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Commerce Commission

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Submission on Orion New Zealand Limited customised price-quality path application

Tēnā koutou

Introduction and overall position

MainPower New Zealand Limited (MainPower) welcomes the opportunity to comment on Orion New Zealand Limited's application for a customised price-quality path for the five-year period from 1 April 2027 to 31 March 2032.

MainPower generally supports Orion's application to enable the investment needed to facilitate the transition to a decarbonised economy, meet growth in electricity demand, and increase network resilience to a wider range of potential extreme events.

MainPower also endorses the Commission's encouragement in the Process and Issues Paper for Orion to consider non-network solutions and greater collaboration across the electricity distribution sector. These approaches can help manage cost, delivery risk and scarce capability where they are efficient and practical. MainPower has engaged with Orion about this submission and will continue to engage throughout the CPP period.

Our principal concern is the effect Orion's expanded work programme may have on the availability and cost of workforce, contractor and plant resources in the wider Canterbury market. This submission responds particularly to paragraphs 2.50, 2.51 and 2.54 of the Process and Issues Paper.

As a group, the Upper South Island EDBs were mindful of the Commission's comment at paragraph 2.5.4 that it was keen to hear if South Island EDBs have considered the delivery risks from a sector wide perspective rather than individually. To this end we have discussed the implications of the CPP with the wider group, with an initial view to submitting a joint response. Each of the EDBs is affected slightly differently this letter also includes input from Marlborough Lines Limited (Marlborough) and Alpine Energy Limited (Alpine) and other EDBs have elected to submit their own response.

Structure of this response

Section 1 of this letter is a general response to the CPP application from an Upper South Island perspective, including comment on behalf of Marlborough and Alpine.

Section 2 of this letter addresses MainPower's specific situation and Appendix 1 includes data to support Section Two.

MainPower considers the information in Appendix 1 concerning expenditure with contractors to be commercially sensitive. It discloses payments to third-party private organisations, including expenditure by supplier, work category and proportion of MainPower's total spend. Public disclosure could prejudice those organisations' commercial positions and MainPower's future procurement and rate negotiations.

MainPower therefore requests that the Commission treat Appendix 1 as confidential and withhold it from publication. MainPower has provided the information to assist the Commission's assessment of contractor concentration and regional delivery risk, not for wider disclosure.

Section 1 – Upper South Island Context

The executive summary of the CPP Main Proposal sets out the circumstances that require a step change for Orion. Orion's neighbouring EDBs in the Upper South Island face many of the same challenges. All EDBs face changing customer expectations and a more complex operating environment. The Upper South Island EDBs all face increased seismic risk to varying extents, and all face greater exposure to severe weather events including windstorms, flooding and wildfire. These challenges will increase individual EDBs dependence on both external providers as well as assistance from their neighbours.

Like Christchurch and Central Canterbury, North Canterbury is experiencing growth in demand. The June 2026 Quarterly Economic Monitor prepared by Infometrics for Enterprise North Canterbury identified that Waimakariri's economy continues to outperform most of New Zealand, with a number of indicators showing stronger-than-average growth. GDP increased 2.6% over the year to June, compared with 1.7% nationally, while business numbers, consumer spending, tourism expenditure and employment all grew faster than the New Zealand average. Unemployment also remains low at 3.2%, compared with 5.4% nationally.

Likewise, recruitment and retention of skilled staff is an issue faced by all EDBs. As stated in section 3.13.5 of MainPower's 2026 Asset Management Plan:

> *We regularly assess our capacity to deliver the forecast work programme, considering both internal resources and contractor availability. Based on our assessment, we have adequate capacity to deliver the core work programme. However, we identified the following delivery risks:*
>
> • *Competing demands from other EDBs in the region, which may constrain contractor availability during peak periods*
>
> • *Skilled labour shortages in specialised trades (protection engineers, experienced lines people)*
>
> • *Supply chain delays for long-lead equipment (transformers, switchgear)*
>
> • *Weather-related delays affecting outdoor construction work*
>
> • *Resource consent timeframes for major projects*
>
> *We mitigate these risks through forward planning, maintaining relationships with multiple contractors, early equipment procurement, and flexible work scheduling.*
>
> *We are committed to finding smarter ways of working so we can make the best use of our people and resources.*

These constraints are also exacerbated by Transpower's current investment programme and the growth in generation projects across New Zealand.

We have discussed the Process and Issues paper with Marlborough Lines Limited and Alpine Energy Limited. While they are not making their own submission, they have reviewed and are supportive of this submission.

Marlborough's circumstances are different to ours, but they share a concern that the Orion CPP proposal, and the GHD report, is narrowly focused on Orion's needs and impact on Orion's consumers. Impacts on other EDBs and their consumers should also be considered. Marlborough is concerned that if Orion and its SDPs require greater labour resource, then that could impact Marlborough's own resources, or, at least, the increase in demand may require an increase in labour costs which would flow through to consumers.

Alpine Energy delivers the electrical contractor aspects of its work programme using a combination of inhouse field services and external contractors. Insourcing provides a degree of insulation from impacts of Orion's CPP and delivery efficiency.

Where external contractors are used, the distance from Christchurch often translates to travel costs which are additional to normal rates. Contractors are therefore typically used to deliver significant 'packaged' work which has certainty and scale. Orion's CPP has the potential to affect this, even though Alpine also uses contractors located south of South Canterbury.

An additional unknown is the source of any required uplift in contractor workforce for Orion and medium-term impacts post-CPP. If sourced regionally (Canterbury/Central South Island), this could negatively impact South Canterbury field service capability, whether inhouse or outsourced. Paired with potential wage rate increased (as noted by the Commission), this could negatively impact Alpine's ability to efficiently deliver aspects of our own work programme if alternative contractors unavailable. If sourced outside the region/country, there's the potential for an *increase* to the regional skillset which would be advantageous to South Island EDB.

Contractor capacity

The application states that Orion contracts all network construction, renewal and maintenance activities to five service delivery partners: Connetics Limited, Independent Line Services Limited, Ventia New Zealand Limited, Power Jointing Limited and Lemacon Limited. Orion's delivery case therefore depends materially on those contractors having sufficient field resources over the CPP period.

Orion states that its modelling demonstrates sufficient local capacity to deliver the planned programme without drawing on regional resources committed to neighbouring networks or on external capacity. It also states that overhead work requirements exceed the current local capacity available to Orion, although they remain within 80% of the full local SDP capacity that could be made available to Orion. Orion says additional local resources will be allocated from FY28.

There are, however, material qualifications and inconsistencies in Orion's position:

- Orion's executive summary states SDPs may scale up by drawing on regional capacity if unforeseen circumstances arise.

- Orion suggests neighbouring EDBs may provide scope for regional reallocation because they are smaller, remain under DPP4 (or are exempt under Part IV of the Commerce Act) and have not signalled a comparable step change in activity.
- Orion states Canterbury-based SDPs are expected to prioritise Orion's work over opportunities outside the region.

The analysis also excluded customer connection work and some maintenance activities.

In MainPower's view, exempt status or remaining on DPP4 and not pursuing a CPP-scale uplift does not establish that neighbouring distributors have spare contractor capacity or can defer their own programmes.

MainPower, Orion and other Upper South Island distributors draw from a substantially shared market for skilled labour, specialist contractors and plant. We are concerned at the implications of SDPs choosing to draw on regional capacity to meet Orion's requirements should unforeseen circumstances arise, as this may have significant impacts on our own resourcing. This concern is borne out by the CPP Verification report where it is notes on pages 366 and 368 of the report that Orion's SDPs have demonstrated a high degree of support for Orion's CPP programme and that this possibly indicates the prioritizing of Orion's requirements due to the value and long-term nature of the work provided.

Section 2 MainPower specific concerns

MainPower's use of the same contractors

MainPower uses four of the five SDPs identified in Orion's application: Power Jointing Limited, Independent Lines Services Limited, Connetics Limited and Lemacon. Independent Lines Services Limited, Connetics Limited and Power Jointing Limited are significant providers of network support to MainPower. They also undertake customer connection work, including work as independent contractors engaged directly by MainPower customers. We have assumed that Orion's projections of contractor capacity do not include work undertaken for private customer connections on the MainPower network as this information is not publically available.

Appendix 1 sets out MainPower's expenditure with each supplier by category and as a proportion of MainPower's total contractor spend. This demonstrates that the potential impact is not theoretical.

MainPower's investment programme

MainPower also faces a substantial delivery programme over the next five years. Its Asset Management Plan 2026 forecasts total network expenditure averaging NZD 55.8 million per year across FY27 to FY31, compared with NZD 48.3 million per year across FY32 to FY36. The first five years include delivery of major projects at Coldstream, Amberley, Hanmer Springs and Kaikōura, together with continuing asset renewal, maintenance, reinforcement and customer-initiated works.

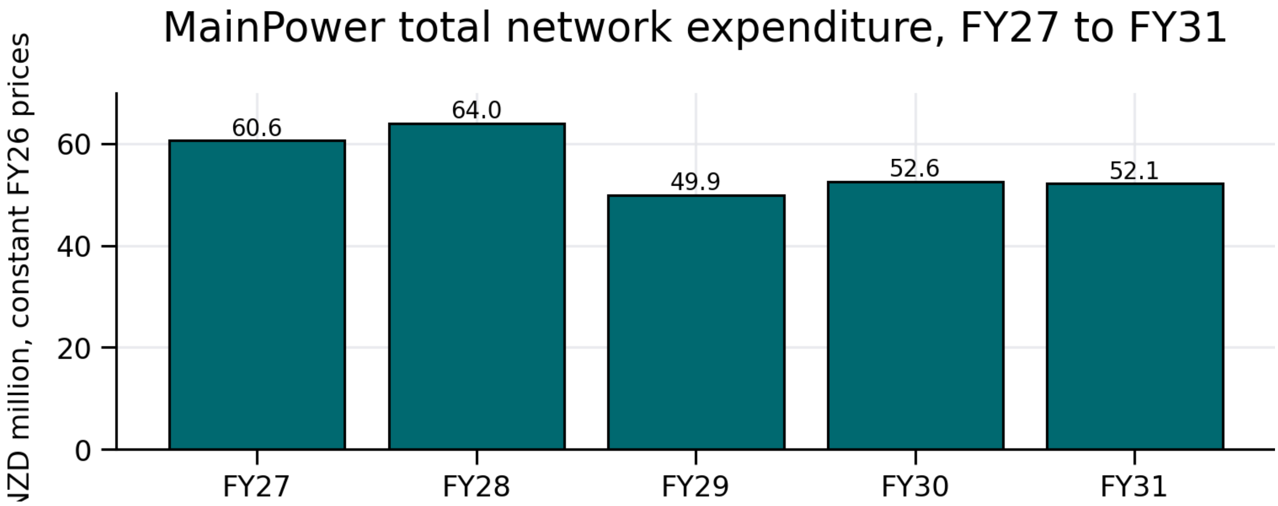

Figure 1: MainPower total network expenditure, FY27 to FY31. Source: MainPower Asset Management Plan 2026, Table 5.1. All values are in constant FY26 prices.

The five-year programme totals approximately NZD 279.2 million in constant FY26 prices. MainPower therefore does not have a low or discretionary work programme from which contractor resources can readily be released. It must continue to invest to meet regional growth, maintain safety and reliability, renew ageing assets and strengthen network resilience.

Likely impacts on MainPower and its customers

Availability and delivery: Increased demand from Orion may make it more difficult for MainPower to procure SDPs when required. This could delay planned asset management work, fault response support and customer connection activity.

Cost escalation: If demand increases while skilled staff and plant remain constrained, contractor rates are likely to rise. North Canterbury, Christchurch and Central Canterbury operate largely as one contractor market. MainPower may therefore face higher costs for its AMP programme. To the extent these costs are efficient and recoverable, they will ultimately contribute to higher lines charges for MainPower consumers.

Customer connections: Connection applicants may face higher direct costs and longer delivery timeframes. Customers in remote areas may be disproportionately affected because travel and mobilisation are greater and contractors may have less commercial incentive to accept dispersed work when larger programmes are available in Christchurch.

Market concentration: MainPower's reliance on four of Orion's five SDPs increases exposure to the same capacity constraints. The risk concerns not only the movement of whole crews, but also competition for jointers, line mechanics, supervisors, specialist subcontractors, vehicles, and plant.

Service priority: Orion's expectation that SDPs will prioritise Orion work is material. Priority arrangements could adversely affect neighbouring distributors even where resources are not formally relocated from another region.

MainPower will seek to mitigate cost and availability risks by negotiating rates and forward work programmes for AMP activity, improving visibility of its pipeline, packaging work efficiently and collaborating where this provides value. These measures cannot fully remove a market-wide shortage.

MainPower will also engage with Orion and other EDBs to explore how we can work together during the CPP period to ensure that programme planning and contractor utilization is coordinated to ensure that both businesses can fulfill their work programmes.

Requested Commission response

MainPower asks the Commission to:

- test Orion's contractor capacity analysis from a Canterbury-wide perspective, rather than only from the perspective of resources that could be made available to Orion;
- assess the extent to which SDP commitments are binding and the pricing, mobilisation, availability and priority conditions that apply;
- test the capacity analysis against Orion's April 2026 work volumes and include customer connections and maintenance activities that were excluded from the May 2025 assessment;
- ensure that any conclusion on deliverability does not assume neighbouring EDBs can defer or surrender their own planned work merely because they are either exempt or remain on DPP4.
- consider the combined demand from Orion, MainPower, other South Island EDBs, Transpower and major private projects for the same workforce and plant;
- require annual delivery reporting on workforce capacity, contractor concentration, subcontractor use, procurement outcomes, use of regional crews to include comment on any material effects on neighbouring EDBs; and
- Include a requirement that Orion and other Upper South Island EDBs regularly engage during the CPP period to discuss issues with programme planning, contractor capacity and identify opportunities to mitigate or manage any issues through collaboration or sharing resources.

Conclusion

MainPower supports prudent investment that enables decarbonisation, accommodates demand growth and strengthens resilience. However, Orion's programme is sufficiently large to create regional delivery and cost risks that should be expressly assessed and monitored.

Approval should be supported by transparent capacity evidence and reporting that recognises the shared Canterbury contractor market and protects the ability of neighbouring distributors to deliver their own necessary work programmes.

MainPower would be pleased to provide further information to the Commission, subject to appropriate confidentiality protections.

Nāku noa, nā

[redacted]

Sean Horgan
Chief Executive
MainPower New Zealand Limited

References

Commerce Commission, Orion New Zealand Limited Customised Price-Quality Path 2027: Process and Issues Paper, 5 August 2026, particularly paragraphs 2.50, 2.51 and 2.54.

Orion New Zealand Limited, Customised Price-Quality Path Main Proposal, 9 June 2026, Chapter 4, particularly paragraphs 179 to 190 and Box 4.3.

Orion's CPP Verification Report CPP Period: April 2027 to March 2032, 31 march 2026 GHD Advisory pages 351-353

MainPower New Zealand Limited, Asset Management Plan 2026, sections 5.2 and 5.4, Table 5.1 and Figure 5.2.