Limits for those Assessment Periods; and
 - (ii) the Assessed Values for those Assessment Periods must be calculated using the process outlined in Schedule 3.

Alternative demonstration of compliance for transaction

- 9.4 If Orion participates in a transaction for which it cannot calculate the increase or decrease to allowable notional revenue, notional revenue, Assessed Values, or the impact of the transactions on the Reliability Limits in accordance with clause 9.3, Orion must provide to the Commission:
- (a) an explanation as to why the calculations could not be performed; and
 - (b) a calculation of allowable notional revenue, notional revenue, Assessed Values, and impact on Reliability Limits using an alternative approach that demonstrates compliance with clauses 7 and 8, with all supporting data, information, and calculations.

10. Compliance Statement

10.1 Orion must:

- (a) provide to the Commission a written Compliance Statement for each Assessment Period within 50 working days following the end of the Assessment Period; and
- (b) make its Compliance Statement publicly available on its website within 5 working days after providing it to the Commission.

10.2 The Compliance Statement must:

- (a) state whether or not Orion has complied with:
 - (i) the price path in clause 7 for the Assessment Period; and
 - (ii) the quality standards in clause 8 for the Assessment Period;
- (b) state whether:
 - (i) Orion has restructured its Prices during the Assessment Period (as referred to in clause 7.7);
 - (ii) an Amalgamation or Merger has taken place in the Assessment Period (as referred to in clause 9.2); and

- (iii) whether a transfer of assets has taken place in the Assessment Period (as referred to in clause 9.3);
- (c) state the date on which the statement was prepared;
- (d) include a certificate in the form set out in Schedule 4, signed by at least one Director of Orion; and
- (e) be accompanied by an assurance report on the Compliance Statement that is signed by an Auditor as specified in Schedule 5.

Price path compliance

10.3 The Compliance Statement must include any information reasonably necessary to demonstrate whether Orion has complied with the price path set out in clause 7, including but not limited to:

- (a) if Orion has not complied with the price path, the reasons for the non-compliance;
- (b) the amount of allowable notional revenue, the amount of notional revenue, Prices, Quantities, units of measurement associated with all numeric data, and other relevant data, information, and calculations;
- (c) the amounts of Pass-through Costs and Recoverable Costs that were used to calculate allowable notional revenue and notional revenue, and supporting data, information, and calculations used to determine those amounts, including when each Pass-through Cost and Recoverable Cost amount was paid and the period to which those costs relate;
- (d) information relating to any amounts of avoided transmission charges specified as Recoverable Costs (as defined in clause 3.1.3(1)(b) of the IM Determination), including:
 - (i) the amount of charge that Orion has avoided liability to pay as a result of Orion having purchased transmission assets from Transpower;
 - (ii) for the Assessment Period in which the charge is first recovered, the amount that would have been charged by Transpower for the use of the assets transferred to Orion, as specified in a pricing schedule determined by Transpower for the year immediately preceding the Assessment Period in which the charge is first recovered; and
 - (iii) for each of the remaining Assessment Periods in which the avoided charge may be recovered under clause 3.1.3(4) of the IM Determination, the adjusted amount calculated by applying a method consistent with the Transmission Pricing Methodology.

- (e) information relating to any amounts specified as Recoverable Costs consistent with clauses 3.1.3(1)(c) and (e) of the IM Determination, including:
 - (i) evidence of the amount of charge relating to the contract entered into in relation to clause 3.1.3(1)(c) of the IM Determination, which may be provided by confidential disclosure of the contract to the Commission; and
 - (ii) evidence that a transaction was completed consistent with clause 3.1.3(1)(e) of the IM Determination; and
- (f) in respect of Indirect Transmission Charges:
 - (i) the amounts of Indirect Transmission Charges recovered through its prices during the Assessment Period, and any information showing how that amount was calculated; and
 - (ii) a statement signed by at least one Director of Orion that the amount of Indirect Transmission Charges accurately reflects the transmission services supplied to Orion, consistent with the Transmission Pricing Methodology.

Quality standards compliance

10.4 The Compliance Statement must include any information reasonably necessary to demonstrate whether Orion has complied with the quality standards set out in clause 8, including but not limited to:

- (a) if Orion has not complied with a quality standard, the reasons for not meeting the quality standard;
- (b) Assessed Values and Reliability Limits for the Assessment Period, relevant SAIDI and SAIFI statistics and calculations, the annual reliability assessments for the two previous extant Assessment Periods, and other relevant data and information; and
- (c) a description of policies and procedures which Orion has used for recording the SAIDI and SAIFI statistics for the Assessment Period.

10.5 If System Fixed Assets are transferred from Transpower to Orion in an Assessment Period, the Compliance Statement for the Assessment Period must include SAIDI and SAIFI statistics and calculations for the Assessment Period in which the transfer was completed that demonstrate whether or not the transfer increased Orion's Assessed Values.

Amalgamations, Mergers or Transfers of Assets

10.6 If Orion participates in an Amalgamation, Merger or a transfer of assets under clause 9.3, the Compliance Statement for that Assessment Period must:

- (a) state whether Orion has complied with clause 9; and
- (b) include any information or calculations that are reasonably required to demonstrate compliance with that clause.

11. When the customised price-quality path may be reconsidered

- 11.1 The price-quality path in this determination may be reconsidered in accordance with cl. 5.6.4 of the IM Determination.

Dated at Wellington this ____ day of _____ 2013.

Commerce Commission

Schedule 1A: Calculation of allowable notional revenue for First Assessment Period

1. The allowable notional revenue for the First Assessment Period must be calculated in accordance with Equation 1.

Equation 1

2. The allowable notional revenue for the First Assessment Period is equal to:

$$\frac{MAR_{2015} + K_{2015} + V_{2015}}{\Delta D} - K_{2015} - V_{2015}$$

where:

MAR_{2015} is the maximum allowable revenue for the First Assessment Period as specified in clause 7

ΔD is the change in constant price revenue for the period 1 April 2013 to 31 March 2015 as specified in clause 7

K_{2015} is the sum of all Pass-Through Costs relating to the First Assessment Period

V_{2015} is the sum of all Recoverable Costs relating to the First Assessment Period, but for the avoidance of doubt does not include the unrecovered transmission charges relating to prior years specified in paragraph 4 of Schedule 2.

Schedule 1B: Calculation of allowable notional revenue for all Assessment Periods other than the First Assessment Period

1. The allowable notional revenue for all Assessment Periods other than the First Assessment Period must be calculated in accordance with Equation 2.

Equation 2

$$ANR_t = \left(\sum_i P_{i,t-1} Q_{i,t-2} - (K_{t-1} + V_{t-1}) + (ANR_{t-1} - NR_{t-1}) \right) (1 + \Delta CPI_t) (1 - X)$$

where:

- t is the year in which the Assessment Period ends (2016 to 2019);
- i is each Price relating to an Electricity Lines Service;
- $P_{i,t-1}$ is the i th Price for any part of the Assessment Period ending the year prior to year t ;
- $Q_{i,t-2}$ is the Quantity corresponding to the i th Price for the Assessment Period ending two years prior to year t ;
- $K_{t-1} + V_{t-1}$ is the sum of all Pass-through Costs and Recoverable Costs for the Assessment Period ending the year prior to year t , calculated in accordance with Schedule 2;
- $ANR_{t-1} - NR_{t-1}$ is the difference between allowable notional revenue and notional revenue for the Assessment Period ending the year prior to year t ;
- X is the rate of change, as specified in clause 7
- ΔCPI_t is the derived change in the CPI to be applied for the Assessment Period ending in year t , being equal to:

$$\frac{CPI_{Dec,t-3} + CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-2}}{CPI_{Dec,t-4} + CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-3}} - 1$$

where:

CPI_q is the CPI for the quarter year ending q .

Schedule 1C: Adjustments to allowable notional revenue and notional revenue resulting from a transaction to transfer assets

1. Where Orion completes a transaction referred to in clause 9.3, the adjustment for the Assessment Period required under clause 9.3(a) is:
 - (a) to include allowable notional revenue and notional revenue amounts that are associated with the provision of any additional Electricity Lines Services Orion supplies as a result of the transaction; or
 - (b) to remove allowable notional revenue and notional revenue amounts that are associated with Electricity Lines Services that Orion no longer supplies as a result of the transaction,

such that allowable notional revenue is adjusted by the amount calculated using Equation 3, and the corresponding adjustment to notional revenue uses the Quantities as used in Equation 3.

Equation 3

$$\pm ANR_t^{adj} = \left(\sum_i P_{i,t-1} Q_{i,t-2} \right) (1 + \Delta CPI_t)$$

where:

- t is the year in which the Assessment Period ends;
- ANR_t^{adj} is the amount that allowable notional revenue for the Assessment Period ending in year t is adjusted as a result of the additional or excluded services;
- i is each Price relating to the additional or excluded services;
- $P_{i,t-1}$ is the i^{th} Price charged by the supplier of the services in the Assessment Period ending the year prior to year t ;
- $Q_{i,t-2}$ is the Quantity corresponding to the i^{th} Price in the Assessment Period ending two years prior to year t ;
- ΔCPI_t is the derived change in the CPI to be applied for the Assessment Period ending in year t , being equal to:

$$\frac{CPI_{Dec,t-3} + CPI_{Mar,t-2} + CPI_{Jun,t-2} + CPI_{Sep,t-2}}{CPI_{Dec,t-4} + CPI_{Mar,t-3} + CPI_{Jun,t-3} + CPI_{Sep,t-3}} - 1$$

where:

CPI_q is the CPI for the quarter year ending q .

2. For the avoidance of doubt, ANR_t^{adj} is:

- (a) a positive value where Orion acquires assets from another supplier and as a result supplies additional services; and
- (b) a negative value where Orion disposes of assets to another supplier and as a result supplies less services.

Schedule 2: Determining the amount of Pass-through Costs and Recoverable Costs for an Assessment Period

1. Orion may include a Pass-through Cost or Recoverable Cost to calculate allowable notional revenue or notional revenue for an Assessment Period where the amount:
 - (a) is ascertainable at the time Orion sets its Prices for that Assessment Period;
 - (b) has not already been passed through to, or recovered from, Consumers or other parties by Orion in a previous Assessment Period;
 - (c) cannot be otherwise recovered from Consumers or other parties, other than through Prices;
 - (d) cannot be otherwise recovered from Consumers through Prices, otherwise than through Pass-through Costs or Recoverable Costs; and
 - (e) does not relate to costs that were incurred by Orion prior to the Regulatory Period, except as provided under paragraph 3 of this Schedule.
2. Orion must deduct from the total value of Recoverable Costs the amounts specified in Table 1.

Table 1: Recoverable cost reductions relating to forecast acquisitions of transmission assets from Transpower

Assessment Period <i>t</i>	Recoverable Cost Reduction
2015	\$599,000
2016	\$2,879,000
2017	\$3,818,000
2018	\$4,248,000
2019	\$4,256,000

3. Orion may include as a Recoverable Cost incurred prior to the Regulatory Period any amount that is:
 - (a) a fee payable by Orion as described in clause 3.1.3(1)(j), (k) or (l) of the IM Determination, up to the amounts set out in Table 2; or
 - (b) a fee payable by Orion as described in clauses 3.1.3(1)(h) or (i) of the IM Determination; or
 - (c) a charge payable by Orion to Transpower, which meets the requirements set out in paragraph 4 of this Schedule.

Table 2: Recoverable cost amounts relating to Orion's CPP proposal as set in accordance with clause 3.1.3(3) of the IM Determination

Type of Recoverable Cost	Recoverable Cost Amount (GST-exclusive)
Verifier fee for CPP proposal	\$204,190.81
Auditor fee for CPP proposal	\$244,000.00
Engineer fee for quality standard variation in CPP proposal	\$15225.00

4. Orion may include as a Recoverable Cost any charge payable to Transpower where the amount:
 - (a) is a cost to Orion of the type defined in clause 3.1.3(1)(b) of the IM Determination; and
 - (b) is a charge by Transpower to Orion relating to:
 - (i) the year ended 31 March 2011; or
 - (ii) the year ended 31 March 2012; and
 - (c) only to the extent that the amount has not already been passed through to, or recovered from, Consumers or other parties by Orion prior to the Regulatory Period.
5. Orion must provide information in the Compliance Statement for the First Assessment Period clearly demonstrating how any amounts under paragraph 4 of this Schedule have been calculated.
6. Any amounts that Orion carries over under paragraph 4 of this Schedule must be included as a Recoverable Cost to calculate notional revenue in the Assessment Period ending in 2015.
7. Orion may adjust the amount of any Recoverable Cost carried over under paragraph 4 for the time value of money by applying each relevant cost of debt applicable to a disclosure year under clause 5.3.22(3) of the IM Determination for periods:
 - (a) commencing at the date each charge was paid to Transpower; and
 - (b) ending on the date 148 days prior to the end of the Assessment Period in which the amount is recovered from Consumers.

Schedule 3: Reliability Limits and Assessed Values

1. This schedule sets out the process for calculating Orion's Assessed Values for the purposes of assessing compliance with the quality standards as set out in clause 8.

Reliability Limits

2. Orion's Reliability Limits for the Regulatory Period are set out in Table 3.

Table 3: Reliability Limits for Assessment Periods in the Regulatory Period

Assessment Period t	$SAIDI_{LIMIT}$	$SAIFI_{LIMIT}$
2015	103.8	1.36
2016	94.7	1.21
2017	91.0	1.16
2018	82.4	1.02
2019	73.4	0.87

Assessed Values

3. In order to calculate its Assessed Values, Orion must undertake the steps set out in paragraphs 4 to 8 of this Schedule.

Boundary values

4. The SAIDI boundary value (B_{SAIDI}) for each Assessment Period in the Regulatory Period is set out in Table 4.
5. The SAIFI boundary value (B_{SAIFI}) for each Assessment Period in the Regulatory Period is set out in Table 4.

Table 4: B_{SAIDI} and B_{SAIFI} boundary values

Assessment Period t	B_{SAIDI}	B_{SAIFI}
2015	6.2	0.09
2016	5.7	0.08
2017	5.5	0.07
2018	5.0	0.07
2019	4.4	0.06

Normalise the Assessment Dataset for Major Event Days

6. For any day in the Assessment Dataset for Assessment Period t where the daily SAIDI Value is greater than the applicable B_{SAIDI} set out in Table 4, calculate the normalised daily SAIDI Value in the Normalised Assessment Dataset by:
 - (a) replacing the daily SAIDI Value with the applicable B_{SAIDI} set out in Table 4;
and
 - (b) if the daily SAIFI value for that day exceeds that applicable B_{SAIFI} set out in Table 4, calculate the normalised SAIFI Value by replacing the daily SAIFI Value with the applicable B_{SAIFI} set out in Table 4.

Calculate Assessed Values

7. The SAIDI Assessed Value ($SAIDI_{ASSESS,t}$) is the sum of daily SAIDI Values in the Normalised Assessment Dataset for the Assessment Period t .
8. The SAIFI Assessed Value ($SAIFI_{ASSESS,t}$) is the sum of daily SAIFI Values in the Normalised Assessment Dataset for the Assessment Period t .

Schedule 4: Form of Directors' certificate for Compliance Statement

We, *[insert full name/s]*, being Directors of Orion New Zealand Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached compliance statement of Orion New Zealand Limited, and related information, prepared for the purposes of the *Orion New Zealand Limited Price-Quality Path Determination 2013* has been prepared in accordance with all the relevant requirements**[except in the following respects]*.

**[insert description of non-compliance]*

[Signatures of Directors]

[Date]

*Delete if inapplicable.

Schedule 5: Form of Auditor's report on Compliance Statement

1. Orion must procure an assurance report by an Auditor in respect of the Compliance Statement that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements 3000 (ISAE (NZ) 3000) or their successor standards, signed by the Auditor (either in his or her own name or that of his or her firm), and that-
 - (a) is addressed to the Directors of Orion and to the Commission as the intended users of the assurance report;
 - (b) states-
 - (i) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements 3000 (ISAE (NZ) 3000) or their successor standards; and
 - (ii) the work done by the Auditor; and
 - (iii) the scope and limitations of the assurance engagement; and
 - (iv) the existence of any relationship (other than that of auditor) which the Auditor has with, or any interests which the Auditor has in, Orion or any of its subsidiaries; and
 - (v) whether the Auditor has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained; and
 - (vi) whether, in the Auditor's opinion, as far as appears from an examination, the information used in the preparation of the Compliance Statement has been properly extracted from the Orion's accounting and other records, sourced from its financial and non-financial systems; and
 - (vii) whether, in the Auditor's opinion, as far as appears from an examination of them, proper records to enable the complete and accurate compilation of the Compliance Statement required by the Orion New Zealand Customised Price-Quality Path Determination 2013 have been kept by Orion and, if not, the records not so kept; and
 - (c) states whether (and, if not, the respects in which it has not), in the Auditor's opinion, Orion has complied, in all material respects, with

the Orion New Zealand Customised Price-Quality Path Determination 2013 in preparing the Compliance Statement.

- (2) Orion must publicly disclose the Auditor's assurance report prepared in accordance with paragraph 1 above at the same time as Orion publicly discloses the Compliance Statement.

Schedule 6: Variations to Applicable Input Methodologies

Input methodologies that have been by agreement between Orion and the Commission are attached to this Schedule 6.

[To be attached in final determination.]

Explanatory note

The purpose of the *Orion New Zealand Limited Customised Price-Quality Path Determination 2013* (“the Determination”) is to set a customised price-quality path for Orion New Zealand Limited for the regulatory period beginning 1 April 2014 and ending 31 March 2019, pursuant to Part 4 of the Commerce Act 1986 (“the Act”).

This Determination will take effect from 1 April 2014, and expire, except for purposes of demonstrating compliance and enforcing any breach for non-compliance, upon Orion moving to a new price-quality path.

Pursuant to section 53N of the Act, Orion is required to provide to the Commerce Commission (“the Commission”) a compliance statement stating whether or not it has complied with its customised price-quality path set out in the Determination together with supporting evidence. The compliance statement is to be accompanied by both an auditor’s report and a director’s certificate. Orion must publish its compliance statement on its website within five working days after submitting it to the Commission.

The Commission conducted a comprehensive process of consultation before making the Determination. A decision paper explaining our decisions reflected in this Determination can be found at:

<http://www.comcom.govt.nz/regulated-industries/electricity/cpp/orion-cpp/>

Copies of this Determination are available for inspection free of charge at the Commission (during ordinary office hours), on the Commission’s website at the above link, or for purchase at a reasonable price at the Commission.