

5 December 2025

Ben Woodham
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Commerce Commission
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Dear Ben

Submission – Proposed IM Amendment - Accounting for Shifted Revenue

1. INTRODUCTION

1. Orion welcomes this opportunity to provide feedback on the Commerce Commission's (Commission) consultation, *'Proposed amendment to the input methodologies for electricity distribution businesses – accounting for shifted revenue'*.
2. No part of this submission is confidential.
3. Orion owns and operates the electricity distribution infrastructure in Central Canterbury, including Ōtautahi Christchurch city and Selwyn district. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north, to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 228,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business (EDB).

2. SHIFTED REVENUE ADJUSTMENT MECHANISM

4. Orion considers that the proposed 'shifted revenue' adjustment mechanism achieves its intended purpose in keeping EDBs (and consumers) whole under circumstances where (1) an EDB is transitioning to a Customised Price-quality Path (CPP) and (2) the recovery profile of Default Price-quality Path (DPP) Maximum Allowable Revenue (MAR) is different to the profile of DPP Building Blocks Allowable Revenue (BBAR) – i.e., MAR is either 'front-loaded' or 'back-loaded'. We note that the proposal, as drafted, will require a 'shifted revenue' adjustment for all CPP proposals, as discussed below.
5. Under 'normal' circumstances¹, where an industry-wide rate of change (x-factor) of 0% is applied, the 'shifted revenue' adjustment creates a potential disincentive for any price-quality regulated EDB to apply for a CPP, as doing so will require return of revenue due to 'front-loading' of MAR.

¹ The first to third DPP periods featured an industry-wide rate-of-change of 0%, except for five EDBs in DPP1 and four EDBs in DPP2 that were assigned alternative rates-of-change.

6. We note that the potential disincentive is relatively weak and weakens further as the DPP regulatory period progresses; however, the potential disincentive remains over the entire DPP regulatory period. Despite this, the disincentive is avoided if the start of the CPP and DPP coincide.
7. Objectively, the 'shifted revenue' adjustment does not disadvantage any EDB that is moving to a CPP under 'normal' circumstances, since the adjustment maintains NPV neutrality between BBAR and MAR; however, it is noted that prior CPP applicants (Orion 2014, Powerco 2018, Wellington Electricity 2018, and Aurora Energy 2021) have avoided having to return revenue on transition to their respective CPPs. The potential disincentive is therefore a matter of perception only and, ultimately, it will largely be up to prospective CPP applicants to determine whether the disincentive is 'real'.

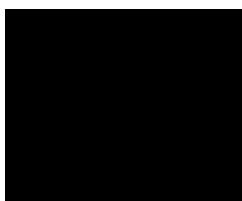
3. CLARITY IMPROVEMENTS

8. The proposed definition of 'shifted revenue' includes the phrase "*the sum of the differences, in present value terms*". We consider that it would be useful if the definition included more specificity about how to apply that phrase, to remove ambiguity.
9. We consider that it would be useful for the definition to set out:
 - 9.1. the rate that should be used to discount the values; and
 - 9.2. the date that the present values should be calculated to.
10. Specifying that information would remove potential ambiguity and make this definition more consistent with other Input Methodologies (IM) clauses and definitions that incorporate present values and discounting; for example, as specified in the definition of '*lifetime solution costs*'.

4. CLOSING

11. In summary, while the proposed 'shifted revenue' adjustment mechanism effectively maintains NPV neutrality during transitions from the DPP to a CPP, its application under an industry-wide X-factor of 0% may create a perceived disincentive for CPP applicants. Clarifying the definition of 'shifted revenue' - including discount rates and present value baseline dates - would further enhance transparency and consistency within the IMs. Addressing these points will ensure the mechanism achieves its purpose without unintended barriers or ambiguity.
12. If you have any questions about this submission, please contact the undersigned.

Yours sincerely



Alec Findlater
Regulatory Lead – Commerce Commission