

Orion CPP – 'Network Transformation' Review

Final Report

NZ Commerce Commission

October 2026

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Executive summary

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Background

- Orion has submitted a Network Transformation Programme (NTP) as part of its Customised Price-Quality Path (CPP) proposal. Orion's NTP will enable the transition towards greater electrification and flexibility management. Orion's enabling investments and roadmap are likely to serve as a frontier example for other EDBs.
- Orion is the largest South Island EDB and is uniquely positioned to deal efficiently with the needs of its customers, building on highly successful operationalisation of flexibility in multiple contexts. The transformation will be carried out within a range of contextual issues, as Orion stated it submitted the **$1.51B** CPP proposal due to strong regional growth, to meet ongoing resilience challenges, maintain safety and reliability, be future ready, and seek efficiencies through ICT enhancement and integration.
- The Commerce Commission (the Commission) must assess whether expenditure proposals are prudent, efficient and consistent with delivering services at the quality expected by consumers.[1] The Commission sought independent advice from Baringa on whether Orion's proposed NTP is sufficiently evidenced and likely to deliver the proposed outcomes.

Process

1. **Proposal and evidence review:** Reviewed Orion's CPP proposal, asset management plan, Network transformation roadmap, business cases, Independent Verifier report and expenditure forecasts across key operating and capital programmes.
2. **Capability assessment:** Assessed Orion's current and target capability maturity across visibility, forecasting, planning, options assessment, connections, flexibility market development, dispatch and operations against Baringa's capability assessment framework through a series of five interviews with Orion.
3. **International benchmarking:** Tested Orion's NTP initiative and programmes against industry leading practice and Baringa's experience across Australia and the UK.
4. **Expenditure alignment review:** Assessed Customer Connections, LV Reinforcement and ICT expenditure programmes for alignment with NTP capabilities and benefits.
5. **Regulatory advice and recommendations:** Provided recommendations to support the Commission's assessment of expenditure efficiency and prudency.

Key findings

This engagement has provided the Commission with:

1. A detailed review of the **$34.0M** NTP. Of this total expenditure we have found that **$9.3M** related to the acquisition of third-party AMI data and battery energy storage system investment is subject to further evidence provided by Orion. Additionally, the **$2.3M** associated with Flexibility Market Development Programme is supported, conditional on Orion meeting reporting obligations.

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2. A clear view of the relationship between the three other expenditure categories we have reviewed and the NTP. The three categories of Customer Connections, LV Reinforcement and ICT amounts to **$311.1M** in total expenditure. We have identified areas where additional information is required to support the linkages between NTP and all three categories. Along with the NTP, in total, we have reviewed **23%** of the CPP proposed expenditure.

2



Source: 1. Electricity Distribution Services Input Methodologies Determination, Commerce Commission, September 2026 – Link.

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We tested our draft findings with Orion and the Commission, updating the report where evidence and clarification was provided and maintaining our independence where we considered the evidence did not support a change.

- **The review followed a four-step process, with all feedback considered before finalising our conclusions.**

Step	Activity
1. Evidence gathering and review	We reviewed Orion's CPP proposal and supporting documents, and held five structured interviews with Orion staff on 1–4 September 2026, one for each capability area.
2. Draft Report	We shared a draft report with the Commission and Orion for review on 18 September 2026.
3. Stakeholder feedback	Orion commented on factual accuracy and its investment rationale. The Commission had access to Orion's feedback and commented on clarity, sources, structure and how the findings apply the expenditure objective tests.
4. Final Report	We considered all comments, updated the report where new evidence or clarification was provided, and kept our independent assessment where we considered the evidence did not support a change.

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We assessed whether Orion's proposed Network Transformation Programme for supporting future network capability requirements align with expenditure objectives.

Our scope

Baringa was engaged by the New Zealand (NZ) Commerce Commission to review and assess Orion's proposed NTP and selected CPP expenditure programmes to support the Commission's assessment of Orion's 5- year (FY28 to FY32) CPP proposal and the Commission's Draft Decision.

Our review focused on two complementary scope areas:

1. NTP assessment

- Assessment of Orion's current and target capability across Baringa's five capability domains (Visibility & Forecasting, Planning & Options Assessment, Connections, Flexibility Market Development, Dispatch & Operations).[1]
- Review of the extent to which proposed investments support future network capability requirements, and consumer outcomes.
- Consideration of capability maturity, evidence strength and alignment with international experience in Australian and the UK.

2. CPP expenditure consistency review

- Review of whether selected CPP expenditure proposals are consistent with Orion's Network Transformation objectives, capability roadmap and stated consumer outcomes.
- Assessment of Customer Connections, LV Reinforcement and ICT expenditure programmes[2] to determine whether proposed investments are the right investment at the right time and proportionate to the expected outcome.
- Identification of areas of misalignment where further justification may be required.

To guide our assessment, we have considered the Commission's expenditure objective.

The EDB IMs[3] require the Commission to evaluate whether the expenditure proposal meets the expenditure objective - that proposed expenditure reflects the efficient costs of a prudent supplier:

- Under clause 5.2.1(1)(d) of the EDB IMs the Commission is required to evaluate whether the expenditure proposal meets the expenditure objective as defined in the IMs. In particular, limb (a) of the definition of 'expenditure objective' is the objective that capex and opex reflect the efficient costs that a prudent EDB would require to meet or manage the expected demand for electricity distribution services during the CPP period and over the longer term.

Our approach

We have qualitatively assessed the NTP against the Commission's expenditure objective tests of prudency and efficiency.[4]

- **Prudency test**
  - We have assessed whether the NTP will deliver on Orion's stated ambitions and key expenditure categories with the right solution and the timing justified.
- **Efficiency test**
  - We have assessed whether the investment plans are justified, reasonable and appropriately costed on the basis of information submitted from Orion.

Orion's CPP will deliver a set of network benefits and market benefits. Network benefits are relevant to the expenditure objective. However, it is more a matter of regulatory policy whether the Commission considers market benefits from EDB investments are relevant under the expenditure objective tests. We therefore identify and assess both justifications, highlighting those investments which are only justified when taking into account market benefits, to aid the Commission's review.

Types of benefits

Network benefits

- Benefits that accrue directly to the electricity network and reduce the cost or improve the performance of providing network services.
- These benefits are realised by the network operator and its consumers through improved reliability, power quality, operational performance, or increased network capacity.

Examples:

- *Deferral of LV reinforcement,*
- *Avoided substation upgrade,*
- *Improved reliability and power quality*

Market benefits

- Benefits that accrue to broader electricity market participants or the wider power system.
- Realised through lower wholesale prices, improved DER participation, market development, industry learning, flexibility market maturation, system-wide optimisation, or benefits to third parties.

Examples:

- *Reduced wholesale energy costs,*
- *System-wide optimisation,*
- *Industry capability building and knowledge sharing*

1. Source: Baringa capability framework, slide 14 - Link. 2. These were selected from a list of sample expenditure categories outlined by the Commission and considered to be the most relevant and material by Baringa; 3. Source: Electricity Distribution Services Input Methodologies Determination, Commerce Commission, September 2026 – Link; 4. Our assessment is not subject to a quantitative analysis.

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Orion has a clear strategy for network transformation and, with a strong foundation, is investing in capabilities that align with some leading international networks.

- Orion has a clear and coherent plan to build the capabilities needed to manage the more electrified and distributed energy future in New Zealand. Orion is building on an already strong foundation with a history of innovative and scaled flexibility initiatives and targeted network investments that have supported growth in electrification, customer connections and distributed energy resources while maintaining efficient network outcomes.
- **Overall, we find that Orion faces genuine growth pressures and has established a reasonable roadmap to build the capabilities needed for this network transformation in their CPP. However, we note some specific recommendations where Orion's investments require further evidence or where support is conditional on specific requirements.**

Why Orion needs a Network Transformation Programme

Orion is managing rapid connection growth

Official evidence confirms material growth and development pressure across Orion's region. Stats NZ projects Selwyn's population to increase from 82,000 in 2023 to 108,000 by 2033, equivalent to 2.3% p.a. and the fastest territorial-authority growth in New Zealand, while Christchurch grows from 407,700 to 445,700.[1]

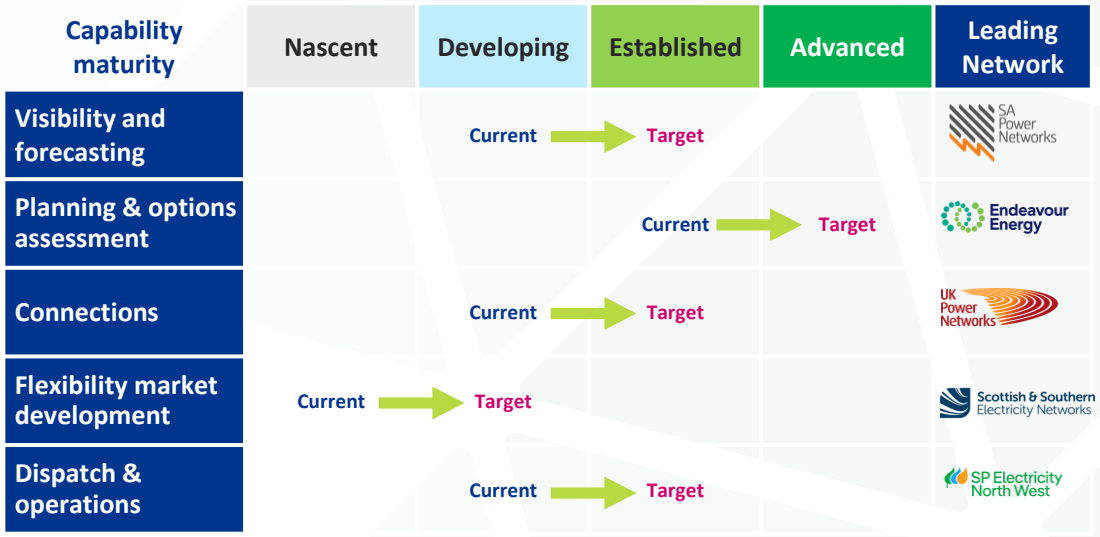
Orion has a clear transformation roadmap

Orion's Network Transformation Roadmap establishes a coherent programme that integrates technology, planning, operations and organisational change to support electrification and DER uptake rather than a collection of discrete technology projects.[2]

Orion has a credible track record of innovation

Orion has demonstrated propensity to pilot activities that are deliverable and scalable with many proposed CPP investments building on industry collaborations and proven operational capabilities such as Hot water projects and Resi-Flex.[3]

How Orion compares with leading advanced networks



Baringa's assessment of Orion's target maturity is broadly consistent with advanced networks, with the largest uplift focused on flexibility and operational capabilities. **Orion's NTP was compared to leading networks as points of strategic validation** rather than quantitative ranking as network, regulatory and market contexts vary greatly.

Current represent Orion's pre-CPP state

Target represent Orion's post-CPP state

Sources: 1. Stats NZ website - Link; 2. Independent verifiers report for Orion CPP, p. 294 - Link; 3 . Orion 2026 AMP, p. 425 - Link.

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Acquisition of third-party AMI data[1]

NODS data is justified, but Orion needs to provide further evidence on the timing and cost of high-frequency NODS and network-wide OMS data.

Acquisition of third-party AMI data

Capex:	$5.41M	**Total:**	**$10.7M**	**Further evidence required ($7.0M)**
Opex:	$5.32M			

- We assessed that the proposed expenditure is influenced by Orion's data requirements and supplier contracting arrangements. The data products within the package are:
    1. Network Operational Data Service (NODS) (**$3.7M**)
    2. High-frequency NODS (**$1.7M**)
    3. Outage Management Service (OMS) (**$5.3M**)
- Orion indicates that the commercial offer requires them to purchase NODS and OMS data for all meters, but the subscription allows Orion to nominate a percentage of high-frequency NODS. We recommend Orion consider the following:

1. **Better justify the need for high-frequency NODS data procurement in the CPP period.** Orion should link specific use cases (tracking DER uptake, validating constraints and managing power quality) and show where existing overnight NODS data is no longer sufficient.
2. **Update the comparison between network-based monitoring against the ongoing purchase of high-frequency NODS data.** We recognise the two are not like-for-like because they provide different data granularity and coverage. However, the Network Sensors PIP analysis was based on the limitations of existing NODS data so should be re-run against both options.
3. **Demonstrate that purchasing of network-wide OMS data is the lowest-cost way to improve outage response.** Where commercial terms prevent targeted OMS purchasing, Orion should clearly set out the Orion should set out the cost impact of whole-network terms so the Commission can take it into account.

We support the $3.7M for NODS and recommend Orion provide further evidence on the timing and coverage of high-frequency NODS data, and on the cost and reliability benefits of network-wide OMS data.

Expenditure tests	Rationale
Prudency test NODS – Supported High-frequency NODS – Further evidence required OMS – Further evidence required	• The need for better LV visibility is credible, given infill housing, DER and EV uptake, and connection growth. Orion has made a reasonable case for why data on LV network visibility is needed, but have not specifically articulated why the high frequency NODS data is needed or the OMS data. • Standard NODS data already supports planning, constraint validation and connection assessments, and its benefits are proven. • High-frequency NODS data supports tracking DER uptake, validating constraints and managing power quality proactively. However, Orion has not shown why its target of 25% of meters is needed by the end of the CPP period, or where overnight NODS data stops being sufficient. Without this evidence, Orion has not yet justified why this expenditure is prudent and efficient to commence occurring in this CPP period. • OMS data is offered for the whole network only. Orion has not shown what would happen if this purchase were deferred, so its timing is not yet justified.
Efficiency test NODS – Supported High-frequency NODS – Further evidence required OMS – Further evidence required	• The **$3.7M** for NODS is efficient because it continues current operating practice and metering coverage. • A multi-source data strategy is reasonable. However, commercial terms, rather than Orion's needs, set the scale of the **$1.7M** for high-frequency NODS and the **$5.3M** for OMS. • Orion's cost-benefit analysis for its network-based monitoring indicates that high-frequency NODS data would reduce the need for network-based monitoring. That analysis was based on the limitations of existing NODS data and should be updated. The outcome of this will determine whether there is a clear need for the high-frequency NODS data. • Orion has not compared network-wide OMS data with alternative options to show it is the lowest-cost way to improve outage detection and response.

Note: 1. At the time of publishing, Orion advised that the commercial terms for the third-party AMI data purchase were being updated from a network-wide arrangement. However, these new commercial terms were not finalised during our assessment and were therefore unable to be assessed.

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Battery energy storage system investment

A BESS may be a credible planning option, but Orion has not yet linked it to a defined constraint or shown it is lower cost than reinforcement.

Battery energy storage system investment

Capex:	$2.05M	**Total:**	**$2.3M**	**Further evidence required**
Opex:	$0.25M			

- Orion intends to use an Orion-owned battery energy storage system (BESS) as a planning option where the flexibility market cannot meet a network need. Its planning order is market-based flexibility first, then a non-traditional network solution, then traditional reinforcement. Given the nascency of New Zealand's flexibility market is, Orion considers a BESS a credible option for some constraint types.
- A 'network non-traditional' solution such as an Orion-owned BESS, could provide a credible alternative option when market-based flexibility cannot address a network need, but the proposed expenditure is not yet linked to a defined constraint or fully specified operating model.
- Orion expects the investment to be justified by network benefits, rather than by value realised from wholesale or retail markets. Orion has not yet provided a cost-benefit analysis comparing the BESS with traditional reinforcement for a specific constraint. This means the network benefits have not yet been demonstrated. Orion is clear that this budget is to test and trial the technology[1] indicating that this expenditure is innovative in nature.
- We therefore consider that this investment activity alone will not deliver sufficient network or 'market signalling' benefits. This expenditure is innovative in nature and should be conditional on an identified network constraint, defined asset sizing, completed market test with cost-benefit analysis and agreed dispatch/market monetisation strategy or partnership.

We recommend Orion demonstrate that if the BESS is justified by primarily network benefits, by identifying the constraint(s) it would address, defining asset sizing and providing a cost-benefit analysis against traditional reinforcement. If this cannot be demonstrated, the Commission may consider whether the $2.3M is better treated outside the CPP.

Expenditure tests	Rationale
Prudency test Further evidence required	• Orion distinguishes customer-owned flexibility, which it prefers because customers can earn value from it across several markets, from an Orion-owned BESS, which it would only use where the market cannot meet a network need. Given how slowly New Zealand's flexibility market is developing, we largely consider this a reasonable planning principle. • However, Orion confirmed the BESS is not yet targeting a specific constraint. It could address an LV, 11 kV or zone substation need, but none has been identified. • DER export constraints are not yet material at scale. Without a defined need, Orion has not shown why the BESS must be delivered within the CPP period rather than once a specific constraint has emerged.
Efficiency test Further evidence required	• A BESS may be a lower-cost alternative to traditional reinforcement for some constraint types and most of the **$2.05M** capex is for equipment, but Orion has not yet defined the site, asset size or a cost-benefit analysis against reinforcement or market-based flexibility. • Orion expects a network-only business case to support the investment, possibly spread across about four LV sites. However, this has not yet been evidenced. • Orion also intends to use the BESS to understand the full value of a network battery across markets, and to show the market that this approach is possible. No retailer partnership has been identified to capture wholesale value. If these learning and market-signalling benefits are part of the case, Orion should set them out separately from network benefits. • In the short term, Orion intends to dispatch the BESS like a hot water cylinder through existing ripple control. That method has limited ability to show the battery's full value, so the planned approach may not fully deliver the learning benefits Orion is seeking. Whether market benefits fall within the expenditure objective is a matter of regulatory policy for the Commission.

Source: 1. Network Transformation Programme POD, p. 32.

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Flexibility Market Development programme

Buying flexibility services is a prudent option, but delivery depends on a nascent market and should be supported by transparent reporting.



Flexibility Market Development programme

Capex:	$0M	**Total:**	**$2.3M**	**Supported with conditions**
Opex:	$2.32M			

- Orion has articulated a rationale for Flexibility Market Development and has a history of engaging and operationalising flexibility resources at scale.
- The $2.3M is described as an opex allowance for buying demand side response and flexibility services required to defer or avoid capex investment through major or reinforcement projects. Payments are capped at the value of the avoided network investment. This represents a ceiling price of equivalent opex investment that Orion is willing to pay to meet the network needs using flexibility in place of a traditional build solution.
- Orion also describes the FMD programme as intending to support a nascent NZ flexibility market and establish flexibility as a regular non-network planning option. We consider it is therefore both capability and market building in nature and will support wider system learning, encourage participation and develop core FMD capabilities (e.g. planning, dispatch etc.). Orion has a credible track record of using flexibility at scale, including hot water load management and interruptible irrigation connections. It already considers non-network options in its planning.
- The main benefit is to the network: flexibility services are bought instead of reinforcement capex, but this is dependent on market participation and supplier capability that has not yet been demonstrated at scale in NZ. Secondary market benefits may come from publishing opportunities and sharing what Orion learns across the sector. The flexibility market remains nascent, so whether this allowance is successfully delivered depends on flexibility providers participating.

We recommend the Commission support this expenditure, subject to Orion reporting on the opportunities it tenders, the capacity it contracts and the costs relative to the network alternative, so that the network benefits can be demonstrated and any market benefits and lessons shared across the sector.

Expenditure tests	Rationale
Prudency test Supported with conditions	• Buying flexibility services where they cost less than reinforcement is a prudent planning option. It is consistent with Orion's preference to try market-based solutions first. Orion is already a strong user of flexibility through hot water load management, peak load control and irrigation connections. • Building procurement capability ahead of urgent constraints is reasonable. Orion intends to publish opportunities 3 years ahead for sub-transmission and 2 years ahead for 11 kV and LV, which gives providers enough lead time to respond. • Delivery risk remains a concern. Orion has run only one tender so far and the single contract closed early, and its delivery partner went into liquidation.
Efficiency test Supported with conditions	• Orion values flexibility at the network investment it avoids and caps payments at that value. In principle, this means Orion only buys flexibility where it costs less than reinforcement. • The forecast volume of procurement is partly speculative. It assumes one project is deferred every second year and that Orion tenders every year. The LV reinforcement forecast includes about 2.5% of capex avoided through non-network solutions from FY29 over the CPP period. Orion should show how the $2.3M opex allowance reconciles with the capex it avoids across its major projects, 11 kV and LV. • Orion should report the opportunities it tenders, the responses it receives, the capacity it contracts, delivery performance and costs relative to the network alternative. This would show that the allowance is being spent efficiently and would let the wider sector use Orion's results.

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Our assessment highlights opportunities to improve consistency in assumptions for benefits attributable to the NTP and risk treatment across key expenditure categories.

Expenditure category			Underlying assumptions	NTP complementary investments	NTP dependency rating	Recommendations
Consumer connections capex	Capex:	$146.1M	• The forecast uses a base-step-trend approach, with FY26 gross expenditure as the base. It applies a single average cost per ICP for standard connections, [1] adjusts for forecast connection volumes and process-heat conversions. • Orion applies a top-down non-network opex efficiency adjustment; no adjustment is made to connections capex. • Revised standard connection charges and forecast customer contributions are deducted to derive net CPP capex.	• Developing an LV model • Increasing network analytics capability • Improve network automation/optimisation • DERMS deployment (HV to LV)	**Low** • The NTP enables connections capability but has a low impact on the current consumer connections capex forecast.	• **Orion should demonstrate why NTP benefits will not result in an efficiency change that reduces future connection costs by the end of the CPP period.** • **Orion should establish connection processing time baselines using existing information and report performance against them during the CPP period.**
	Opex:	-				
	Total:	**$146.1M**				
System growth capex – LV reinforcement [2]	Capex:	$59.3M	• The forecast uses a modelling approach based on 2024 demand and a medium-growth scenario. • From FY29 onwards, Orion has included a 2.5% allowance for non-network solutions, based on avoided expenditure per annum. • A further $5M is included for areas where local growth may exceed the medium forecast.	• Deploying network-based monitoring equipment • Developing an LV model • Increasing network analytics capability • Acquiring network data • Improving IoT device telemetry & comms • DERMS deployment (HV to LV)	**High** • Capabilities and benefits realised by the NTP, particularly for network visibility, have a high impact on Orion's forecast of the LV reinforcement.	• **Orion should demonstrate how the 2.5% avoided capex assumption reconciles with the flexibility services opex allowance.**
	Opex:	-				
	Total:	**$59.3M**				
ICT capex and opex [3]	Capex:	$38.4M	• New capabilities will be delivered through a range of ICT programmes including Advanced Distribution Management System, geographic information system, data analytics, AI, Integrated Asset Management, customer engagement, cyber security and integration platforms.	• Developing an LV model • Increasing network analytics capability • Acquiring network data • Improve network automation/optimisation • Improve network operational tools	**High** • The ICT programme is a fundamental enabler of the NTP, and many benefits are highly dependent on ICT investments being delivered.	• **Orion should identify the NTP outcomes that depend on the ICT investments being delivered and describe how NTP benefits are not counted twice across the NTP and ICT expenditure programmes.**
	Opex:	$67.3M				
	Total:	**$105.7M**				

Notes: 1. However Flexible Connections are not expected to be available till late in the CPP period; 2. Source: CPP Main Proposal p. 132; 3. Source: CPP Main Proposal p.173.

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Most NTP expenditure supports prudent development of core capabilities; however, further evidence is required for BESS and third-party data acquisition to be justified.

Baringa future network capabilities

Orion NTP expenditure

Visibility & Forecasting

Network visibility

Network Sensors	Capex: $2.00M Opex: $1.12M
IoT Telemetry	Capex: $1.90M Opex: $0.09M
LV Model	Capex: $0 Opex: $1.09M
Network Analytics	Capex: $0 Opex: $5.00M
Third party data acquisition	Capex: $5.41M Opex: $5.32M
Other	Capex: $0 Opex: $0.4M

Planning & Options Assessment / Connections

Growth and connections

Exploring battery energy storage systems	Capex: $2.1M Opex: $0.3M
Improve network automation/optimisation	Capex: $0.5M Opex: $0.5M
Exploring microgrids and community energy hubs	Capex: $1.2M Opex: $0
Other	Capex: $0 Opex: $0.3M

Flexibility Market Development

FMD programme

Demand side response and flexibility services	Capex: $0 Opex: $2.3M

Dispatch & Operations

Operations

Network operational tools	Capex: $0 Opex: $0.8M
DERMS	Capex: $1.6M Opex: $2.3M

	Network visibility	Growth and connections	FMD programme	Operations
Total proposed	$22.3M	$4.9M[3]	$2.3M	$4.7M
Total expenditure requiring further evidence[1]	$7.0M	$2.3M	$0	$0
Total Supported expenditure[2]	**$15.3M**	**$2.5M**	**$2.3M**	**$4.7M**

Notes: 1. This amount includes expenditure items assessed as 'Further evidence required'; 2. This is the total amount of expenditure for the 'Supported' and 'Supported with conditions' items; 3. There are some rounding changes which impact the totals.

Supported

Supported with conditions

Further evidence required

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Assessment of Orion's Network Transformation capabilities

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Our 2-stage assessment maps Orion's expected capability uplift under the CPP, then tests the target maturity is justified and supported by prudent investment.

For each of the 5 capabilities in our capability framework, we apply a 2-stage assessment as described below.

1

Capability framework assessment – map the proposed capability uplift

Using Baringa's capability assessment framework, we assess Orion's current maturity and map the target maturity it is expected to reach based on its proposed plans and investments if the CPP is approved.

We first assess the capability maturity of Orion today and then understand the target capability maturity that Orion intends to achieve through its investments.
We also review the capability functions that are changing and the proposed uplift.
Finally, we present an advanced Australian or UK network to compare and contrast against Orion's proposed capability development as a benchmark.

2

Expenditure test – test Orion's proposed investment case

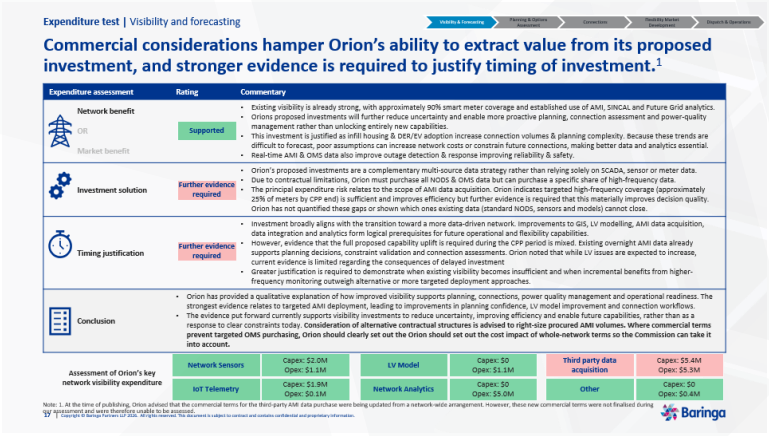
We assess Orion's proposed investments using the evidence they have provided against the Commission's expenditure objective. This objective is that capex and opex reflect the efficient costs that a prudent non-exempt EDB would require to - (a) meet or manage the expected demand for electricity distribution services, at appropriate service standards, during the CPP regulatory period and over the longer term; and (b) comply with applicable regulatory obligations associated with those electricity distribution services.

This exercise distinguishes whether the investment solution is prudent and the timing is efficient.

Slide 1



Slide 2



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We have assessed the prudency and efficiency of Orion's NTP through documentation reviews and targeted interviews to understand the future readiness of its network.

1

Capability framework assessment

We assess the current maturity and target maturity under the four ratings of Nascent, Developing, Established or Advanced.

Nascent	Developing	Established	Advanced
Early stage with activity exploratory, ad-hoc, or limited to initial planning	Partially in place, with defined processes or pilots underway, but is not yet fully embedded	Embedded in BAU processes and demonstrably delivering outcomes today	Integrated and optimised in BAU, enabling proactive, data-driven decisions

Proposed capability uplift of Function 1/2/3/4/5 → **International comparator**: **Advanced Australian/UK network**

2

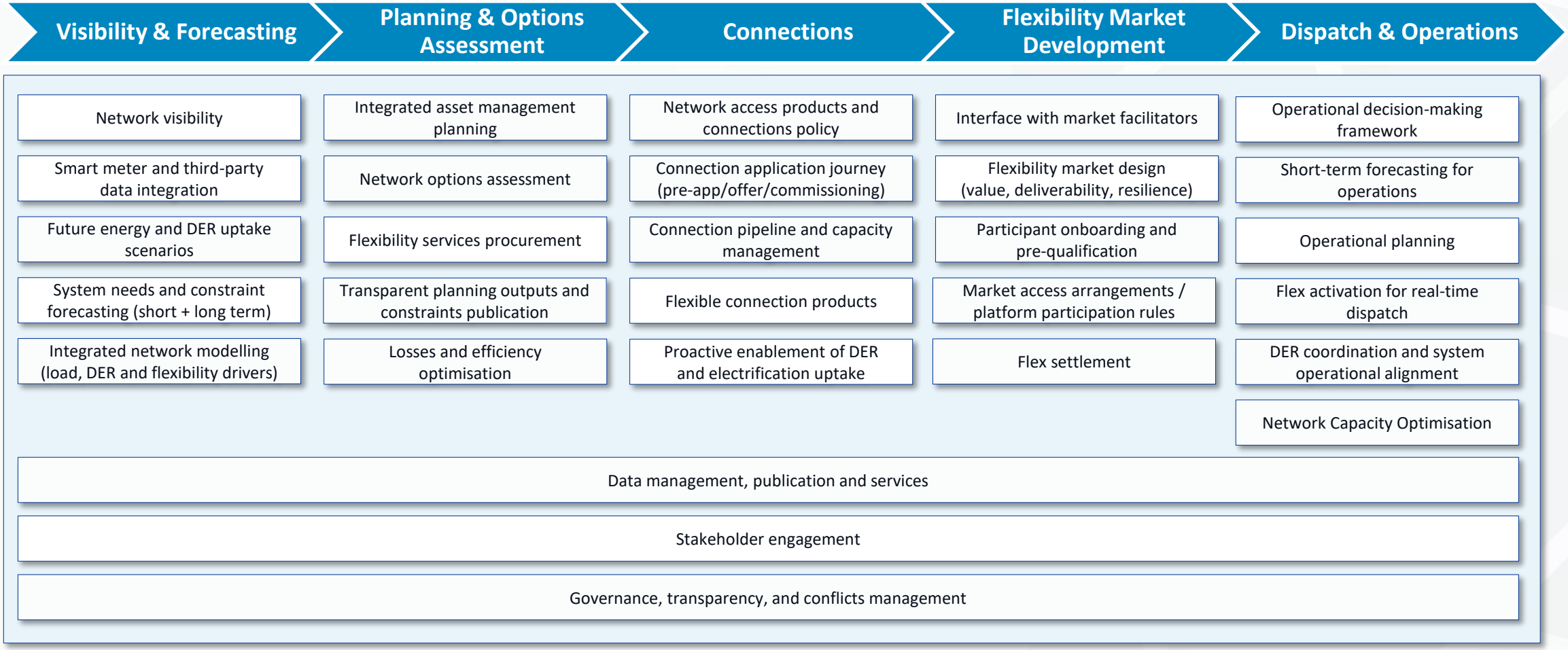
Expenditure test

We assess the expenditure proposed from a prudency and efficiency perspective, using qualitative ratings:
Supported: We are satisfied that the evidence Orion has provided justifies either the network benefits, investment solution and/or timing justification.
Supported with conditions: There is sufficient evidence, but we require Orion to satisfy conditions in order for us to support the expenditure.
Further evidence required: Orion has insufficiently justified benefits, investment or timing and is required to address this in the Revised Proposal. We then comment on our ratings.

Expenditure assessment	Rating	Commentary
Network benefit OR **Market benefit**	Supported / Supported with conditions / Further evidence required	• Is the proposed capability required supported by a defined network or customer problem? Or • Is the proposed capability required supported by a defined market problem?
Investment solution	Supported / Supported with conditions / Further evidence required	• Is the proposed investment to uplift the capability the appropriate solution and is therefore prudent?
Timing justification	Supported / Supported with conditions / Further evidence required	• Has Orion justified with sufficient evidence why the solution needs to be done within the CPP period and is therefore efficient?
Conclusion		• Are benefits for the network or consumers evidenced in the CPP proposal? • Is the capability uplift the right solution and right time and reasonably justified?

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Baringa's future network capability framework and functions was used to assess Orion's Network Transformation Programme



This 'future network' capability framework, encompasses the capabilities that EDBs need to develop in order to manage highly renewable and DER rich networks as the energy system evolves. Key network functions such as asset & workforce management etc. are not the focus of this framework specifically. Baringa's assessment of Orion's capability focusses on the five key 'functions' rather than assessing each capability individually though each of the capabilities is considered.

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Improved visibility and forecasting capability is justified, but the level of AMI coverage and Orion's proposed expenditure carries a level of uncertainty.

Nascent	Developing ● Current maturity	Established ● Target maturity	Advanced
HV-only visibility; LV inferred from static models	AMI/telemetry proxy; basic LV estimation; analytics in pockets	Connected HV–LV model (ADMS); LV hosting-capacity maps; probabilistic forecasts	Real-time whole-network state incl. BtM; AI-assisted forecasts & probabilistic scenario planning

	Current maturity	Target maturity
Capability Summary	• GIS, EAM (IAM) & ADMS and planning-tool integration are underway, as part of a larger ambition to improve network topology and asset-data quality. • LV network analytics using LV monitoring, batched smart-meter data utilisation (SONS) has resolved approximately 700 connectivity issues. • Batched AMI data (SONS) already supports planning, forecasting and connection processes.	• An accurate HV to LV network model paired with real-time telemetry and AMI data that is used consistently across asset management, planning, connection & operational functions. • This capability will enable advanced analytics to inform increasingly sophisticated LV planning decisions and prepares Orion for real-time DER orchestration & network optimisation. • High-frequency AMI data purchases will be targeted to meet operational and planning needs, with delineation between smart meter and network monitoring use cases.

Proposed Capability Uplift	
Network visibility	• Move from planning centric LV visibility & analytics to real-time operational capability that can support DER & network optimisation including the use of 'OMS' AMI data for outage management
Smart meter & 3rd party data integration	• Current AMI, DER registry and planning-led analytics will be upgraded to include automated enterprise-wide data integration enabling greater utilisation by Orion teams
Future energy and DER uptake scenarios	• Move from four future energy scenario and spatial DER forecasting toward fully embedded scenario-based planning and connection decision support.
System needs and constraint forecasting	• Current validation of existing constraints and emerging LV forecasting moving towards proactive identification of network constraints, DER impacts and flexibility requirements.
Integrated network modelling	• Improve LV model quality through IAM (GIS & EAM) upgrades, AMI-based analytics & ADMS upgrades enable consistent use of a single model across the business

International comparator

SA Power Networks

SA Power Networks (SAPN) is a highly advanced network operating a highly renewable and mixed urban and rural territory.

SAPN's advanced capabilities including dynamic Flexible Exports & Imports (based on DOEs) are based on years of work developing highly accurate networks models (based on ESRI UN), improved network visibility & automation.

As with Orion, SAPN had to purchase AMI but minimised costs through selective procurement and substitution with LV monitoring & DER telemetry which when paired with improved network modelling (including DERs) enabled Load Flow / State Estimation based automation & forecasting further reducing reliance.

Strategic relevance to Orion:

- GIS upgrades & network model correction are foundational
- AMI data is highly valuable but must be used selectively and considered as part of a larger 'situational awareness' strategy
- Operationalising DERMS takes many years to build integrations, processes and industry/customer acceptance[1]

Note: See SA Power Networks website for more information.

Source: 1. SA Power Networks, Flexible Exports for Solar PV: Final trial report, ARENA, October 2023 – link; SA Power Networks, Flexible Exports for Solar PV Trial – link.

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Commercial considerations hamper Orion's ability to extract value from its proposed investment, and stronger evidence is required to justify timing of investment.[1]

Expenditure assessment	Rating	Commentary
Network benefit OR Market benefit	Supported	• Existing visibility is already strong, with approximately 90% smart meter coverage and established use of AMI, SINCAL and Future Grid analytics. • Orions proposed investments will further reduce uncertainty and enable more proactive planning, connection assessment and power-quality management rather than unlocking entirely new capabilities. • This investment is justified as infill housing & DER/EV adoption increase connection volumes & planning complexity. Because these trends are difficult to forecast, poor assumptions can increase network costs or constrain future connections, making better data and analytics essential. • Real-time AMI & OMS data also improve outage detection & response improving reliability & safety.
Investment solution	Further evidence required	• Orion's proposed investments are a complementary multi-source data strategy rather than relying solely on SCADA, sensor or meter data. • Due to contractual limitations, Orion must purchase all NODS & OMS data but can purchase a specific share of high-frequency data. • The principal expenditure risk relates to the scope of AMI data acquisition. Orion indicates targeted high-frequency coverage (approximately 25% of meters by CPP end) is sufficient and improves efficiency but further evidence is required that this materially improves decision quality. Orion has not quantified these gaps or shown which ones existing data (standard NODS, sensors and models) cannot close.
Timing justification	Further evidence required	• Investment broadly aligns with the transition toward a more data-driven network. Improvements to GIS, LV modelling, AMI data acquisition, data integration and analytics form logical prerequisites for future operational and flexibility capabilities. • However, evidence that the full proposed capability uplift is required during the CPP period is mixed. Existing overnight AMI data already supports planning decisions, constraint validation and connection assessments. Orion noted that while LV issues are expected to increase, current evidence is limited regarding the consequences of delayed investment • Greater justification is required to demonstrate when existing visibility becomes insufficient and when incremental benefits from higher-frequency monitoring outweigh alternative or more targeted deployment approaches.
Conclusion		• Orion has provided a qualitative explanation of how improved visibility supports planning, connections, power quality management and operational readiness. The strongest evidence relates to targeted AMI deployment, leading to improvements in planning confidence, LV model improvement and connection workflows. • The evidence put forward currently supports visibility investments to reduce uncertainty, improving efficiency and enable future capabilities, rather than as a response to clear constraints today. **Consideration of alternative contractual structures is advised to right-size procured AMI volumes. Where commercial terms prevent targeted OMS purchasing, Orion should clearly set out the Orion should set out the cost impact of whole-network terms so the Commission can take it into account.**

Assessment of Orion's key network visibility expenditure

Network Sensors	Capex: $2.0M Opex: $1.1M	**LV Model**	Capex: $0 Opex: $1.1M	**Third party data acquisition**	Capex: $5.4M Opex: $5.3M
IoT Telemetry	Capex: $1.9M Opex: $0.1M	**Network Analytics**	Capex: $0 Opex: $5.0M	**Other**	Capex: $0 Opex: $0.4M

Note: 1. At the time of publishing, Orion advised that the commercial terms for the third-party AMI data purchase were being updated from a network-wide arrangement. However, these new commercial terms were not finalised during our assessment and were therefore unable to be assessed.

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Orion's proposed uplift is focused on systematically embedding non-network solutions and applying more sophisticated planning approaches at the LV level.

Nascent	Developing	Established ● Current maturity	Advanced ● Target maturity
Capex-led planning overlooks non-network solutions; relies on siloed teams and limited tools	Occasional non-network options; capex bias persists; some scenario planning	Systematic least-cost network-vs-non-network planning; integrated plan	Dynamic planning; level of co-optimisation with markets, transmission and developers

	Current maturity	Target maturity
Capability Summary	• Orion has a strong history utilising flexibility to defer or avoid network investment and includes load-management assumptions within its four demand forecast scenarios • Network and non-network solutions are considered within planning options analysis. For major projects, non-network solutions must be included as a deferral option unless there is a compelling reason to exclude them. • At 11 kV and LV, options assessment is less mature and continues to rely on planner judgement and flexibility-team review.	• Orion is targeting to uplift its entire planning and option assessment processes for traditional, non-traditional, and network solutions. Non-network solutions will move towards a repeatable BAU planning option, supported by earlier constraint identification, and defined flexibility requirements with sufficient lead time to ensure deliverability & performance before conventional reinforcement is committed. • Orion is exploring new sources of flexibility including battery energy storage system (BESS) & flexible connections • Orion is also investigating how microgrids could improve resiliency and localised energy management

Proposed Capability Uplift	
Integrated asset mgmt. planning	• Move from recently implemented core GIS and EAM platforms and predominantly manual asset-condition processes towards integrated asset data, predictive maintenance and evidence-based capital prioritisation.
Network options assessment	• Develop a more consistent and proportionate LV planning process, using improved models and analytics to compare traditional reinforcement, network non-wire solutions, network reconfiguration, voltage-management and customer-led solutions.
Flexibility service procurement	• Move towards repeatable procurement based on defined constraints, service requirements and ceiling values linked to the avoided or deferred network solution
Transparent planning outputs & constraints publication	• Current annual zone-substation-level capacity information towards more granular, publicly available hosting-capacity information that supports customer decisions, connection studies and earlier market identification of flexibility opportunities
Losses and efficiency optimisation	• Move to include load transfers, phase balancing, voltage support, automated switching and targeted demand management, allowing latent capacity to be used before network assets are replaced or augmented.

International comparator — Endeavour Energy

Endeavour Energy's (EE) network includes the high-growth Western Sydney region as well as vulnerable bushfire & flood prone areas.

To manage this dual growth & resiliency challenge Endeavour Energy has developed advanced network planning capabilities including LV & DER modelling with +10 year projections based on economic forecasts. EE has then built a range of network, network-owned DER and customer-based flexibility solutions in their planning strategy providing optionality.

Strategic relevance to Orion:

- Developing DER-centric planning models & scenario planning is foundational
- Microgrids (e.g. Bawley Point) deliver resiliency but are technically complex and take significant investment to develop.
- Network-owned BESS can resolve MV/LV constraints while sharing value with customers. However, realising their full value stack requires sophisticated coordination between network (DERMS) & retailers (VPPs) requiring sufficient scale and early retailer engagement in solution design and planning.

Note: See Endeavour Energy website for more information.

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Orion should more clearly demonstrate where network constraints will be alleviated by the proposed BESS investment

Expenditure assessment	Rating	Commentary
Network benefit OR **Market benefit**	Further evidence required	• LV constraints are expected to increase with housing infill, urban intensification and DER adoption. Reactive reinforcement has historically been the default response to LV load growth. However, Orion is starting to consider a broader suite of solutions to improve the timing and sizing of investment, unlock latent network capacity, and reduce the need for premature conventional reinforcement. The primary network benefits are lower lifecycle cost, improved asset utilisation and potential for more targeted reinforcement to right-size investment. • Market benefits may arise where constraints and procurement opportunities help develop the wider flexibility market. • While Orion notes the potential for wholesale/retailer value stacking of the Orion-owned battery energy storage system (BESS), commercial arrangements are not outlined and international experience indicates that significant government support[1], scale & retailer/aggregator maturity is required to monetise the proposed small-scale network-owned BESS.
Investment solution	Further evidence required	• The proposed investments in improved visibility, asset & model management, network analytics, and repeatable flexibility processes is strategically complementary. However, Orion has not yet fully defined the specific process that determine how non-network solutions should be assessed, and smaller (mostly LV) projects require a proportionate approach to avoid excessive transaction and analysis costs. • For the 'Network non-traditional' solutions such as the Orion-owned BESS, this could provide a credible alternative when market-based flexibility cannot address a network need. However, the proposed BESS expenditure is not linked to a defined constraint or fully specified operating model.
Timing justification	Further evidence required	• There is a reasonable case to improve LV planning during the CPP period as there are pockets of DER export constraints but these do not yet exist at scale and solar is not yet a material investment driver. We note the recent Electricity Authority (EA) mandate on demand management and 10kW export limit is relevant for this capability.[2] • Early constraint identification is required for non-network solutions because uncertain market-based alternatives require sufficient lead time to signal through pricing or procure flexibility. In addition, the proposed BESS is exploratory and we note that value-stacking opportunities between the North and South Island depend on the different market economics and multiple pricing nodes influencing locational marginal pricing and flexibility market development in NZ.
Conclusion		• **Planning-related investments:** The proposed programme should strengthen the consistency, speed and sophistication of LV decisions and expand the range of alternatives considered before conventional reinforcement. • **BESS:** Additional evidence would strengthen support for the pace of BESS capability development, future battery deployment assumptions and the valuation methodology used to compare flexibility, BESS and conventional reinforcement outcomes. **We therefore consider that this investment activity alone will not deliver sufficient network or 'market signalling' benefits. This expenditure is innovative in nature and should be conditional on an identified network constraint, defined asset sizing, completed market test with cost-benefit analysis and agreed dispatch/market monetisation strategy or partnership.**

Assessment of Orion's key growth expenditure				
	Exploring battery energy storage systems	Capex: $2.1M Opex: $0.3M	**Exploring microgrids and community energy hubs**	Capex: $1.2M Opex: $0

Source: 1. See Australian Government Community Batteries for Household Solar program - Link; 2. Maximising benefits from local electricity generation (Export limits), Decision paper, EA, April 2026 - Link.

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Scaling the customer service and introducing standardised flexible products will require greater automation and clearer customer outcomes from Orion.

Nascent	Developing ● Current maturity	Established ● Target maturity	Advanced
Transactional connect-and-forget; high friction / limited sophistication for DER	Faster simple connections; flexible-export emerging; enablement begins	Standardised flexible connections (static to dynamic envelopes); segmented offers	Self-service DER/EV connection; dynamic access; ongoing relationships

	Current maturity	Target maturity
Capability Summary	• Applications are segmented by project type across specialist teams covering distributed generation, standard and complex developments, and rural and irrigation connections. Some triage and hand-offs remain manual. Currently, it can take at least 45 working days to assess a connection application. • Substantial experience with interruptible irrigation connections. More than 1,100 irrigation connections exist, with approximately 70–80% controllable • Static operating envelopes and more dynamic connections remain at the exploratory stage.	• Customers will have better access to pre-application information, network capacity and constraint information, self-service platforms, allowing projects to be shaped earlier and reducing avoidable iteration during the formal application process. • Connection processes will be increasingly integrated with forecasting, analytics & planning tools so that connection decisions consider both current & future network conditions.

Proposed Capability Uplift	
Network access products and connections policy	• Move from network-build centric connection assessments toward a broader and more transparent suite of access products, including standardised approaches for flexible load and generation connections.
Connection application journey	• A more streamlined and segment-specific customer journey, including stronger pre-application support, tailored customer information and greater self-service for simpler applications.
Connection pipeline & capacity management	• Move from separate queues and segment-specific assessment teams toward an integrated view of the connection pipeline, available capacity and emerging constraints. • Equip LV planners with advanced analytics tools improving efficiency & accuracy / reducing overspend or re-upgrades
Flexible connection products	• Begin to explore flexible connection offers with defined eligibility, curtailment parameters, customer protections and links to operational control systems and consider collaboration with other EDBs.
Proactive enablement of DER & electrification uptake	• Move from assessing applications as they arise toward proactively identifying where electrification and DER can connect, supported by improved LV models, customer engagement, capacity information and alternative connection solutions.

International comparator — UK Power Networks

Electrification in dense urban networks around London has created significant connection and network capacity challenges for UK Power Networks.

By developing a range of ramped, timed, profiled & flexible connection products UKPN has enabled economic growth and electrification within a highly constrained network. Equipping connections teams with the analytics tools and accurate data was critical to enabling customer engagement and the creation of multiple connection offers per application.

Strategic implications for Orion:

- Providing a range of options to customers enables greater adoption by less complex customers.
- Building customer engagement and onboarding capabilities can improve planning, connections and flexibility market uptake and defer major network upgrades.
- Flexible connection options paired with UKPN's Local Area Energy Planning (LAEP) platform can increase electrification through transparency that can guide investment.

Note: See UK Power Networks website for more information.

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The capability uplift is justified by connection growth and increasing assessment complexity, but Orion should define measurable service improvements.

Expenditure assessment	Rating	Commentary
Network benefit OR Market benefit	**Supported**	• Consumer Connections expenditure is primarily customer-driven, while the NTP capability investment is intended to improve Orion's ability to process increasing volumes and complexity. Orion reports increasing application volumes and current queues, particularly for multi-unit development and infill housing. • Better analytics, earlier customer engagement and more repeatable assessments should be expected to reduce waiting times and improve the quality and consistency of connection decisions. • The primary network benefits are more efficient assessment, better use of existing capacity, reduced rework and more timely connections. • Orion's published timeframe for all connection types is 45 working days (9 weeks)[1] for the contract manager to initially review application and subsequent approval timing then depends on complexity. The available evidence suggests that Orion's front-end connection service is slower, relative to some published NZ EDB peers.[2,3,4]
Investment solution	**Supported with conditions**	• Existing use of the CRM, portal and LV analytics demonstrates that these tools are already improving connection workflows. • As part of the proposed uplift in automation, integration and process-standardisation exercise, Orion should outline the expected improvements in processing times, connection cost or assessment effort relative to the current 45 working days.
Timing justification	**Supported**	• There is a reasonable case for improving connections capability during the CPP period because application volumes are increasing and Orion is already experiencing queues in some connection categories. Infill and multi-unit development are emerging service pressures. • Flexible connections are at the exploratory stage, with some other New Zealand networks also only at pilot stage. We note standard offers, contractual arrangements and operational processes have not yet been defined or demonstrated through an Orion pilot for flexible connections. Though, we acknowledge that this is consistent with the relative maturity of the NZ market and early investment is required to build this capability in advance of practical expansion.
Conclusion		• For connection costs and timeliness, Orion must focus on integrating existing data and analytics into standard workflows and improving the customer's pre-application and application journey. **Orion should aggregate relevant connection timing data and provide this to the Commission to establish current baseline timeframes based on existing information, including the internal reporting measures that Orion currently uses. Examples of target measures that could be developed during the period include: number of days to send a quote to various customer types after application and % of completed simple (and complex) connection applications approved or declined within the prescribed timeframes for the relevant connection category. These target measures are expected to be an improvement on the baselines and published so that the Commission can assess the effectiveness of their investments.** • For flexible connections, Orion should define a staged flexible connections roadmap covering customer need, product design, commercial terms, curtailment arrangements, implementation dependencies and the criteria for transition from pilot to BAU.

Assessment of Orion's key growth and connections expenditure				
	Improve network automation/optimisation	Capex: $0.5M Opex: $0.5M	**Other**	Capex: $0 Opex: $0.3M

Notes: 1. Source: Orion website - Link; 2. Source: Vector connection processing times - Link; 3. Powerco connection processing times - Link; 4. Connection timeliness is not standardised, and we acknowledge there is a significant range of 10-50 working days for complex quotes amongst different NZ EDBs.

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Orion has a forward-looking flexibility programme and practical experience, but market depth and repeatable commercial arrangements remain at an early stage.

Nascent ● Current maturity	Developing ● Target maturity	Established	Advanced
No scalable procurement; ad-hoc bilateral / trial deals	Repeatable flex trials + EOIs; manual, fragmented market engagement	Standardised flex products + provider portal; a credible planning option	Competitive local flex markets with rolling procurement, dispatch & auto. settlement

	Current maturity	Target maturity
Capability Summary	• A broad flexibility toolkit is in place, including network pricing, hot-water load management, irrigation interruptibility, control-period demand, ResiFlex trials and the Lincoln Flex procurement. • Orion has operated a Flexibility and Market Development programme since 2023, supported by dedicated resources and a roadmap. • The NZ flexibility market (retailers, aggregators etc.) is relatively nascent and economically viable tender responses have not been demonstrated consistently.	• Orion will develop clearer service definitions, valuation methodologies and procurement processes linked to specific network constraints • Market participants will have simpler access to opportunities, proportionate qualification requirements and standardised commercial arrangements • Coordination and collaboration with other New Zealand networks will also encourage market development

Proposed Capability Uplift	
Interface with market facilitator	• Move from project-specific engagement to established operational arrangements with flexibility service providers, including enhanced opportunity publication, provider coordination, data exchange and governance processes.
Flexibility market design	• Explore and develop standardised flexibility products linked to network needs, with clear service definitions, procurement arrangements and performance requirements that are deliverable by participants.
Participant onboarding and pre-qualification	• Move from bespoke project engagement and onboarding toward reusable qualification arrangements covering technical capability, deliverability and customer protections.
Market access arrangements/ platform participation rules	• Clarify participation requirements, standardise documentation and enhance publication of location-specific flexibility opportunities.
Flex settlement	• Move from trial-specific measurement and payment arrangements toward consistent performance verification and settlement processes integrated with operational dispatch and customer or aggregator data.

International comparator — Scottish & Southern Electricity Networks

Scottish & Southern Energy Networks has been a leading proponent of (local) flexibility market development and standardisation through engagement with body industry bodies (e.g. Open Networks) & extensive collaboration with flexibility market participants to 'build' the market.

This proactive market engagement helped to shape the UK Flexible Market as a whole though government & regulator support was critical.

Strategic implications for Orion:

- Developing successful flexibility markets depend as much on market-building as technology and coordinated government or regulator support is often required to stimulate broader market development.
- Early & transparent engagement with potential market participants is required to build stakeholder confidence before large-scale procurement volumes emerge
- Highly innovative flexibility market services (e.g. LV Demand Diversity Services) can be developed once large-liquid flexibility markets exist

Note: See Scottish and Southern Electricity Networks website for more information.

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The justification for market-building is rational, with some near-term network value. Overall support is contingent on transparent reporting outcomes.

Expenditure assessment	Rating	Commentary
Network benefit OR **Market benefit**	Supported with conditions	• The main benefit is to the network: flexibility services are bought instead of reinforcement capex but this is dependent on market participation and supplier capability that has not yet been demonstrated at scale in NZ. Secondary market benefits may come from publishing opportunities and sharing what Orion learns across the sector. The flexibility market remains nascent, so whether this allowance is successfully delivered depends on flexibility providers participating. • We consider it is more a matter of regulatory policy whether the Commission considers market benefits from EDB investments are relevant under the expenditure objective tests. A portion of the programme's value therefore depends on sharing market-development results and creating reusable approaches across the New Zealand electricity sector.
Investment solution	Supported with conditions	• Orion's technology-neutral approach and continued investment in price signals, procured flexibility, flexible connections and potentially network-owned solutions provides a sensible & wholistic range of potential constraint management solutions. • The FMD programme is intended to support a nascent NZ flexibility market and establish flexibility as a regular non-network planning option. • Orion should provide transparency to the broader NZ market and industry and report the opportunities tested, responses received, contracted capacity, delivery performance, cost relative to the network alternative and how each result changes a planning decision, as Orion intends to do.
Timing justification	Supported	• Commercial and industrial customers require sustained engagement and investment well before a short tender window, and early opportunity signals may be necessary to develop market maturity for flexibility procurement. • Orion acknowledges there are limited market price signals for flexibility and non-network services today and therefore uses avoided-network-investment values as proxies for option assessment, and we note that this is consistent with the Common Evaluation Methodology[1]. • Retailers and aggregators face capability, scale and value-stacking barriers, and the availability of flexible solutions is not wholly within Orion's control. Despite this, Orion already considers flexibility procurement within planning and so continuing to develop commercial and operational capability during the CPP period is a logical next step.
Conclusion		• Orion has articulated a coherent rationale for developing flexibility market capability through flexibility procurement and has credible experience in operationalising demand management, pricing and flexibility trials. The capability is strategically relevant and early action can develop future network options. FMD investment is both capability (e.g. planning, dispatch etc.) and market building in nature and will support wider system learning, encourage participation. • Given this, there will be more benefits that are likely to accrue beyond Orion, through the sharing of insights, lessons learned, and market signals to potential flexibility providers. **We consider that the Commission support this expenditure, subject to Orion reporting on the opportunities it tenders, the capacity it contracts and the costs relative to the network alternative, so that the network benefits can be demonstrated and any market benefits and lessons shared across the sector.**

Assessment of Orion's key flexibility and markets development programme expenditure

Demand side response and flexibility services	Capex: $0 Opex: $2.3M

Sources: 1. Energy Networks Association, Common Evaluation Methodology, December 2020 - link

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Large-scale demand management is mature but operational capability remains fragmented and is not yet integrated across the LV network and emerging DER.

Nascent	Developing ● Current maturity	Established ● Target maturity	Advanced
Reactive control room; HV/MV switching only; no LV operational view	Improved LV monitoring; limited dispatch; early DERMS capability	Active LV operations (ADMS LV model); dynamic limits/DOEs; monitor → act	Closed-loop semi-autonomous HV–LV operations; resilient to outages/cyber/market events

	Current maturity	Target maturity
Capability Summary	• Orion operates a diverse demand-management portfolio, including fixed-time and peak hot-water control, control-period demand signals and interruptible irrigation. • These mechanisms use different combinations of ripple control, price signals and manual intervention. • Operational visibility and network modelling are concentrated above the LV network.	• An integrated HV-to-LV operational model will support consistent monitoring, outage management, switching, network analysis and constraint management at LV level. • DERMS capability will coordinate load management, customer DER, flexible connections and third-party control, operating alongside ADMS, SCADA, existing demand-management systems and market interfaces.
Proposed Capability Uplift		
Operational decision-making framework	• Move from separate operational tools, established controller practices and bespoke interventions toward a consistent decision framework using integrated HV-LV models, telemetry, forecasts and prioritised operational use cases.	
Short-term forecasting for operations	• Develop & operationalise spatially granular forecasts identify localised network constraints using improved SCADA, network monitoring & AMI data to calculate the timing and volume of required flexibility dispatch.	
Operational planning	• Move from primarily HV and MV operational planning toward coordinated HV-to-LV planning, incorporating planned outages, local capacity constraints, customer DER, retailer control and flexible resources.	
Flex activation for real-time dispatch	• A DERMS capability that can issue and coordinate granular dispatch or control signals to retailers, aggregators and customer devices.	
DER coordination and system operational alignment	• Move from bilateral protocols and early shared-control arrangements toward standard interfaces and operating protocols that preserve network security while enabling retailer and aggregator optimisation.	
Network Capacity Optimisation	• Localised optimisation using all available resources including voltage management, network reconfiguration, flexible connections, flexibility dispatch to maximise latent LV capacity.	

Note: See SP Electricity Northwest website for more information.

International comparator — SP Electricity North West

Scottish Power Electricity North West (SPENW) was an early adopter of advanced network automation, interruptible connections (for renewables) and operationalised flexibility markets as part of both planning & operations.

These innovations paired with the need to manage LV network constraints and market-facing innovations such as CLASS required SPENW to developed sophisticated dispatch methodologies powered by advanced ADMS & DERMS systems

Strategic implications for Orion:

- HV to LV network optimisation (e.g. voltage mgmt.) is a highly valuable investment but requires both hardware and software capabilities
- Advanced DERMS systems can optimise and coordinate multiple sources of flexibility reducing the total cost of network flexibility services as Orion outlined in their DERMs
- Networks can play a valuable role in creating system-value through market coordination & innovation as Orion seeks to do with USI & Transpower flexibility

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Maintaining Orion's core operational systems is justified and DERMS investment should follow priority use cases and enabling-system readiness.

Expenditure assessment	Rating	Commentary
Network benefit OR **Market benefit**	Supported	• Maintaining ADMS is essential to existing monitoring, control, fault restoration, outage management and regulated service-quality functions. • Proposed ADMS upgrades under the ICT programme will extend the ADMS model in the LV network, improve visibility & awareness, forecasting & power flow capabilities all of which improve operational performance and reliability but also set the foundation for the DERMS. • DERMS should provide additional network benefits through more granular load management, improved coordination of existing demand management programmes and enable local constraint management, flexible connections and increased hosting capacity. • DERMS deployment will also support market coordination with retailers and system coordination with Transpower
Investment solution	Supported	• Continuing current ADMS maintenance and licensing is a prudent solution for a critical and proven operational platform. • Proposed ADMS ICT investment (a DERMS dependency) is also supported on the same basis. • DERMS builds (and is partially dependent) on the proposed investments in GIS model, operational visibility, accurate DER registration, ADMS and SCADA integration, secure interfaces with third parties, and internal training and process change.
Timing justification	Supported	• ADMS expenditure is required to preserve a mission-critical system & maintain existing reliability, outage-management and control functions. • The purchase of AMI 'OMS' data could improve the ability of Orion to respond to outages and should reduce SAIDI. • Despite this, we note that there is reasonable uncertainty on the relationship of costs between ADMS and OMS data, as ADMS expenditure could also be reduced if OMS data is not purchased as the system would house lower volumes of data, require fewer integration & functions. • There is also a reasonable basis for commencing DERMS capability development because third-party and retailer control is increasing, existing control systems have limited configurability, and Orion needs to understand how shared control will be coordinated safely. • More dynamic functions will be explored towards the end of the CPP period, while solar export constraints and several other LV DER use cases are not yet demonstrated as material operational drivers.
Conclusion		• Maintaining Orion's existing operational systems and established load-management capability is strongly supported. These systems provide current, evidenced network benefits and are integral to safe and reliable operation. There is also a pure instantaneous benefit due to the amount of MW Orion is currently controlling under load management. • The strategic direction of DERMS is reasonable, and Orion's phased approach reduces the risk of premature platform commitment. Delivery of the Operations and Flexibility investments should be tracked through disclosure of dispatchable non-network capacity, available and delivered, against CPP assumptions. **Given these capability improvements, we consider Orion should report annually on the non-network capacity it can control and dispatch, and consider measures such as: capacity (MW) available at identified constraint locations and times, and capacity successfully dispatched when called on. Orion should also show how much of this capacity comes from ripple control, contracted capacity and other customer resources and DER.**

Assessment of Orion's key operations expenditure				
	Network operational tools	Capex: $0 Opex: $0.8M	**DERMS**	Capex: $1.6M Opex: $2.3M

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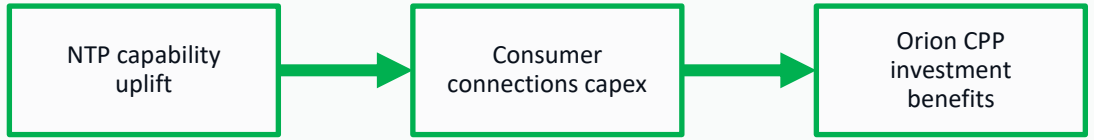
Assessment of aligned CPP expenditure programmes

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Consumer connections expenditure is forecast using historical cost trends, with limited evidence that NTP capabilities deliver future connection efficiency benefits.

Consumer connections capex		Description	Underlying assumptions	NTP complementary investments
Capex:	$146.1M	• Capital expenditure to establish new customer connection points or enhance existing connections for electricity injection or offtake. • The portfolio primarily covers MV/LV connections, including transformers and switchgear. • Expenditure supports timely connections and regional economic growth, with costs partly offset by customer capital contributions.	• The forecast uses a base-step-trend approach, with FY26 gross expenditure as the base. It applies a single average cost per ICP for standard connections, [1] adjusts for forecast connection volumes and process-heat conversions. • Orion applies a top-down non-network opex efficiency adjustment; no adjustment is made to connections capex. • Revised standard connection charges and forecast customer contributions are deducted to derive net CPP capex.	+ Improved LV models + Increased network analytics capability & connection application processing + Improved network automation/optimisation + DERMS deployment (HV to LV)
Opex:	-			
Total:	**$146.1M**			

Dependency between NTP capabilities and consumer connections capex



- Orion states the NTP will enable faster and more flexible connections and better-informed connection decisions. It attributes this to improved network visibility, analytics, processes and new connection approaches.
- These benefits mainly improve connection timeliness, assessment effort and the sizing of connection solutions, rather than the costs associated with connections directly.
- The NTP therefore enables connections capability but has a **low** impact on the current consumer connections capex forecast.

Dependency rating: Low | Medium | High

Recommendations

- The connections forecast is a projection based on FY26 expenditure. It does not show how NTP capabilities affect connection costs, processing efficiency or physical connection requirements. The forecast assumes neither:
  - Reduced manual assessment effort or automation of lower-complexity applications
  - Increased throughput without proportionate growth in resources
- Capability programmes take time to scale, so benefits are likely to emerge towards the end of the CPP period as Orion reaches target maturity.
- **Orion should therefore demonstrate why NTP benefits will not result in an efficiency change by the end of the CPP period to reduce future connection costs.**
- **Orion should establish connection processing time baselines using existing information and report performance against them during the CPP period.**

Notes: 1. However Flexible Connections are not expected to be available till late in the CPP period.

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The NTP is critical to providing more LV capacity as growth arrives. Orion should show how improved visibility confirms and right-sizes the reinforcement programme.

System growth capex – LV reinforcement		Description	Underlying assumptions	NTP complementary investments
Capex:	$59.3M	• Proactive reinforcement of Orion's 400 V LV network to remedy existing and forecast thermal and voltage constraints, maintain compliant supply and accommodate demand growth (at existing connection points). • Works include upgrading or installing distribution transformers, overhead conductors, underground cables, fuses and enclosures. • Reinforcement is targeted based on constraint severity, forecast growth and the number of affected customers.	• The forecast uses a modelling approach based on 2024 demand and a medium-growth scenario. • From FY29 onwards, Orion has included a 2.5% allowance for non-network solutions, based on avoided expenditure per annum. • A further $5M is included for areas where local growth may exceed the medium forecast.	• Improved LV models • Deploying network-based monitoring equipment & AMI data procurement • Improving IoT device telemetry & comms • Increasing network analytics capability • DERMS deployment (HV to LV)
Opex:	-			
Total:	**$59.3M**			

Dependency between NTP capabilities and LV reinforcement capex



- The improved network utilisation visibility and options analysis should progressively refine where, when and how much conventional reinforcement is required by Orion.[1]
- The LV reinforcement programme also directly depends on visibility investments delivered through NTP. Without enhanced visibility, Orion could not apply its proactive constraint identification approach at the LV level.
- Capabilities and benefits realised by the NTP will therefore have a **high** impact on Orion's forecast of the LV reinforcement.

Dependency rating: Low | Medium | High

Recommendations

- From FY21 to FY27, Orion's LV reinforcement spend was $10.3M. The CPP forecast is a significant 477% increase in comparison. While Orion has qualitatively described the benefits associated with the LV reinforcement programme, there is limited analysis on the benefits unlocked by NTP investment. We accept that a counterfactual LV reinforcement capex without the NTP cannot be reliably built.
- Importantly, we recognise that the NTP's main benefit for this programme is providing LV capacity on time as growth arrives, with less conservative sizing of solutions. Where flexibility is lower cost, the NTP also enables Orion to buy flexibility services instead of reinforcing. This avoids about 2.5% of LV reinforcement capex from FY29, funded through the flexibility services opex allowance but that also supports other market benefits.
- As a result, the NTP benefits are better shown by validating the forecast and tracking actual decisions over the CPP period.
- **Orion should demonstrate how the 2.5% avoided capex assumption reconciles with the flexibility services opex allowance.**

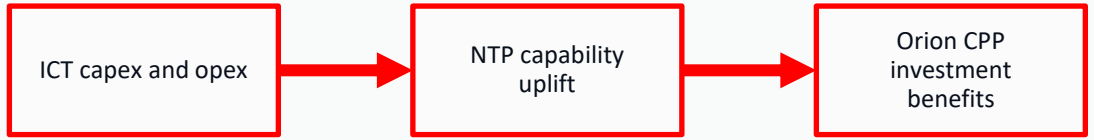
Notes: 1. This was also referenced in the Independent Verifiers report.

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ICT is a critical enabler of the NTP, but Orion has not demonstrated how increased ICT expenditure will translate into measurable efficiency improvements for the NTP.

ICT capex and opex		Description	Underlying assumptions	NTP complementary investments
Capex:	$38.4M	• Investment in Orion's information and communications technology (ICT) portfolio, including the renewal, enhancement and operation of enterprise and operational technology systems, data platforms, cyber security capabilities, customer and workforce applications, cloud infrastructure, integration platforms and end-user technologies. • Expenditure comprises both capital investment in new and replacement systems and ongoing operating costs for software subscriptions, cloud services, vendor support, licensing, cyber security, data management and technology operations.	• New capabilities will be delivered through a range of ICT programmes including ADMS, GIS, data analytics, AI, IAM, customer engagement, cyber security and integration platforms. • These investment will enable core components of the NTPas an example: the DERMS relies on accurate models (GIS), better visibility & forecasting (ADMS), DER & customer data (CRM) etc.	• Developing an LV model • Increasing network analytics capability • Acquiring network data • Improve network automation/optimisation • Improve network operational tools
Opex:	$67.3M			
Total:	**$105.7M**			

Dependency between NTP capabilities and ICT capex and opex



- Orion states that enhanced ICT, data, analytics and operational technology capabilities are required.
- Expected NTP capabilities and efficiencies include DER management, network operations automation, less manual effort, LV modelling, and improved forecasting.
- The ICT programme is therefore a fundamental enabler of the NTP, and many benefits are **highly** dependent on ICT investments being delivered.

Dependency rating: Low | Medium | High

Recommendations

- ICT capex and opex are forecast to rise from about $12.1M p.a. (FY21–FY26) to about $21.1M p.a. over the CPP period. The Independent Verifier accepted the forecast but noted that limited efficiency improvements have been included.[1]
- Core infrastructure such as user devices, Microsoft licensing and cyber security maintains compliance, security and operational resilience whether or not the NTP goes ahead. Reducing this spend would risk service deterioration. Maintaining current capabilities within the ICT programme is supported.
- Orion's five NTP-enabling ICT investments (ADMS, the data analytics platform, IAM, GIS and the integration platform) are each justified by several business drivers in their own PIP, and the NTP is not the main driver of any of them. We recognise that splitting the cost of shared platforms between NTP and BAU uses would not be meaningful. This means that the increase in ICT spend has to be justified mainly by each ICT PIP's own drivers, rather than by its link to the NTP.
- **For these specific investments, Orion should identify the NTP outcomes that depend on the ICT investments being delivered and describe how NTP benefits are not counted twice across the NTP and ICT expenditure programmes.**

Notes: 1. The Independent Verifier accepted Orion's ICT forecast but noted that limited efficiency improvements have been incorporated despite substantial ICT investment and recommended broader productivity expectations across opex categories.

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Appendix

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Our assessment combines document review, targeted stakeholder interviews and industry experience to qualitatively test whether Orion's proposed investments are prudent, efficient and aligned with its target network capabilities.

Baringa's assessment methodology		
Documentation used to review	**Process and tasks**	**Key assumptions and limitations in our report**
• Orion – CPP Main Proposal 9 June 2026 • Orion – 2026 AMP 9 June 2026 • Orion – CPP Application 9 June 2026 • Independent verifier's report for Orion CPP – GHD 9 June 2026 • Orion – Network Transformation Roadmap • Orion – NTP POD • DERMS PIP • LV Model PIP • Network Analytics PIP • Network Sensors PIP • IoT Telemetry PIP • Third Party Data Acquisition PIP • Customer Connections POD • Customer Connection - BST Forecast Model • LV Network Reinforcement POD • LV Network Reinforcement Expenditure - Forecast • ICT POD • ICT Forecast Expenditure • Deliverability Memo • Deliverability Assessment workbook • Desktop research	• Detailed documentation review • Desktop research for external sources where relevant outside of the documents provided by the Commission and Orion • Five structured 60-minute interviews with Orion staff segmented by Baringa's capability assessment framework. All times listed below are in New Zealand Standard Time (NZST). 1. Planning and Options assessment, Tuesday 1 September, 11:00am 2. Visibility and Forecasting, Tuesday 1 September, 3:00pm 3. Dispatch and Operations, Thursday 3 September, 11:30am 4. Connections, Thursday 3 September, 4:00pm 5. Flexibility Market Development, Friday 4 September, 11:00am • Orion attendees across meetings: Gareth Stewart, Yuyin Kueh, Glenn Coates, Alec Findlater, Evie Trolove, David Freeman-Greene, Euan McGill, Ivan Luketina, Steve Godfrey, Andrew Kinloch, Kane Tamou	• All monetary figures are expressed in real $FY26 NZD. • Our assessment is based on information provided by Orion and available during the review period. • The review is qualitative and does not include independent assurance, detailed engineering validation or quantitative cost-benefit modelling. • Maturity ratings are directional and benchmarked against Baringa's Australian and UK experience. • The expenditure review is limited to the selected Customer Connections, LV Reinforcement and ICT programmes and does not provide assurance over Orion's complete CPP proposal. • At the time of publishing, Orion advised that the commercial terms for the third-party AMI data purchase were being updated from a network-wide arrangement. However, these new commercial terms were not finalised during our assessment and were therefore unable to be assessed.

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Glossary of terms use

Term	Definition
ADMS	Advanced Distribution Management System
AI	Artificial Intelligence
AMI	Advanced Metering Infrastructure
BESS	Battery Energy Storage System
BtM	Behind the meter
Commerce Commission (the Commission)	New Zealand's economic regulator responsible for regulating electricity networks
CPP	Customised Price-Quality Path
CRM	Customer Relationship Management
DER	Distributed Energy Resources
DERMS	Distributed Energy Resource Management System
DOEs	Dynamic Operating Envelopes
EAM	Enterprise Asset Management
EDB	Electricity Distribution Business
EV	Electric Vehicle
FMD	Flexibility Market Development
GIS	Geographic Information System
HV	High Voltage

Term	Definition
IAM	Integrated Asset Management
ICP	Installation Control Point
ICT	Information and Communications Technology
IM	Input Methodology
IoT	Internet of Things
LV	Low Voltage
MV	Medium Voltage
NODS	Network Operational Data Service
NTP	Network Transformation Programme
NZ	New Zealand
OMS	Outage Management Service
SAIDI	System Average Interruption Duration Index
SCADA	Supervisory Control and Data Acquisition
SONS	System Operations and Network Support
UK	United Kingdom
UN	Utility Network

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Capability framework definitions

Function		Definition
Visibility & Forecasting	**Network visibility**	The ability to obtain timely, sufficiently granular, and reliable data on the state of the distribution network, including demand, generation, constraints, voltage, and asset loading, to support operational decision-making, planning, and market interaction across relevant time horizons.
	Smart meter and third-party data integration	The capability to ingest, integrate, and utilise smart meter data and relevant third-party datasets (e.g. DER telemetry, weather, EV charging data) in a controlled and governed manner to improve network visibility, forecasting accuracy, and customer outcomes.
	Future energy and DER uptake scenarios	The development and use of forward-looking scenarios that reflect plausible pathways for electrification, DER uptake, and customer behaviour, to inform network planning, flexibility needs, and investment decisions under uncertainty.
	System needs and constraint forecasting	The capability to identify, forecast, and spatially locate current and future short-term and long-term system needs and constraints across operational, tactical, and strategic timeframes, forming a common evidence base for planning, flexibility procurement, and connections decisions.
	Integrated network modelling	The use of consistent, integrated models that represent interactions between load growth, DER behaviour, and flexibility responses to assess network performance, risks, and options under different scenarios.
Planning & Options Assessment	**Integrated asset management planning**	The coordination of asset, demand, DER, and flexibility considerations within planning processes to deliver least-cost, whole-of-system outcomes over the asset lifecycle, rather than treating traditional reinforcement and non-network options separately.
	Network options assessment	A structured assessment of credible network and non-network options (including flexibility and operational measures) to address identified system needs, considering cost, risk, delivery certainty, resilience, and consumer outcomes.
	Flexibility services procurement	The capability to specify, procure, and contract flexibility services in a transparent and competitive manner, aligned to defined system needs and integrated with planning and operational frameworks.
	Transparent planning outputs and constraints publication	The publication of clear, accessible information on network constraints, future needs, and planning assumptions to support informed customer, market participant, and investor decisions and enable efficient participation in flexibility and connections processes.
	Losses and efficiency optimisation	The systematic consideration of opportunities to reduce technical losses and improve network efficiency through planning, operational practices, and the use of DER and flexibility where cost-effective.

Function		Definition
Connections	**Network access products and connections policy**	A clear and internally consistent framework defining network access rights, connection products (including flexible or conditional access), and associated obligations, aligned with regulatory policy and system operation requirements.
	Connection application journey	End-to-end processes that provide customers with clarity, predictability, and timely decision-making across the connection lifecycle, from early engagement in pre-application through to offer, commissioning and post-connection compliance.
	Connection pipeline and capacity management	The active management of current and prospective connection enquiries and committed capacity to ensure efficient utilisation of network headroom, visibility of future risks, and alignment with planning and flexibility approaches.
	Flexible connection products	Connection arrangements that allow customers to connect earlier or at lower cost by accepting constraints or operational controls, supported by clear rules, monitoring, and customer protections.
	Proactive enablement of DER and electrification uptake	Anticipatory actions taken to remove avoidable network barriers to DER and electrification, including forward investment, process improvements, and use of flexibility, consistent with long-term consumer value.
Flexibility Market Development	**Interface with market facilitators**	The operational and governance arrangements that enable effective coordination between EDB and any flexibility market facilitator or platform, including role clarity, data exchange, and decision rights.
	Flexibility market design	The specification of flexibility products that are clearly linked to system needs, deliverable by participants, and resilient under different operating conditions, while providing value for consumers.
	Participant onboarding and pre-qualification	Processes to register, assess, and approve flexibility providers to ensure technical capability, compliance, and operational reliability prior to participation.
	Market access arrangements / platform participation rules	The rules, standards, and participation requirements governing access to flexibility markets or platforms, ensuring transparency, non-discrimination, and regulatory compliance.
	Flex settlement	Arrangements for validating delivery and settling payments for flexibility services in a timely, auditable, and transparent manner.

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Capability framework definitions

Function		Definition
Dispatch & Operations	**Operational decision-making framework**	A defined framework that sets out how operational decisions are made, prioritised, and escalated, including the role of flexibility, DER coordination, and interactions with system security obligations.
	Short-term forecasting for operations	Near-term forecasts of demand, generation, and network conditions that support real-time and day-ahead operational planning and activation decisions.
	Operational planning	The translation of planning and market outcomes into operational schedules, constraints, and readiness actions across relevant timeframes.
	Flex activation for real-time dispatch	The capability to issue, manage, and verify real-time or near-real-time flexibility activations to manage network constraints or operational risks.
	DER coordination and system operational alignment	The coordination of DER behaviour with network operational needs, including alignment with upstream system operators where relevant, to maintain secure and efficient system operation.
	Network Capacity Optimisation	The use of operational tools, DER capabilities, and control strategies to maintain voltage within limits while maximising network hosting capacity and efficiency for the full High-Voltage to Low-Voltage network
Cross-cutting capabilities	**Data management, publication and services**	End-to-end governance of data quality, access, publication, and use to support operational needs, market participation, transparency obligations, and innovation.
	Stakeholder engagement	Structured engagement with customers, market participants, and other stakeholders to inform DSO decision-making and build trust in new roles and services.
	Governance, transparency and conflicts management	Governance arrangements that define accountabilities, manage conflicts between regulated and non-regulated roles, and ensure transparent, auditable DSO decision-making.

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