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COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Orion New Zealand Limited Customised Price-Quality Path and enhanced Information Disclosure requirements

Draft decision reasons paper

10 November 2026



Associated documents

Publication date	Reference	Title
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Executive summary

Purpose of this paper

X1 This paper sets out our draft decisions for:

X1.1 the 5-year customised price-quality path (CPP) that will apply to Orion New Zealand Limited (Orion) from 1 April 2027 to 31 March 2032; and

X1.2 enhanced information disclosure (ID) requirements for Orion to support delivery of the anticipated consumer benefits from its CPP work programme.[1]

X2 Your feedback on our draft decisions will help us determine the final decisions needed to ensure Orion's CPP and ID regulatory settings will promote the long-term benefit of consumers, including approving Orion's maximum revenue path (total network charges Orion is permitted to recover) and service quality standards for the CPP period.

X3 Submissions on our CPP draft decisions are due by **5pm, 8 December 2026**. Cross-submissions are due by **5pm, 23 December 2026**.

Orion's CPP proposal

X4 On 9 June 2026, Orion applied to the Commission for approval of a CPP for the 5-year period commencing on 1 April 2027 in respect of its electricity distribution business (EDB) serving consumers in Christchurch and surrounding areas.[2]

X5 The CPP would replace Orion's default price-quality path (DPP) for DY28 to DY32.[3]

X6 Orion considers the relevant DPPs that would otherwise apply to it would not allow for the level and timing of the investment it believes is needed to meet its regulatory obligations and customers' expectations, including future network requirements.

X7 It sought approval for allowable revenues sufficient to accommodate total expenditure of $1.51 billion (in DY26 constant dollars) over the CPP period – about 20% more than corresponding expenditure allowances estimated by Orion for relevant DPPs. Orion largely proposed to retain its service quality standards and other incentive settings from DPP4.

[1] At this stage we are planning on consulting and making final decisions on both the CPP decisions and the enhanced ID requirements in March 2027.
[2] Orion's CPP application and associated documents are available on our Orion CPP 2027 webpage.
[3] We use DY[XX] in this paper to mean the regulatory disclosure year ending on 31 March 20[XX]. We set DPPs every 5 years for all non-exempt electricity distribution businesses (EDBs). Orion's CPP will cover the last three years of DPP4 and the first two years of DPP5.

X8 We accepted Orion's CPP application as compliant on 5 August 2026 and published a Process and Issues paper which marked the start of our substantive assessment of Orion's proposal.[4] [5] We summarise the initial views we put forward in that paper, and the feedback we subsequently received from stakeholders, below.

Our role and context for making decisions

X9 Our role is to provide EDBs, including Orion, with incentives to undertake activities that benefit consumers over the long-term, given the position of EDBs as monopoly suppliers of electricity lines services.

X10 In accordance with Part 4 of the Commerce Act 1986 (Act), we aim to promote the long-term benefit of consumers, by promoting outcomes that are consistent with those observed in competitive markets, such that EDBs:[6]

X10.1 have incentives to innovate and to invest, including in replacement, upgraded, and new assets;

X10.2 have incentives to improve efficiency and provide services at a quality that reflects consumer demands;

X10.3 share with consumers the benefits of efficiency gains in the supply of regulated goods or services, including through lower prices; and

X10.4 are limited in their ability to extract excessive profits.

X11 In practice, these objectives are achieved in the way we choose to periodically reset the maximum revenue limits and mandatory quality standards an EDB such as Orion must meet, and by considering what other price-quality mechanisms or requirements are desirable to implement, consistent with the rules in our input methodologies (IMs).[7]

X12 We also set minimum ID requirements for EDBs to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met. Public disclosure of information incentivises EDBs to focus on their performance and be accountable for the consumer outcomes they deliver.

X13 Orion's CPP comes at a time when New Zealand's economic and environmental context is changing. There is a focus on new generation technologies, decarbonisation and electrification, and a need for EDBs to remain resilient and reliable through more extreme weather events. This presents both opportunities and risks to be taken into account in our assessment and decisions on Orion's CPP and ID settings.

[4] Commerce Commission "Notice that Orion New Zealand's CPP application has been accepted as complete and IM compliant" (5 August 2026).
[5] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026).
[6] Commerce Act 1986, s 52A.
[7] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026).

X14 Orion enters this CPP process with a network that is performing well. Its reliability performance is strong and its residential network charges are currently among the lowest in the country.[8] These factors provide important context for our assessment, but do not remove the need for continued investment or lessen the effect that any price increase may have on consumers.

We signalled a number of issues to consider in our Process and Issues paper

X15 To start our CPP evaluation process, we published a Process and Issues paper in August 2026 outlining a number of areas of Orion's CPP that we planned to examine to establish if Orion's CPP proposal was in the long-term interests of its consumers.[9]

X16 Overall, our preliminary view was that Orion had submitted a clear and well-developed proposal, supported by extensive planning, analysis and consumer engagement. The independent verifier had also accepted the majority of the expenditure it reviewed.[10] These factors provided a strong foundation for our assessment.

X17 However, we also identified several areas where we thought further scrutiny might be warranted before we could determine if the proposed expenditure was prudent and efficient. Specifically:

X17.1 We considered that Orion may not have adequately demonstrated the consumer benefits of all of its proposed expenditure or adequately examined lower-cost investment trade-offs, particularly for reliability-related spending.

X17.2 We discussed whether Orion's planned network transformation programme would build the capabilities needed for a more decentralised network, and whether Orion was capable of delivering the overall CPP work programme.[11]

X17.3 We suggested that uncertainty over some forecast expenditure and investment could be managed through in-period regulatory mechanisms rather than including it upfront in the approved CPP allowances, while broadly retaining the DPP4 approach to quality standards and incentives.

X17.4 We discussed the role that enhanced disclosure and monitoring requirements could play in strengthening accountability for delivery and consumer benefits. We provided our initial view on the additional reporting needed to monitor

[8] Electricity Authority, Regional power prices, May 2026. Based on estimated average monthly network charges for a standard residential user, including GST, Orion's network charges were among the lowest across New Zealand's network reporting regions.
[9] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026).
[10] GHD "Orion's CPP verification report" (31 March 2026).
[11] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026); see chapter 2.

Orion's planning and progress of its work programme, including improvements in specific areas of investment.[12]

Feedback we received

X18 We received multiple submissions on our Process and Issues paper from interested persons.[13] We also undertook our own targeted consultation with consumer groups.

X19 Orion responded to our Process and Issues paper by providing further explanation of the positions and supporting material in its CPP proposal. While this assisted our understanding of Orion's approach, it did not fully resolve our questions about the extent to which trade-offs between expenditure and consumer outcomes had been quantified, or provide further analysis addressing our concerns about deliverability.

X20 Other submitters, including consumer groups, generally recognised the need for Orion to continue investing in its network, including to maintain current reliability, respond to regional growth, strengthen resilience and develop future network capabilities.

X21 At the same time, some stakeholders noted that Orion's network is currently performing well and emphasised that the scale and timing of any expenditure uplift should be clearly justified. Affordability, consideration of non-network alternatives, deliverability and transparency of the benefits realised were recurring themes.

X22 There was broad support from stakeholders for enhanced monitoring and reporting to provide assurance that the additional expenditure delivers the expected outcomes for consumers.[14]

Our draft decisions set out in this paper

X23 Orion has demonstrated that it faces genuine expenditure pressures over the CPP period. These include renewal activity deferred while Orion responded to the Christchurch earthquakes, subsequent strong growth across its network area, ageing assets, an increasing range of resilience and safety risks, and the need to replace legacy information and communication technology (ICT) systems and develop future network capabilities.[15]

X24 We have relied on all available evidence to evaluate Orion's planned investments – Orion's proposal, the verifier's findings, additional reports we have commissioned, information from Orion in response to our requests for information (RFI), stakeholder views, our analysis, and relevant ID data. We assessed this evidence as a whole, applying judgement where necessary, to determine whether Orion's proposed expenditure met the expenditure objective and the purpose of Part 4 of the Act.

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[12] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026): see chapter 7.
[13] Orion CPP 2027 webpage; see 'Process and Issues Paper submissions published', 2 September 2026.
[14] For more detail on feedback we received see Chapter 2, Table 2.2.
[15] See Orion "Customised Price-Quality Path Application" (9 June 2026) and Orion "Customised Price-Quality Path Main Proposal" (9 June 2026)

X25 Our assessment supports the need for a material increase in Orion's capex and opex allowances. However, our assessment did not support all expenditure at the scale, uplift and timing proposed by Orion. To this end, we have made targeted bottom-up adjustments and, most significantly, a further adjustment to six asset replacement and renewal (ARR) programme areas which we outline in further detail below.

X26 We have also refreshed the calculations of Orion's quality standards, retained DPP4-style incentive schemes, and proposed a reopener mechanism to allow Orion's limits on allowable revenue during the CPP period to increase if Orion demonstrates that further ARR expenditure is needed to prevent a deterioration.

X27 As an overall package, we think the draft decisions we have reached will create the right incentives for Orion to undertake a CPP work programme for the long-term benefit of its consumers, while maintaining incentives for Orion to innovate and pursue efficiencies.

X28 Table X1 below summarises our key draft decisions on Orion's CPP and for ID regulation, and where those decisions are discussed in this paper.

Table X1 Our key draft decisions

CPP aspect	Our draft decision	Where discussed
Term of the CPP	We are setting a 5-year CPP regulatory period covering 1 April 2027 to 31 March 2032.	Chapter 2
Total expenditure	We have reduced Orion's total proposed expenditure by $160.9m (10.7%) from $1,509.7m to $1,348.8m.	Attachment B
Capex	We have reduced Orion's proposed capex by $118.7m (12.7%) from $931.6m to $812.9m. The reduction consists of: • adjustments totalling $30.9m to multiple projects and programmes within two capex categories to reflect our findings from our bottom-up capex review, and • an additional adjustment (after bottom-up adjustments were applied) totalling $87.8m removing some proposed ARR capex for years 2 to 5 of the CPP period. A reopener mechanism applies to this adjustment (see below).	Attachment C
Opex	We have reduced Orion's proposed opex by $42.2m (7.3%) from $578.1m to $535.9m. The reduction consists of: • adjustments totalling $27.7m to five opex programmes to reflect our findings from our bottom-up opex review; and	Attachment F

CPP aspect	Our draft decision	Where discussed
	• an efficiency adjustment across most opex categories of $14.5m.	
Revenue path	We have smoothed Orion's CPP revenue path to keep increases in total annual net revenues below 10% pa (in real terms) for the first three years of the CPP, with close to zero increases in the last two years.	Attachment I
Service quality standards and incentives	We have retained nearly all the DPP4 quality settings for the CPP, but applied a revised historical dataset (including adjusting the permitted inter-period movement for unplanned interruptions) to calculate reliability standards and associated quality incentives.	Attachment J
Uncertainty mechanisms	We propose three revenue path reopener mechanisms that can increase Orion's revenues to cover costs that are excluded from the upfront CPP expenditure allowances approved above, if certain conditions are met during the CPP: • a reopener for the 'Lower Selwyn Growth – stage 1' contingent project; • a capacity event reopener for currently uncertain growth-related projects; and • a reliability risk event reopener for additional ARR costs where net benefits are quantitatively demonstrated.	Attachment K
Incentive mechanisms	We have applied the CPP incremental rolling incentive scheme (IRIS) without changes, and have retained the Innovation and Non-Traditional Solutions Allowance (INTSA) scheme that applied to Orion for DPP4, with a greater portion of funding (50%) reserved for collaborative projects with other EDBs or with Transpower.	Chapter 3
Monitoring Orion's progress & performance	Our draft decision is to introduce enhanced ID requirements for Orion to publicly report on its CPP work programme. The requirements are designed to increase Orion's accountability to consumers and other stakeholders for achieving expected outcomes and benefits of the CPP, and reflect the practices we expect of mature infrastructure companies. Requirements include annual updates on Orion's CPP delivery and comprehensive post-programme reviews.	Chapter 4 and Attachment L

Our draft decision is not to approve all planned ARR capex

X29 We recognise that the reductions we have made (after bottom-up reductions were applied) to six of Orion's ARR programmes (totalling $87.8m) are a significant portion of the capex proposed by Orion of $931.6m for the CPP period. We anticipate some stakeholders will query this reduction, noting that both the verifier's assessment and our initial assessment of capex supported a substantial increase in ARR expenditure.

X30 However, for large programmes involving significant scale, uplift and acceleration in expenditure - determining need, appropriateness of replacement volumes and efficiency of expenditure is only part of the assessment against the expenditure objective.[16] Where network performance is strong, and factors relating to scale, uplift and acceleration apply, a prudent EDB should also assess both the risks of doing less or deferring expenditure and the benefits expected from the proposed intervention.

X31 Our draft decision is that, on the information currently available, the risks addressed and expected benefits do not justify the full scale, uplift, and timing of expenditure proposed across six of the ARR programme areas, even after bottom-up reductions were applied. Our view is that the full expenditure as proposed and after bottom-up reductions, does not meet the expenditure objective. Consumers should not expect to pay for all of the resulting costs unless the expenditure objective is met.

X32 We have introduced a reliability risk event reopener to enable Orion to request us to assess whether it should be able to access up to the full amount of proposed ARR capex (after bottom-up adjustments) during the CPP period. The reopener requires Orion to quantitatively demonstrate that the proposed expenditure in this area would deliver a net benefit for consumers and the expenditure objective could be met.

X33 Further, our approach to applying our upfront ARR capex reductions means that it only impacts years two to five of the CPP period, giving Orion more time to develop its case in support of increases to the approved expenditure for these years.

X34 We recognise that asset-management decisions must be made using imperfect information and necessarily involve judgement. We do not expect a prudent EDB to provide quantified cost-benefit analysis for every planned investment. However, these six ARR programmes are significant in scale, volume of uplift, and acceleration of spend while also occurring in the context of a high performing and reliable network.

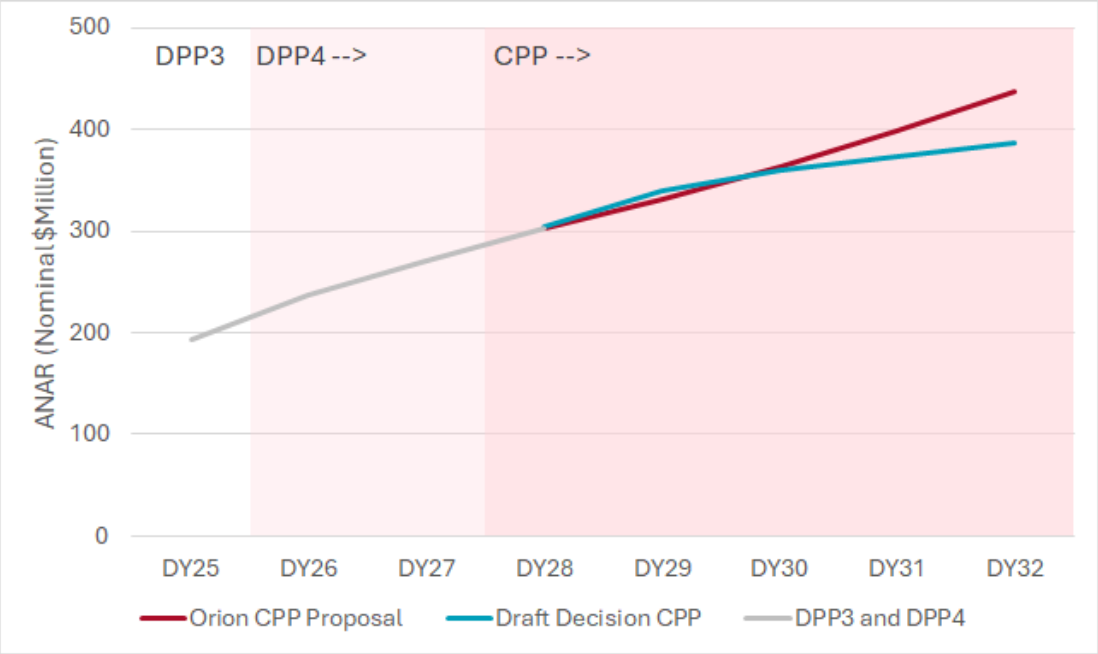
X35 We encourage Orion and other interested parties to make submissions on our expenditure draft decisions, including providing further information or evidence relevant to our assessment.

[16] See cl 5.2.1(d) for our evaluation criteria in assessing a CPP. See also cl 1.1.4 that sets out the "expenditure objective" means the objective that capex and opex reflect the efficient costs that a prudent nonexempt EDB would require to (a) meet or manage the expected demand for electricity distribution services, at appropriate service standards, during the DPP regulatory period or CPP regulatory period and over the longer term; and (b) comply with applicable regulatory obligations associated with those electricity distribution services, see Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026).

Smoothed CPP revenue path

X36 The smoothed CPP revenue path that results for Orion from our draft decisions is shown in Figure X1, relative to that proposed by Orion in its CPP application.

Figure X1 Orion CPP revenue path ($m, ANAR, DY28-DY32) – draft decision



X37 The revenue path is broadly similar to that proposed by Orion for the first three years of the CPP period. However, our draft decision revenue path for the last two years of the CPP only increases in line with forecast inflation and connection growth, whereas Orion's proposed path had increased by 7.5% pa (in real terms) for those years.

X38 The difference between the two revenue paths is primarily due to our adjustments to CPP expenditure allowances, after applying our smoothing profile.[17]

Consumer bill impacts

X39 The impact on retail bills is difficult to predict accurately, as electricity retailers decide how to package and pass on costs from all aspects of power supply (eg, wholesale, transmission and distribution charges).

X40 Nonetheless, as an indicative measure, in Table X2 we model the impact of passing through our draft decision's allowed revenue path on the distribution portion of the monthly bill of an average residential consumer of Orion.

[17] The difference in the overall net allowable revenues is $53m in present value terms, calculated as at 1 April 2027 using an annual discount rate of 7.1% equal to the DPP4/CPP WACC.

Table X2 Indicative annual bill increases for average residential consumer of Orion ($ per month, including GST, rounded)[18]

	DY28	DY29	DY30	DY31	DY32
Orion CPP proposal	$9.60	$2.10	$6.80	$7.50	$6.50
CPP draft decision	$9.80	$3.80	$3.90	$2.70	$1.00

X41 By the end of the CPP period, monthly bills for an average residential consumer will be expected to have risen progressively by approximately $21.30, compared to Orion's proposal where overall increases would have been approximately $32.60.[19]

X42 We also modelled the effects of the reliability risk event reopener on consumer bills if the reopener were to be triggered and available ARR capex were to be approved in full for the CPP period. We found that an additional amount of $1.00 would be added to the monthly bills for our draft decision in Table X2 from DY30 onwards.[20]

X43 We recognise that some consumers may find any increase in bills difficult to absorb. Average residential electricity bills in Orion's region are currently among the lower bills observed nationally, but that comparison does not by itself justify the CPP programme or its price impacts. The expenditure must still be prudent and efficient, and its expected benefits must justify the additional costs consumers would bear.

Next steps

X44 We seek feedback on our draft decision by **5pm, Tuesday 8 December 2026**. We are open to submissions on all parts of our CPP draft decision, reasons and draft determinations.

X45 Cross-submissions are invited no later than **5pm, Wednesday 23 December 2026**.

X46 We will publish our draft ID determination on **Tuesday 17 November 2026**. Submissions on all Orion ID-related matters will be due by **Tuesday 15 December 2026**, with cross-submissions due on **Monday 11 January 2027**.

[18] Rounded to nearest 10 cents, and based on current forecasts of Orion's pass-through and recoverable costs, such as revenue wash-ups (but excluding Transpower transmission charges), and adjusted for inflation forecasts since Orion's proposal was calculated. Forecast values for these components may change for final decisions.
[19] The actual bill increases faced by individual consumers will depend on how Orion chooses to recover its allowable revenues from its different customer groups, and the amount of electricity a customer consumes. Electricity distribution lines charges are also only one component of a consumer's overall electricity bill. The other parts include the costs of electricity generation, transmission and retail costs. Typically, Orion's distribution charges make up a quarter of an average residential consumer's bill.
[20] However, revenues in subsequent regulatory periods would be higher as a result of the ARR capex entering Orion's RAB and increasing depreciation and asset returns.

Chapter 1 Introduction

Purpose of this paper

1.1 This paper sets out our draft decisions for Orion's CPP for the five-year period from 1 April 2027 to 31 March 2032. It also sets out our draft decisions on enhanced ID requirements for Orion.[21]

Structure of this paper and attachments

1.2 Chapter 1 of this paper outlines our process and how to make written submissions on our draft decisions. Chapter 2 sets out the context for our draft decisions. Chapter 3 sets out our CPP draft decisions, reasons for those decisions, and consumer price impacts. Chapter 4 sets out our ID draft decisions and reasons for those decisions.

1.3 All technical analysis is contained within the following attachments set out in Table 1.1.

Table 1.1 Attachments

Attachment	Title
Attachment A	Regulatory framework for assessing and setting a CPP
Attachment B	Overview of expenditure allowance
Attachment C	How we assessed Orion's proposed capex and determined the draft capex allowances
Attachment D	Unreliability modelling methodology for stakeholder feedback
Attachment E	Detailed bottom-up analysis of capex
Attachment F	Our assessment of proposed opex
Attachment G	Detailed bottom-up analysis of opex
Attachment H	Our assessment of cross-cutting expenditure programmes
Attachment I	Revenue path and illustrative consumer price impacts
Attachment J	Quality of service
Attachment K	Mechanisms to address uncertainty over forecast expenditure
Attachment L	Reporting requirements under ID regulation
Attachment M	Summary of targeted stakeholder engagement
Attachment N	List of requests for information

[21] At this stage, we are planning on consulting and making final decisions on the ID component alongside the CPP decisions in March 2027.

1.4 Alongside this draft decision reasons paper we are publishing the draft CPP determination and a proposed Deed varying the IMs, the draft decision CPP financial modelling suite, the draft decision CPP reliability standards and incentives models, a report commissioned from Baringa Management Consulting on network transformation and correspondence between Orion and us related to a RFI on expenditure. We will publish the draft ID determination on 17 November 2026.[22]

Process and timeline for our final decision

1.5 Table 1.2 below provides the timeline for the project up to the final decisions expected in March 2027. We will keep interested parties informed of any updates via our Orion CPP 2027 webpage and in email updates.

Table 1.2 Timeline for the Orion CPP project

Date	Key process step
10 November 2026	Draft decision package published, including draft CPP determination and draft financial modelling suite
17 November 2026	Draft ID determination published
8 December 2026	CPP draft decision and determination submissions due
15 December 2026	ID draft decision and determination submissions due
23 December 2026	CPP draft decision and determination cross-submissions due
11 January 2027	ID draft decision and determination cross-submissions due
March 2027	Final decision reasons paper, final CPP determination, final ID determination and final financial modelling suite
1 April 2027	Orion CPP regulatory period commences

[22] Orion CPP and ID draft decisions and related documents, as well as the Baringa Management Consulting report, can be found on our website.

Process from here and how you can make a submission

Orion CPP draft decisions

1.6 We seek feedback on our CPP draft decisions by **5pm, Tuesday 8 December 2026**. We are open to submissions on all parts of our CPP draft decisions, reasons and draft determinations and draft Deed of IM Variation.

1.7 Cross-submissions on our CPP draft decisions are invited no later than **5pm, Wednesday 23 December 2026**.

1.8 Submissions can be emailed to infrastructure.regulation@comcom.govt.nz using the subject line 'Submission on Orion CPP draft decisions' and/or 'Submissions on Orion's ID draft decisions'.

1.9 Please provide both a format suitable for word processing (such as a Microsoft Word document), as well as a 'locked' format (such as a PDF) for publication on our website.

Orion ID draft decisions

1.10 We set out the Orion ID draft decisions in this paper in Chapter 4 and Attachment L.

1.11 We will publish our draft Orion ID determination on **Tuesday 17 November 2026**.

1.12 Submissions on our ID draft decisions in this paper and the draft ID determination will be due by **5pm, Tuesday 15 December 2026**, with cross-submissions due no later than **5pm, Monday 11 January 2027**.

1.13 At this stage, we intend to publish our final decision on Orion's enhanced ID requirements at the same time as our final CPP decision in March 2027. However, we note that any amendments to ID requirements for Orion are not bound to the same statutory timeframes as the determination of the CPP. If the ID final decision timeframe is likely to change, we will update stakeholders of the amended timeframes.

Confidential submissions

1.14 We encourage public submissions so that all information can be tested in an open and transparent manner. We recognise that there may be cases where parties wish to provide information in confidence. We offer the following guidance:

1.14.1 if it is necessary to include confidential material in your submission, the information should be clearly marked as confidential, with reasons why that information is confidential;

1.14.2 where information is commercially sensitive, you must explain why publication of the information would be likely to unreasonably prejudice your commercial position or that of another person who is the subject of the information;

1.14.3 both confidential and public versions of the submission should be provided and clearly labelled accordingly; and

1.14.4 the responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

1.15 Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982.[23] This means we would be required to release material that we do not publish unless good reasons exist under the Official Information Act 1982 to withhold it. We would normally consult with the party that has provided the information before any disclosure is made.

1.16 We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public' version.

[23] See Official Information Act 1982.

Chapter 2 Context for our draft decisions

Purpose of this chapter

2.1 This chapter provides the background for Orion's CPP application, explains our role in assessing it and describes the current context for both Orion and the wider sector. It then outlines how we evaluated Orion's CPP proposal – including how we applied the CPP evaluation criteria and considered the verifier's findings in reaching draft decisions.

2.2 The chapter also provides an overview of stakeholder views on the key issues we identified in our Process and Issues paper for our assessment of Orion's CPP proposal. We also set out in this chapter how we are managing concerns raised in submissions that are outside the scope of our process.

Orion's CPP application

2.3 On 9 June 2026, Orion applied to the Commission for approval of a CPP for the 5-year period from 1 April 2027 to 31 March 2032 in respect of its EDB serving consumers in Christchurch and surrounding areas.[24]

2.4 If approved, the CPP would replace (for DY28, DY29 and DY30) Orion's DPP4 price-quality path, which we set in 2024, with effect from DY28.[25] It would also apply for the first two years of DPP5 (DY31 and DY32), which is yet to be set.

2.5 Orion considers the DPP4 settings (and the price-quality path we set for it under DPP5) would not allow for the level and timing of the proposed step-up in investment Orion believes is needed to meet its regulatory obligations or customers' expectations, including future network requirements.[26]

2.6 It sought approval for revenues sufficient to accommodate total expenditure of $1.51 billion (in DY26 constant dollars) over the CPP period – about 20% more than the corresponding expenditure allowances under the relevant DPPs. Orion largely proposed to retain its DPP4 quality standards and other incentive settings from DPP4.[27]

2.7 Preparing a CPP application requires a greater effort by a business than we require for a DPP. We acknowledge the clear and accessible nature of Orion's proposal, and the constructive way it has sought to engage with us to date.

[24] Orion "Customised Price-Quality Path Application" (9 June 2026); Orion "Customised Price-Quality Path Application" (9 June 2026).
[25] Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28 (as amended 26 August 2026).
[26] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), chapter 2.
[27] We note that we previously approved a 5-year CPP for Orion for DY15 – DY19 following the Christchurch earthquakes, adjusting both Orion's maximum revenue allowances and required quality standards. Orion transitioned back to a DPP in DY20. See our Orion 2014-2019 CPP webpage.

2.8 On 5 August 2026 we accepted Orion's CPP application as compliant with the applicable IMs and published a Process and Issues paper which marked the start of our substantive assessment of Orion's proposal.[28] Once an EDB makes a CPP application it cannot withdraw its proposal, and is bound by any CPP that we subsequently set.[29]

Our role

2.9 Our role is to assess Orion's proposal and set a price-quality path that promotes the long-term benefit of consumers. Our aim is to set a path that gives Orion incentives to invest, innovate and operate efficiently, supports service quality that reflects consumer demands, shares efficiency gains with consumers, and limits Orion's ability to earn excessive profits.[30]

2.10 Before Orion submits its CPP application to us, it is required to have elements of its proposal reviewed by an independent verifier. As we describe below, the verifier's work informs our assessment, but does not replace our own assessment of the CPP proposal against the evaluation criteria. We ultimately must determine a CPP that promotes the long-term benefit of consumers (consistent with the purpose of Part 4).[31]

Current Orion and sector context

2.11 Orion's proposal for a customised path is driven primarily by a need it has identified to make increased expenditure and investment across a number of areas affecting its electricity lines network in Christchurch and surrounding areas.

2.12 Orion's proposed CPP work programme relates to five strategic objectives:

2.12.1 Maintain safety and reliability;

2.12.2 Support population and demand growth;

2.12.3 Strengthen resilience;

2.12.4 Prepare for future energy needs; and

2.12.5 Enhance efficiency and capability.[32]

[28] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026).
[29] Commerce Act 1986, s 53R.
[30] Commerce Act 1986, s 52A.
[31] See Part 4 of the Commerce Act 1986
[32] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), pp. 8-9.

2.13 It is possible that one or more of its strategic objectives could have been achieved under the DPP regulatory settings and allowances applying to Orion, eg, through reprioritisation and/or a staged approach to implementation. However, Orion has said that it is the combined cost of the overall work proposed for the next 5 years, relative to allowances under the DPP, that has prompted its CPP application.[33]

2.14 In this respect, the nature of Orion's CPP differs to other CPPs we have considered in the past, which have been prompted primarily by specific safety and reliability concerns and/or semi-urgent work needed to restore networks. By contrast, Orion's network is high performing – with its consumers generally experiencing higher levels of reliability and lower lines charges than much of the rest of the country.

2.15 Orion's CPP proposal is also taking place within the wider context of electricity demand growth across some regions, changing technologies (eg, batteries and electric vehicle charging) and consumer preferences, network resilience needs in respect of a wider range of potential extreme events, and cost pressures (for both consumers and EDBs).

2.16 EDBs are having to respond to these developments while managing uncertainty regarding the scale, timing and location of future demand growth and technology uptake. We have invited discussion on a number of these aspects in our:

2.16.1 Open letter on EDB efficiency;[34]

2.16.2 Open letter on efficient investment in non-network solutions;[35] and

2.16.3 Draft resilience principles for critical infrastructure investment.[36]

2.17 In this context, we have been interested in how emerging possibilities for innovation, collaboration, accessing scale efficiencies, different approaches to managing risk and other alternatives to traditional network investment can be harnessed for consumers' benefit via Orion's CPP. Part of our focus has been on whether Orion's proposal is sufficiently aspirational and flexible, both to respond to emerging sector-wide issues and to best leverage Orion's position as the largest EDB in the South Island.

[33] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 7. Orion stated that the DPP4 does not adequately reflect Orion's circumstances or support the level and timing of investment required; remaining on DPP4 would require deferral of essential investment in core assets and delay discretionary but high-value investment that supports these priorities and delivers long-term benefits.

[34] Open letter: Local lines networks: achieving better outcomes for consumers now and in the future on electricity distributor efficiency (10 September 2026)

[35] Ensuring consumers benefit from efficient investment in non-network solutions (24 February 2026)

[36] Resilience Principles: Decision-making framework for critical infrastructure providers: draft discussion document (3 July 2026). We considered Orion's broader approach to developing its resilience-related investments. We note that Orion identified specific resilience risks, considered potential mitigation options and, for some investments, supported its proposals with detailed business case analysis and customer engagement. These practices are consistent with the types of practices contemplated in our draft resilience guidance and broadly consistent with the approach we expect EDBs to take when developing and supporting resilience-related investment proposals.

Issues we identified in our Process and Issues paper

2.18 Our Process and Issues paper noted that Orion's CPP proposal provided a clear and well-developed basis for our assessment.[37] It reflected substantial planning and analysis, and the verifier accepted the majority of the expenditure it reviewed. We therefore expected the verifier's findings to provide the principal foundation for our assessment, supplemented by targeted further analysis where material questions or uncertainties remained.

2.19 We also recognised that Orion faced genuine expenditure pressures. These included renewal activity deferred while Orion responded to the Christchurch earthquakes, subsequent restoration and regional growth priorities, strong continuing growth across its network area, ageing assets, resilience and safety risks, and the need to replace legacy ICT systems and develop future network capabilities.

2.20 To this end, our Process and Issues paper outlined a number of key analytical areas that we planned to focus on to ascertain whether Orion's CPP proposal was in the long-term interests of its consumers. Some of these areas were not required to be reviewed by the verifier, or had been reviewed but we considered that further work was needed.

2.21 We invited public submissions on our initial and/or emerging views that:

2.21.1 targeted scrutiny of some planned expenditure areas (additional to that which the verifier had undertaken) was needed to test whether all of Orion's proposed spend was prudent (the right investments at the right time and able to be delivered) and efficient (at the right cost);

2.21.2 Orion's network transformation programme needed to build the capabilities it required to optimise an increasingly decentralised network, which we considered particularly important given Orion's position as the largest EDB in the South Island;

2.21.3 Orion needs to have sufficient capability to deliver the overall CPP work programme (and related impacts for other EDBs) so consumers do not fund investment that is deferred or does not deliver expected benefits;

2.21.4 Orion had not yet clearly demonstrated the consumer benefits of all of its proposed expenditure, particularly the cost/quality or cost/overall benefit trade-offs possible under lower investment scenarios. We identified reliability-related spend as an area of concern;

2.21.5 some uncertainty over forecast expenditure and investment could be managed through in-period regulatory mechanisms rather than including it upfront in the approved CPP allowances;

[37] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 8.

2.21.6 we could apply a similar approach to setting quality standards and the quality incentive scheme as was used for DPP4, given Orion is meeting its quality standards and is aiming to maintain (not improve) quality; and

2.21.7 accountability for delivery of the CPP work programme and the anticipated benefits for consumers could be addressed via enhanced ID and monitoring requirements.[38]

2.22 We invited feedback from interested persons on our initial or emerging views set out in the paper, and any other aspect of the CPP proposal that they wished to comment on. We then evaluated Orion's proposal against the relevant criteria, drawing on all available evidence as explained below.

Our evidence-based evaluation approach

Our assessment against CPP evaluation criteria

2.23 The IMs set out the criteria that we must use to evaluate a CPP proposal.[39] The criteria are intended to ensure that our determination of a CPP promotes the purpose of Part 4 of the Act. This section provides an explanation of how we applied each of the evaluation criteria in assessing Orion's proposal, and in setting the draft CPP. The criteria, and how we have interpreted them are set out in more detail in Attachment A.

2.24 When assessing Orion's proposal against the criteria, we generally had regard to the following factors as applicable:

2.24.1 the content of the CPP proposal itself;

2.24.2 the verifier's report and our own discussions with the verifier;

2.24.3 our own review of the CPP proposal;

2.24.4 Baringa's targeted review of Orion's network transformation work programme;[40]

2.24.5 any material provided by Orion on our request;

2.24.6 submissions from stakeholders to us on Orion's proposal and our Process and Issues paper;[41] and

2.24.7 relevant ID data.

[38] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026)
[39] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026). cl 5.2.1.
[40] We engaged Baringa Management Consulting (Baringa) to carry out a targeted qualitative review of Orion's network transformation programme, see Baringa, Orion CPP – "Network Transformation Review" (5 October 2026).
[41] See Orion CPP 2027 webpage for related documents.

2.25 In undertaking our assessment of the CPP proposal, we first considered the extent to which the proposal meets the evaluation criteria.[42] Where we consider the CPP proposal does not meet the evaluation criteria, we have set an alternative CPP that we consider does. This approach means that our draft decision as to what the CPP should be includes both aspects of Orion's CPP proposal mixed with aspects that we have determined (which differ from Orion's proposal).

2.26 Our draft assessment against each of the evaluation criteria is outlined in Table 2.1.

Table 2.1 CPP valuation criteria

Evaluation criterion	Our draft assessment
a) whether the CPP proposal is consistent with the IMs specified in Part 5	• We determined that Orion's CPP proposal was consistent with the relevant IMs after assessing the proposal against those IMs. • We published a Notice of Acceptance on 5 August 2026 confirming that the proposal is IM compliant.
b) the extent to which the proposal promotes the purpose of Part 4 of the Act	• The Part 4 purpose has guided our draft assessment and analysis of Orion's CPP. The assessment of the five other criteria has been carried out within a lens of promoting the statutory purpose, hence our approach to assessing those five other criteria, intrinsically covers the approach for assessing our statutory purpose.[43] • We have exercised regulatory judgement in setting an appropriate price-quality path that, as a whole and in conjunction with the other aspects of the regulatory regime, will provide incentives for Orion to act in a manner consistent with the Part 4 purpose. • Our evaluation is that our draft decision will therefore meet the purpose of Part 4.
c) whether data, analysis, and assumptions underpinning the proposal are fit for the purpose of determining a CPP	• The information contained in a proposal must be sufficient in detail and quality to allow us to undertake our assessment. We assessed whether the information provided in Orion's proposal was fit for purpose. • We requested further information from Orion in areas where we considered the information was not fit for purpose.44 • Where we had doubts about the appropriateness or robustness of an assumption, we either sought further explanation for the assumption or used a more appropriate assumption. • We discuss this assessment in Attachments C, E, and F-H.

[42] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.2.1.

[43] For example, the expenditure objective requires that Orion's proposed expenditure reflects the efficient costs that a prudent supplier would require to provide services at the appropriate standards and in compliance with applicable regulatory obligations. How we have done this is discussed in detail in Attachment B. However, in short, we have looked at the cost of delivering investment at the right time and level of output to meet consumers' needs, now and in the long-term.

[44] The further information we requested from Orion is set out in Attachment N.

Evaluation criterion	Our draft assessment
d) whether the proposed capital and operating expenditure meet the expenditure objective	• The verifier's report was particularly relevant to our assessment of the CPP proposal against the expenditure objective. We have explained our use of the verifier's report in the next section and in Attachment B. • As with previous CPPs, we also carried out our own analysis - including commissioning an expert consultant (Baringa) to undertake a targeted review of Orion's network transformation programme. • Our assessment of whether Orion's proposal meets the expenditure objective is contained within Attachments B-C and E -H.
e) whether the proposed quality standard is realistically achievable	• Orion did not propose a quality standard variation in its CPP proposal. However, we are required to set quality standards for a CPP. • In coming to our draft decision, we considered Orion's historical network reliability performance and Orion's stated objectives for service quality across the CPP period. We also considered whether there was any evidence of Orion's consumers being willing to fund additional investment to improve network performance. • Our draft decision on quality standards is contained in Attachment J.
f) the extent to which Orion has consulted with consumers on its CPP proposal, and the extent to which the CPP proposal is supported by consumers, where relevant	• The verifier considered that Orion had undertaken "extensive and effective" consultation that reached "a large cross section of stakeholders".[45] Our assessment is generally consistent with that view. • We consider that Orion took a relatively broad-based approach to consumer consultation in the development of its CPP proposal. While Orion's engagement activities covered a wide range of stakeholders, we note that there was limited engagement with Ngāi Tahu. • To assess Orion's approach to consumer consultation and the level of support for its proposal, we undertook targeted stakeholder engagement. Attachment M provides further information on the stakeholders we heard from and the feedback they provided. • While concerns were raised by stakeholders about affordability, there was broad support for the proposal, particularly for investment to maintain service quality and reliability, support resilience, and enable future growth in the region. However, we note that Orion's limited engagement with Ngāi Tahu means these views may not reflect their perspective as well as that of local papatipu rūnanga.

[45]https://www.comcom.govt.nz/assets/Documents/orions-2027-2032-cpp/Independent-verifiers-report-for-Orion-CPP-9-June-2026.pdf, p. ii.

Evaluation criterion	Our draft assessment
	• Overall we viewed Orion's consultation as generally comprehensive and concluded that its proposal had broad support. However, we consider Orion's consumer consultation could have been enhanced in the following ways: ○ clearer evidence to its consumers that the proposed expenditure and quality standards would deliver benefits that justify the additional costs; ○ increasing engagement with the 'typical' consumer by using simpler, shorter and less technical consultation material, and reducing its use of acronyms; and ○ ensuring greater representation of 'typical' consumers on its Consumer Advisory Panel.

How we considered the verifier's findings in our assessment

Role of verification

2.27 The starting point of our assessment of whether Orion's proposal meets the CPP evaluation criteria is the verifier's report.[46] The CPP process requires Orion to have its CPP proposal reviewed by an independent verifier.[47]

2.28 The verification process is intended to improve the quality of Orion's CPP proposal and supports our decision-making by testing, in advance of submission, the assumptions that underpin proposed expenditure and quality settings. Verification 'frontloads' CPP evaluation work as much as possible, to assist us in making the most effective use of the limited statutory timeframe to evaluate a CPP proposal and determine a CPP.

2.29 We have regard to the findings of the verifier but are not bound by them in making our draft decisions.

GHD acted as the verifier for Orion's CPP

2.30 We agreed with Orion to appoint GHD Limited (GHD) as the verifier for Orion's CPP proposal. We were satisfied that GHD's prior experience suitably qualified it to verify Orion's CPP proposal. We were also satisfied that GHD was independent and could provide an impartial view on Orion's CPP.[48]

2.31 GHD signed a deed with us and Orion requiring it to verify Orion's proposal in line with the IMs. The deed provided that GHD had an overriding duty to assist us as an independent expert with relevant matters within GHD's areas of expertise.

[46] GHD "Orion's CPP verification report" (31 March 2026).

[47] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule F.

[48] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule F.

2.32 GHD produced a verification report which drew on an eight-month (July 2025 to March 2026) period of information review and analysis.[49] During this period, GHD attended monthly tripartite meetings with Orion and us, conducted a visit to Orion for onsite interviews and formally submitted questions to Orion.

The verifier's findings

2.33 In summary, the verifier found that:

2.33.1 Orion's planning and governance framework is sound and provides a credible foundation for its CPP proposal.

2.33.2 key forecasting inputs and assumptions are generally reasonable.

2.33.3 Orion's consumer consultation met the IM requirements.

2.33.4 most but not all expenditure reviewed was accepted as prudent and efficient.

2.33.5 the proposed programme appears deliverable although ongoing reporting and monitoring of labour availability is recommended.

2.33.6 Orion's proposed service measures are generally appropriate and consumer-focused, although a couple would benefit from clearer definitions and additional reporting.

2.33.7 we may wish to consider areas of focus it identified for our further assessment.[50]

2.34 The verifier provided positive and unqualified assurance for many areas but in some areas the opinion was qualified and with aspects identified as requiring further assessment.

2.35 Overall, we are satisfied with the rigour of the verifier's analysis and consider its review to be thorough and undertaken to a high standard. As with other CPPs, this did not preclude us from undertaking further scrutiny.

2.36 The detail of our reviews of the verifier findings and assessment we undertook are contained in Attachments B-C, E-H, and J-L.

2.37 As a result of our assessment and review, and similar to previous CPPs, our draft decisions differ in parts from the verifier's recommendations.

Feedback we received from stakeholders

2.38 In determining a CPP, we rely on our own judgement in considering the mix of stakeholder views and apply the evaluation criteria and the statutory framework of balancing Part 4 purpose matters.

[49] GHD "Orion's CPP verification report" (31 March 2026).

[50] GHD "Orion's CPP verification report" (31 March 2026).

What we heard

2.39 We received nine written submissions which we published on 2 September 2026 and eight oral submissions (from targeted consultation with general consumers) which we have summarised in Attachment M.[51]

2.40 We thank submitters for their thoughtful and constructive feedback which helped inform our assessment and the draft decisions set out in this paper.

2.41 Table 2.2 lists the key themes we heard and signposts where further discussion is located in this paper.

Table 2.2 Key themes from submissions

Topic	Key themes	Location of further information
Expenditure	• General support for prudent investment in reliability, resilience and growth (often accompanied by concerns about affordability and value for money from general consumers) • Greater evidence sought that the expenditure is necessary, appropriately timed, efficient and delivers value for consumers • Calls for stronger demonstration of consumer benefits and consideration of lower-cost alternatives including non-network solutions • Views that greater ambition and investment in future network capability is required • Some concern that Orion has not demonstrated a CPP is necessary compared with remaining on its DPP	Attachments B, C, F and H
Deliverability	• Concerns about workforce, contractor and supply chain constraints across the Canterbury region • Potential impacts on contractor availability for neighbouring EDBs • Requests for reporting on workforce capacity and regional impacts	Attachment H
Consumer consultation	• General support for Orion's consultation processes • Some views that broader consumer representation and more accessible consultation materials would improve engagement • Requests for clearer evidence linking expenditure and quality proposals to consumer benefits	Table 2.1 in this chapter
Reporting	• Support for enhanced reporting on delivery, outcomes and consumer benefits • Greater transparency on capability development, planning practices and non-network solutions • Increased transparency on community engagement, flexibility and resilience outcomes	Chapter 4, Attachment L
Incentives	• Support for retaining an INTSA-style mechanism during the CPP, including access for third-party providers and collaborative projects • Support for incentives that encourage demand response, flexibility services and consumer participation	Chapter 3

[51] Written submissions were received from Orion, Powerco, Mainpower, ERGANZ, LETS, Foodstuffs, Grid Share, Hessel Van Wieren and an anonymous general consumer: Process and Issues paper submissions.

Topic	Key themes	Location of further information
Quality	• Support for maintaining current reliability and service quality levels rather than improving them, with some stakeholders questioning whether additional expenditure is required to achieve this and others seeking clearer evidence of resulting consumer benefits • Requests for more granular resilience and reliability reporting	Attachment J
Revenue path and consumer bill impacts	• Affordability was a prominent theme • Support for smoothing the revenue path and avoiding price shocks • Mixed views on whether consumers should bear additional costs associated with smoothing price increases • Requests for publication of cumulative consumer bill impacts, rather than only incremental CPP impacts	Attachment I
Uncertainty mechanisms	• Mixed views on the need for reopeners • Some preference for greater upfront allowances with flexibility to reprioritise • Reopeners should consider non-network alternatives	Attachment K Attachment B

2.42 Orion's submission on our Process and Issues paper provided further explanation of the positions and supporting material in its CPP proposal.[52] This assisted our understanding of Orion's approach. However, questions remained about how possible trade-offs between expenditure and consumer outcomes had been assessed, and about the deliverability risks associated with the proposed work programme.

2.43 Overall, the stakeholder feedback on our Process and Issues paper confirmed to us that Orion's CPP proposal presented both risks and opportunities to be taken into account in our assessment and decisions.[53] To that end, it was important that we thoroughly tested Orion's proposed expenditure and service quality levels under its CPP proposal to satisfy ourselves that settings are fit for purpose and the resulting price-quality path would likely deliver appropriate consumer outcomes.

2.44 The draft decisions reached, in light of all available information before us and our analysis to date are outlined in the next chapter. A list of the information we requested from Orion to inform our analysis is contained in Attachment N.

Issues that are outside our statutory mandate or are out of scope

2.45 Stakeholders raised a number of issues that:

2.45.1 relate to the wider context which sit outside our statutory mandate;

2.45.2 fall within the mandate and responsibility of other government agencies;

2.45.3 are broader policy matters that are matters for government itself; and/or

2.45.4 relate to wider sector improvements.

[52] Process and Issues paper submissions.
[53] Process and Issues paper submissions.

2.46 Table 2.3 sets out these issues and explains why these are out of scope for our assessment.

Table 2.3 Summary of out of scope issues from submissions

Issue raised	Our response
Affordability	• We acknowledge significant concerns about affordability in the present economic climate. • We have limited ability to directly address affordability as part of the CPP process or through our wider powers under the Act. • However, our assessment and draft decisions for this CPP have sought to mitigate the impacts on consumer bills by ensuring expenditure allowances are kept at prudent and efficient levels to provide consumers with value for money, and by shaping the profile of CPP revenues to help minimise consumer price shocks.
Ministry of Business, Innovation and Employment (MBIE) to assess the cumulative impact of electricity sector cost increases arising from multiple regulatory processes and provide advice to Ministers on the implications for consumer affordability and electrification	• We have noted this concern and communicated it to MBIE, in line with its wider remit in setting energy and infrastructure policy.
As part of our expenditure assessment, to ensure Orion is not relying on demand response from large customers while also proposing pricing proposals that reduce incentives for those customers to provide that flexibility	• Distribution pricing is regulated and monitored by the Electricity Authority. The Authority's Distribution Pricing Principles expect EDBs to use pricing that signals the economic costs of network use and encourages efficient network alternatives. • We therefore did not assess whether Orion's network pricing complies with the Authority's principles – but we note the verifier concluded that Orion's overall demand-forecasting assumptions and methods were aligned with good industry practice and appropriate for forecasting demand-driven expenditure.
The costs of Orion's proposed investment should not be recovered uniformly from all consumers. Options to allocate recovery differently across consumers should be explored for affordability reasons and to account for the value of large customers providing demand-side flexibility	• The allocation of network charges to customer groups is determined through Orion's pricing methodology and pricing decisions. • Our role is not to determine how Orion allocates approved revenues across consumer groups. • This sits with the Electricity Authority who sets distribution pricing principles and assesses EDBs' pricing methodologies against those principles.
This CPP has raised a broader challenge that there is no common sector-wide framework in NZ for consistent assessment of asset renewal needs and there is opportunity to scope and develop one with the sector rather than assessing bespoke approaches individually.	• We acknowledge the potential value of a common sector-wide framework for assessing asset renewal need. • While the development of such a framework is outside the scope of this CPP assessment, we have noted this for further consideration as part of future wider engagement with the sector.

Issue raised	Our response
Requests that we require Orion to explicitly engage with flexibility providers as part of its journey as a future distribution service operator (DSO)	• We acknowledge the role of flexibility services in delivering efficient network outcomes and expect Orion to consider all available solutions in its investment decisions. • We commissioned Baringa to assess Orion's DSO pathway to provide assurance that Orion's approach considers best practice and the range of tools available to it to deliver efficient network outcomes. • However, we have not prescribed requirements for Orion to engage with flexibility providers through this CPP but have expectations that it does so as it progresses its network transformation programme and considers the most efficient solution to every network issue it is addressing.
Concerns that infrastructure funding costs are being unfairly borne by consumers due to broader economic, regulatory and government policy settings and that we should consider or refer to government an alternative, non-debt funding mechanism for infrastructure investment.	• We acknowledge concerns about the affordability impacts of infrastructure investment and the suggestion that alternative funding mechanisms be considered. • Decisions regarding infrastructure funding frameworks are outside the scope of this CPP and are matters for government and other relevant agencies.

Basis for financial values in this paper

2.47 In this paper, unless otherwise stated, financial values for expenditure are presented in DY26 constant dollars (calculated as at 1 October 2025), and for revenues and consumer bill impact are nominal dollars using current forecasts of inflation.

2.48 Modelling of the CPP revenue path was undertaken using the financial models submitted by Orion in its CPP application, with the models' inputs updated for our draft decisions. The updated models are published alongside this paper.[54]

2.49 The models do not yet include effects of actual financial or regulatory information for Orion in respect of DY26 that has become available since Orion submitted its CPP application, eg, updated values for Orion's regulatory asset base for DY26.

2.50 We expect that a number of the modelling inputs will be updated so as to adopt the most relevant and/or recent information as part of our final CPP decisions.

[54] Many of the key input values and/or calculations in the models are specified by the IMs. These include the cost of capital (WACC), inflation and the shifted revenue adjustment. The IMs also include methodologies for establishing and rolling forward asset values during the CPP period, applying tax rules and calculating annual allowable revenues.

Chapter 3 Our draft decisions for Orion's CPP

Purpose of this chapter

3.1 This chapter summarises our draft decisions for Orion's CPP. It also provides a brief explanation of the key reasons for those decisions. More detailed analysis, evidence and reasoning are contained in the attachments referenced throughout this chapter.

3.2 All stakeholders, including Orion, have the opportunity to provide feedback on our draft decisions prior to us reaching our final decisions in March 2027. Submissions can include further information and evidence for us to consider.

Overview of our CPP draft decisions

Length of CPP regulatory period

3.3 Our draft decision is to set a 5-year CPP regulatory period. This will cover DY28–DY32 (1 April 2027 to 31 March 2032), as requested by Orion.[55] We have not identified any reason for setting a shorter term (between 3 and 5 years) or for delaying the start date of the CPP period in order to better meet the purpose of Part 4 of the Act.[56]

Total expenditure allowances (Attachment B)

3.4 Orion sought our approval for total expenditure allowances of $1,509.7m for the CPP period. Our draft decision is to allow total expenditure of $1,348.8m, a reduction of $160.9m (10.7%). Our expenditure allowances, together with a number of other 'building block' costs prescribed by the IMs, determine the maximum network charges that Orion is permitted to recover from consumers over the CPP period.

3.5 The draft decision reflects our assessment of Orion's proposed expenditure against the expenditure objective (prudent and efficient expenditure required for Orion to deliver its proposed services and outcomes over the CPP period) and is based on the best available information at this time.

3.6 We explain our reasoning for our draft decision on expenditure allowances in more detail in the capital expenditure and operating expenditure sections below, and in the related attachments to this paper.

Capital expenditure allowances (Attachments C-E and H)

3.7 Orion sought approval for $931.6m of capex for the CPP period. Our draft decision is to approve $812.9m of Orion's proposed capex, a reduction of $118.7m (12.7%).

3.8 The reduction consists of:

[55] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026).

[56] Commerce Act 1986, s 53W.

3.8.1 bottom-up adjustments totalling $30.9m to multiple projects and programmes within two capex categories reflecting findings from our bottom-up capex review that parts of the proposed capex did not meet the expenditure objective of being prudent and efficient; and

3.8.2 an additional adjustment totalling $87.8m removing some ARR capex planned for years 2 to 5 of the CPP, reflecting that not all ARR capex (even after bottom-up adjustments are applied) has been demonstrated by Orion as meeting the expenditure objective of being prudent and efficient.[57]

3.9 Orion can seek approval of some or all of the $87.8m unapproved ARR capex during the CPP period through our proposed reliability risk event reopener.

3.10 Table 3.1 details the overall capex adjustments by category.

Table 3.1 Initial bottom-up and additional ARR adjustments to Orion CPP capex allowances ($m, 2026 constant dollars) – draft decision

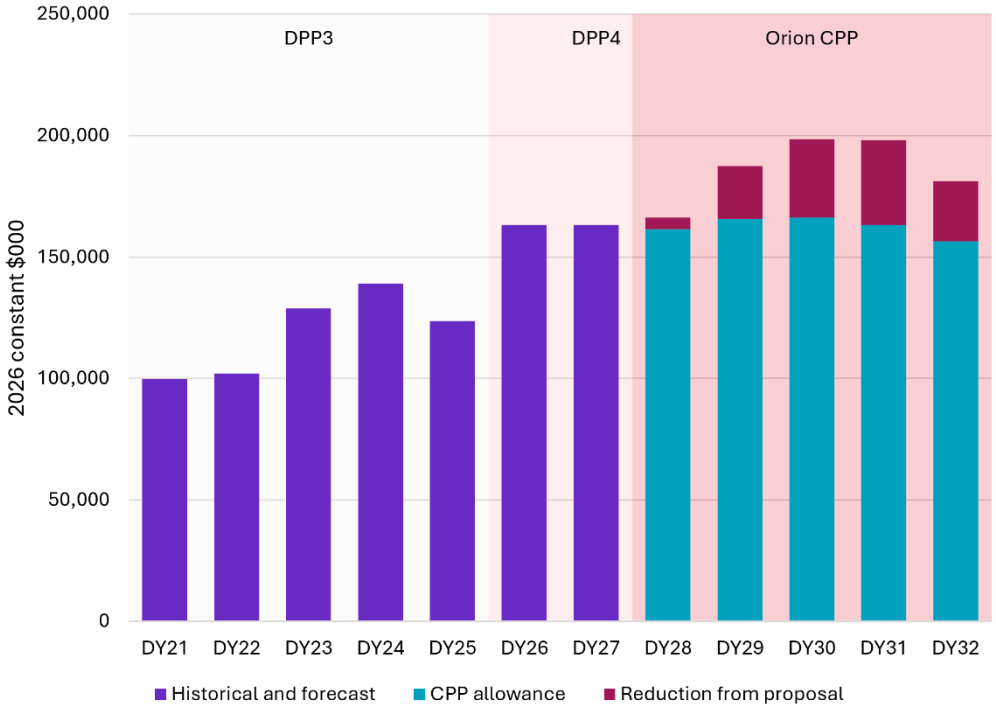
Capex category	Orion CPP proposal	Bottom-up adjustments	Additional ARR adjustments	CPP draft decision
Consumer connection	146.1	-	-	146.1
System growth	139.0	-	-	139.0
Asset relocations	4.7	(1.5)	-	3.2
Asset replacement and renewals	564.1	(29.5)	(87.8)	446.8
Reliability, safety and environment	15.8	-	-	15.8
ICT	38.4	-	-	38.4
Network transformation	7.0	-	-	7.0
Other non-network capex	16.5	-	-	16.5
Total	**931.6**	**(30.9)**	**(87.8)**	**812.9**

3.11 The details of the adjustments by capex category are set out in Attachments C and E. We also explain the rationale for our draft decision, including why we consider the draft allowance amounts meet the expenditure objective and the factors we considered in reaching those views.

3.12 Figure 3.1 illustrates our draft decision capex allowances for the disclosure years in the CPP period, relative to Orion's capex incurred/forecast for the years prior to the CPP.

[57] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.2.1.

Figure 3.1 Orion CPP capex allowance compared with historical expenditure ($000, DY26 constant dollars) – draft decision



Operating expenditure allowances (Attachments F-H)

3.13 Orion sought approval for $578.1m of opex for the CPP period. Our draft decision is to approve $535.9m of Orion's proposed opex, a reduction of $42.2m (7.3%).

3.14 The reduction consists of:

3.14.1 bottom-up adjustments totalling $27.7m to five opex programmes reflecting our findings from a bottom-up opex review that parts of proposed opex did not meet the expenditure objective of being prudent and efficient; and

3.14.2 an efficiency adjustment to most opex categories of $14.5m, reflecting efficiency gains we expect should arise in those categories from the nature of Orion's investment which should be shared with consumers.

3.15 Table 3.2 details the opex adjustments broken down by category.

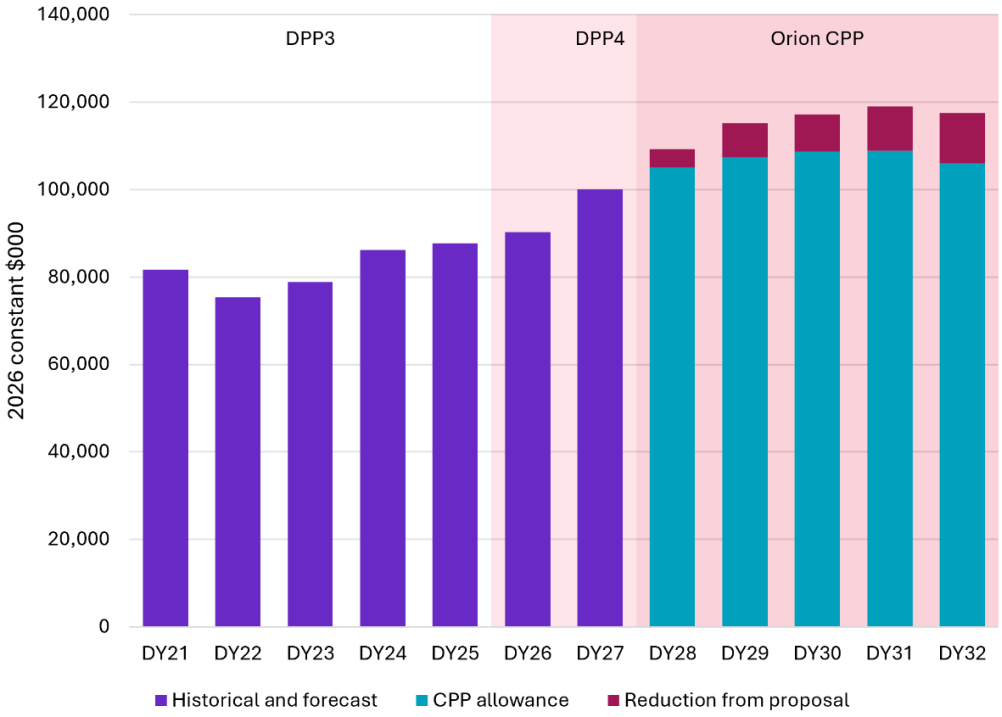
Table 3.2 Bottom-up and opex efficiency adjustments to Orion CPP opex allowances ($m, 2026 constant dollars) – draft decision

Opex category	Orion CPP proposal	Bottom-up adjustments	Opex efficiency adjustments	CPP draft decision
Preventive maintenance	45.1	-	(1.3)	43.8
Corrective maintenance	48.2	(5.3)	(1.5)	41.4
Reactive maintenance	65.8	-	(3.0)	62.8
Vegetation management	48.7	(9.3)	(1.1)	38.3
Systems operations and network support (SONS)	113.3	(3.1)	(3.0)	107.2
Corporate support	170.4	(5.0)	(4.5)	160.8
Network transformation	19.4	(5.0)	-	14.4
ICT opex	67.3	-	-	67.3
Total	**578.1**	**(27.7)**	**(14.5)**	**535.9**

3.16 The details of the adjustments by opex category are set out in Attachments F and G. We also explain the rationale for our draft decision, including why we consider the draft allowance amounts meet the expenditure objective and the factors we considered in reaching those views.

3.17 Figure 3.2 illustrates our draft decision opex allowances for the disclosure years in the CPP period, relative to Orion's opex incurred/forecast for the years prior to the CPP.

Figure 3.2 Orion CPP opex allowance compared with historical expenditure ($000, DY26 constant dollars) – draft decision



Revenue path (Attachment I)

3.18 The expenditure allowances above, together with Orion's other 'building blocks' costs as specified in the IMs, determine the overall revenues Orion is permitted to recover during the course of the CPP from consumers through its network charges.[58]

3.19 We have the ability to alter the timing of Orion's allowed revenues across its CPP period to smooth the profile of recoveries – avoiding sharp increases in bills and making it easier for consumers to manage their energy costs.

3.20 Our draft decision is to limit Orion's increases in revenues for the first three years of the CPP period (DY28 – DY30) to less than 10% pa (in real terms). The increases we have specified for these years are at (or below) those that would have occurred under DPP4.

3.21 Orion's revenues in the last two years of the CPP (DY31 and DY32) would then be flat in real (per installation control point (ICP)) terms.

3.22 Selecting this revenue profile (rather than spreading revenues over the whole CPP period using a lower rate of annual increase) minimises the prospect of a material change in revenues when transitioning to the DPP5 revenue path at the end of the CPP, and also leaves room to accommodate the effect of in-period reopeners if needed.

[58] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.3.2.

3.23 The resulting revenues specified in the CPP determination for Orion for each year of the CPP period are set out in Table 3.3, compared with the equivalent value in Orion's CPP proposal.

Table 3.3 Orion CPP forecast net allowable income ($000) – draft decision

	DY28	DY29	DY30	DY31	DY32
Orion CPP proposal	302,673	331,881	363,907	399,024	437,530
CPP draft decisions	303,512	339,921	359,548	373,340	386,900
CPP draft decisions with reliability risk event reopener	303,500	339,908	363,695	377,647	391,363

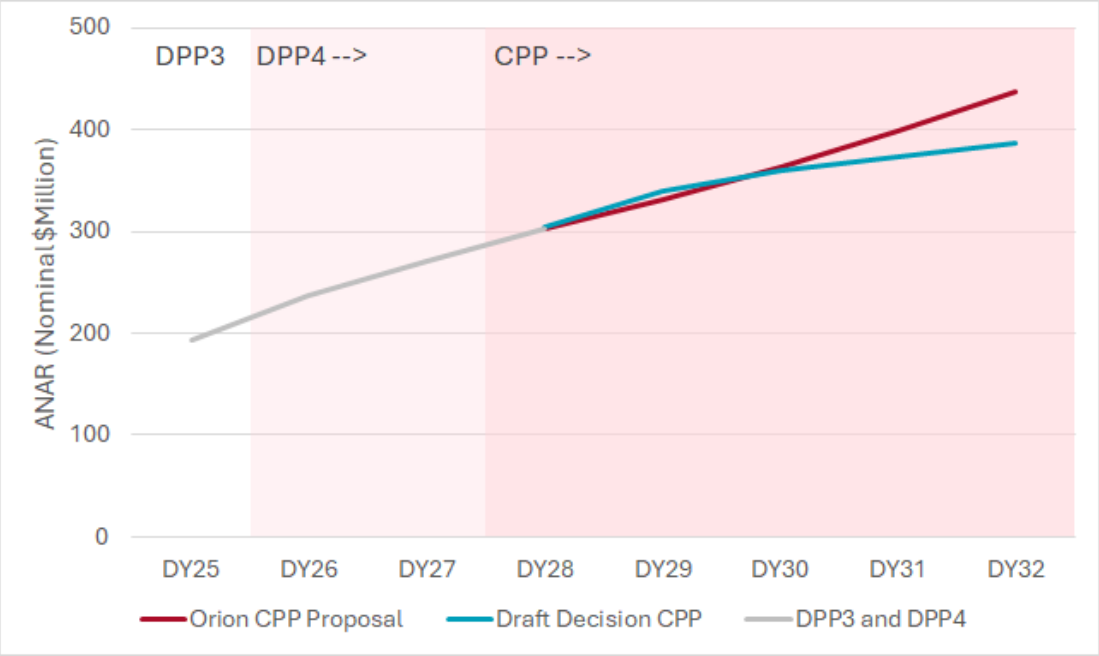
3.24 Table 3.3 also shows Orion's forecast revenues if the maximum amount of ARR capex available under the reliability risk event reopener ($87.8m of capital expenditure in DY26 constant dollars) was approved by us in the first reopener application window.

3.25 The difference is relatively small, because the full effect on allowable revenues of the additional ARR capex is only apparent across multiple future periods, as the IMs require that the associated higher depreciation and regulatory asset base (RAB) returns be spread across the typically long lifetimes of assets that result from the capex.[59]

3.26 Figure 3.3 illustrates the draft CPP revenue path for DY28-DY32, relative to that proposed by Orion in its CPP application. The main difference is in DY31 and DY32 revenues, reflecting the reductions we made to Orion's proposed CPP expenditure allowances (and after applying our revenue path smoothing approach).

[59] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Part 5, Section 2. We also note that Orion has an existing regulatory asset base of approximately $1.8b (DY26) which generates the majority of its revenues for the CPP. The additional ARR capex we can approve under the reopener is $87.8m (ie, represents only approximately 4.9% of that existing asset base).

Figure 3.3 Orion CPP revenue path ($m, ANAR, DY28-DY32) – draft decision[60]



3.27 If our final decision results in higher overall revenues for Orion (eg, if approved capex or opex allowances increase from draft to final), our draft view is that our approach to smoothing above would still be the best for consumers. However, bill increases would need to occur in DY30, DY31 and/or DY32 to allow Orion to recoup the extra revenues.[61]

Indicative consumer bill impacts (Attachment I)

3.28 The estimated bill impact of our draft decision on the distribution portion of a monthly electricity bill of an average residential consumer of Orion is set out in Table 3.4.

Table 3.4 Indicative bill increases for an average residential consumer ($ per month, including GST, nominal, rounded)[62]

	DY28	DY29	DY30	DY31	DY32
Orion CPP proposal	$9.60	$2.10	$6.80	$7.50	$6.50
CPP draft decision	$9.80	$3.80	$3.90	$2.70	$1.00

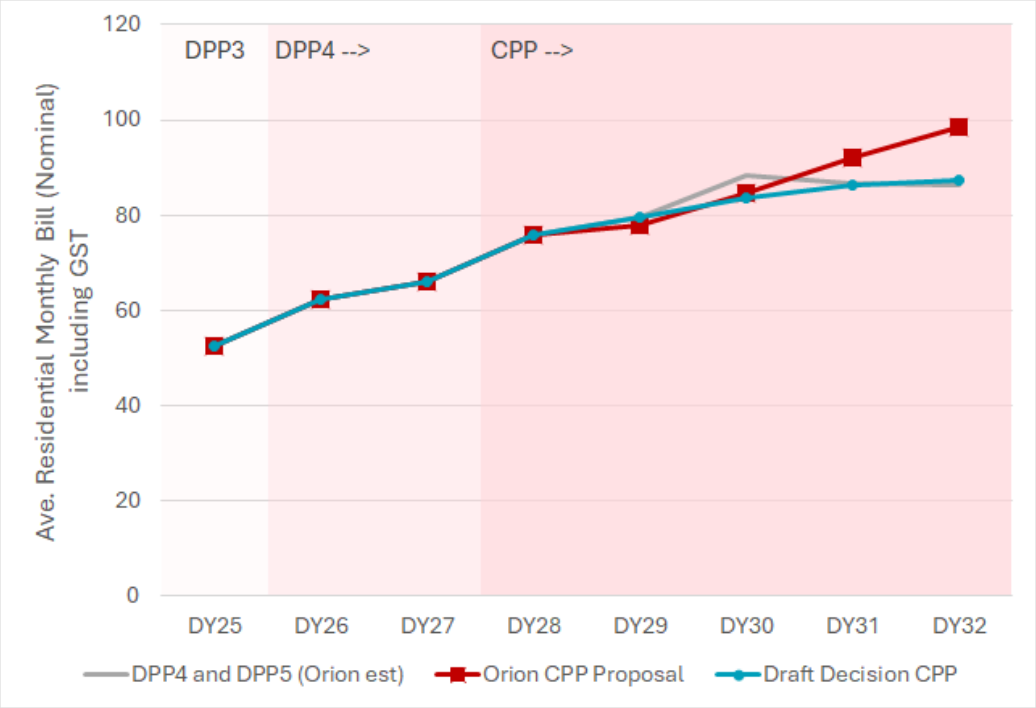
[60] Orion's CPP proposal reflected the expenditure allowances it proposed in its CPP application, and applied a uniform real rate of change in aggregate revenue (7.5% pa real) over the CPP period.
[61] We have also decided to retain the 10% gross revenue smoothing limit we applied for the EDB DPP4 reset to limit volatility in allowable revenues from large changes in recoverable costs such as IRIS amounts and wash-up draw downs, and to implement revenue compliance and reporting requirements for Orion similar to those for DPP4.
[62] Rounded to nearest 10 cents, and based on current forecasts of pass-through and recoverable costs, such as revenue wash-ups (but excluding Transpower transmission charges), and adjusted for inflation forecasts since Orion's proposal was calculated. Forecast values for these components may change for final decisions.

3.29 Based on these forecasts, monthly bills for an average residential consumer by the end of the CPP period will be expected to have risen by approximately $21.30, compared to Orion's proposal where overall increases would have been approximately $32.60.

3.30 The reduction reflects the impacts of our scrutiny of Orion's proposed expenditure and our proposed revenue smoothing.

3.31 The overall level of monthly charges for an average residential consumer of Orion based on our draft decisions is shown in Figure 3.4.

Figure 3.4 Forecast distribution network charges for an average residential consumer ($ per month, including GST, nominal, rounded)[63]



3.32 We also modelled the effects of the reliability risk event reopener on consumer bills if the reopener were to be triggered in full for the CPP period. We found the impact would be an additional monthly increase of $1.00 occurring from DY30 in Table 3.4. However, revenues in subsequent regulatory periods would be higher as a result of ARR capex entering Orion's RAB and increasing depreciation and asset returns.

[63] Rounded to nearest 10 cents, and based on current forecasts of pass-through and recoverable costs, such as revenue wash-ups, but excludes Transpower transmission charges; and adjusted for inflation forecasts since Orion's proposal was submitted. Forecast values for these components may change for final decisions.

3.33 We recognise that some consumers may find any increase in bills difficult to absorb, particularly where household and business budgets are already stretched. Although average residential electricity bills in Orion's region are currently among the lower bills observed nationally, that comparison does not by itself justify the CPP programme or its price impacts.[64] The expenditure must still be prudent and efficient, and its expected benefits must justify the additional costs consumers would bear.

Regulatory incentive mechanisms

3.34 The IRIS and the capex incentive in the IMs establish time-consistent financial incentives for Orion to pursue opex and capex efficiencies for the long-term benefit of consumers.

3.35 Our draft decisions are:

3.35.1 to set the capex incentive rate equal to the opex incentive rate to ensure equivalence between capex and opex savings.[65] This ensures that Orion has incentives to implement the most efficient solution, regardless of whether it is capex or opex; and

3.35.2 to specify the opex, and forecast commissioned assets value associated with the capex allowances, as the relevant IRIS values in the CPP determination.

3.36 We have also decided to retain the INTSA scheme, in place for DPP4, for the CPP. However, we have:

3.36.1 reserved a greater proportion of the INTSA allowance (50%) for collaborative projects to recognise the potential for Orion—as the South Island's largest EDB—to lead adoption of new technologies and approaches in the sector; and

3.36.2 extended the eligibility criteria for collaborative projects to include projects undertaken by Orion with Transpower, reflecting an increased need for energy system participants to co-ordinate and adapt to future challenges.[66]

3.37 The resulting value of the INTSA is $14.10m (0.8% of Orion's net allowable revenues for the CPP period), with $7.05m (0.4%) reserved for collaborative projects with other EDBs or Transpower.[67]

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[64] Electricity Authority, Regional power prices, May 2026. Based on estimated average monthly network charges for a standard residential user, including GST, Orion's network charges were among the lowest across New Zealand's network reporting regions.

[65] The capex retention factor specified is 32.16%. This will be recalculated automatically for years 4 and 5 of the CPP to reflect the cost of capital for that period: Schedule 2.2(4) of the draft CPP determination.

[66] See, for instance, Electricity Authority "A roadmap for the future of distribution system operation in New Zealand" (30 June 2026), which highlights the need for distribution services operator (DSO) functions and capabilities, possibly shared with those for the transmission system.

[67] The draft CPP determination allows for approved INTSA allowances for projects that were approved for Orion under DPP4, but which have not been completed by the start of the CPP period, to be claimed by Orion as a recoverable cost during the CPP if the projects are completed during the CPP. This does not affect the INTSA allowances able to be approved for the CPP period. See Schedule 5.3A of the draft CPP determination.

Quality standards and incentives (Attachment J)

3.38 Our draft decision is to retain the overall DPP4 approach to setting quality standards, setting incentives under the quality incentive scheme (QIS), and compliance reporting requirements for Orion's CPP.

3.39 We consider this promotes the purpose of Part 4 of the Act because it provides incentives to maintain quality at a level consumers demand (s 52A(1)(b)).[68] Specifically:

3.39.1 Setting CPP quality standards with respect to historical performance and on the basis of 'no material deterioration' aligns with Orion's objective for the CPP (which is to maintain, not materially improve, past quality performance). The CPP expenditure allowances we have approved support this objective.

3.39.2 We found no evidence that Orion's consumers are willing to pay more for enhanced reliability (consistent with Orion's view in its CPP proposal).

3.40 In implementing the overall DPP4 approach, our draft decision is to adopt a revised historical dataset (containing DY25 and DY26 network performance data), and have adjusted the inter-period capping approach applying for the unplanned quality standard. These measures provide greater weight to more recent data and remove the distortionary impact of the Christchurch earthquakes on the 10-year data series. We consider this better reflects the underlying performance of the Orion network.

3.41 As shown in Table 3.5, our draft decisions have resulted in a tightening of the unplanned quality standards and an increase in the level of planned quality standards, relative to those we specified for Orion at the DPP4 reset. Our view is this is appropriate as the standards are more representative of Orion's expected performance over the CPP period, having regard to recent reliability outcomes and its forecast work programme.

3.42 The QIS targets, caps and collars have been adjusted in line with this approach, and we have retained DPP4-style monitoring and compliance requirements for the CPP.

[68] Commerce Act 1986, s 52A(1)(b).

Table 3.5 Summary of service quality settings for Orion CPP draft decision

Quality standards				
Unplanned SAIDI (1-year)	**Unplanned SAIFI (1-year)**	**Planned SAIDI (5-year)**	**Planned SAIFI (5-year)**	**Extreme outage (per event)**
68.40	0.8346	240.07	0.8139	Unplanned SAIDI of 120, 6m CIM
Quality incentive scheme parameters				
	Collar	**Target**	**Cap**	**Incentive rate**
Unplanned SAIDI	0.00	53.67	68.40	$71,720
Planned SAIDI	0.00	27.31	48.01	$71,720 (x 50%)
Monitoring and compliance requirements				
• Annual quality reporting by Orion via a publicly available compliance statement • Orion's compliance statement must be audited and director-certified • Orion must describe its policies/procedures for recording and calculating quality • Orion must describe its actions to mitigate and prevent quality non-compliance • Additional reporting obligations apply if Orion contravenes a quality standard				

IM variations proposed for uncertainty mechanisms (Attachment K)

3.43 Orion proposed changes to the existing suite of CPP reopener and recoverable cost provisions contained in the IMs. The changes would allow for its CPP revenues to be increased in-period to recover the costs of projects or activities that are uncertain in nature and are excluded from upfront CPP expenditure allowances we approve.[69]

3.44 We have evaluated Orion's proposals, and have identified a number of other changes that we consider would provide Orion with appropriate investment incentives and promote the long-term benefit of consumers. Orion will need to formally agree with changes that we accept or propose, to implement them as IM variations for its CPP.

3.45 Our draft decision is to seek agreement with Orion to the following IM variations applying for the duration of its 5-year CPP period:

3.45.1 include the 'Lower Selwyn Growth Stage 1' project as a contingent project under the existing CPP contingent project reopener (despite it being less than the financial threshold in the existing IMs);

[69] Orion "Customised Price-Quality Path Application" (9 June 2026), Appendix I.

3.45.2 introduce a CPP capacity event reopener (prospective), with some modifications compared to Orion's proposal to streamline applications and our assessment. In assessing whether the proposed costs for capacity events meet the expenditure objective, we also expect Orion to demonstrate that it has taken the steps a prudent and efficient EDB would take to identify and assess credible non-network solutions;[70] and

3.45.3 introduce a reliability risk event reopener for Orion's CPP, to provide Orion with access to extra revenues to reflect costs of additional approved ARR capex, up to specified maximum limits, subject to Orion meeting evidential requirements that quantitatively demonstrate the net benefits.

3.46 We do not consider it necessary to approve Orion's proposal to introduce a new CPP listed project reopener, or modify the financial thresholds for the existing CPP contingent/unforeseen project reopeners, because the variations discussed above adequately cover the projects for which Orion has identified a need for a reopener.

3.47 We have not approved Orion's request for a new CPP capacity event reopener (responsive) or a variation to the eligibility criteria for the CPP urgent project allowance recoverable cost to include Orion's CPP ramp-up costs incurred during DPP4. This is because they do not meet the limited situations we recognise under our incentives-based regime for approving costs for an ex ante revenue path after they are incurred.

3.48 We have also decided not to proceed with potential IM changes outlined in our Process and Issues paper to introduce a CPP deliverability reopener or a CPP captive insurer reopener because we have not identified a need for these in respect of Orion's CPP.[71]

3.49 Lastly, our draft decision is also to seek agreement with Orion to an IM variation to implement our original intention when setting the IMs that the recoverable costs for the extended reserves allowance and avoided transmission charges are available for CPPs if needed.

3.50 A draft Deed of IM Variation has been published alongside this reasons paper, which would form the basis for agreement to the proposed IM variations above.[72]

Monitoring and reporting (Chapter 4 and Attachment L)

3.51 We detail the enhanced ID requirements we are proposing to require Orion to publicly report on in delivering the CPP work programme in Chapter 4 and Attachment L.

[70] Depending on the circumstances, this may include appropriately costing network and non-network options, providing efficient network pricing signals, and transparently testing the market for flexibility services or other non-network solutions. The independent engineer's report should assess the adequacy of these steps and whether Orion's proposed investment represents the prudent and efficient response to the capacity constraint. See: Ensuring consumers benefit from efficient investment in non-network solutions (24 February 2026).

[71] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026)

[72] Orion CPP 2027 webpage.

Chapter 4 Monitoring Orion's progress through information disclosure regulation

Purpose of chapter

4.1 This chapter outlines our draft decision to apply enhanced disclosure requirements to Orion to ensure information about the delivery of its CPP work programme is made available to interested persons. This reporting would be additional to the existing obligations on EDBs, including Orion, to make public disclosures under ID regulation.

4.2 Further information about the ID requirements that we are proposing for Orion can be found in Attachment L, including our analysis and responses to the delivery performance measures that Orion proposed and stakeholder submissions.

Summary of our draft decisions

4.3 Our draft decision is to require enhanced public reporting by Orion through a specific time-limited ID determination. Given Orion's CPP work programme will require consumer bill increases to occur (see Chapter 3), these requirements will strengthen transparency about the delivery of anticipated consumer benefits, enabling stakeholders to assess whether the purpose of Part 4 of the Act is being met.

4.4 We have proposed that Orion undertake comprehensive post-programme reviews of its strategically significant investments (such as ICT and network transformation) against approved business cases once those investments have occurred. The reviews will assess the delivery of benefits against individual business cases for those investments.

4.5 In addition, to support these reviews, we propose that Orion publishes three annual documents over the CPP period which include six measures with targets and eleven without targets, tailored to Orion's strategic priorities for the CPP.

4.5.1 Drawing on lessons from previous CPPs, these measures would help stakeholders assess whether investments are delivering intended outcomes, rather than treating project completion alone as evidence of success.

4.5.2 Commentary that Orion would provide would generally focus on missed or forecast-to-be-missed targets and material financial variances, explaining constraints and how expected outcomes would be achieved.

4.6 The annual documents consist of:

4.6.1 an **Annual Plan**, at the start of each year, setting out its planned expenditure and activities to meet its annual and long-term targets;

4.6.2 an **Annual Delivery Report (ADR)**, at year-end, reporting costs, achievement against annual targets and whether Orion remains on track to complete its programmes and achieve the long-term targets by the end of the CPP; and

4.6.3 a **consumer-facing summary of the ADR**, also at year-end, helping Orion's customers understand its performance to date and the benefits it is likely to deliver in return for the network charges consumers pay.

4.7 Our view is that the requirements for post-programme reviews, and the annual reporting in the lead-up to the reviews, are consistent with the commercial and Board-level practices that we expect of mature infrastructure companies. Aligning ID requirements with commercial best practice should also help avoid unnecessary compliance costs.[73]

4.8 We propose that the Orion-specific ID determination would remain in force until 31 March 2035, allowing time for post-programme reviews to be completed, and for continued disclosure against measures until targets are achieved, where appropriate.

4.9 To give Orion time to ensure arrangements for enhanced reporting are put in place, we propose that Orion's first annual disclosure (Annual Plan) will occur by 1 September 2027, five months after the start of the CPP period on 1 April 2027.

Enhanced reporting requirements specific to Orion

4.10 Unlike the other draft decisions outlined in this paper, our draft decisions for Orion's enhanced reporting requirements are being made under the framework for ID regulation.[74] The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 of the Commerce Act is being met.[75]

4.11 As a result of the proposed CPP work programme, we expect that Orion will become a leading EDB in terms of capability, systems, and practices needed to respond to changing customer, technological and network needs while continuing to maintain a safe, reliable and resilient network.

4.12 Given the proposed increases in network charges needed to fund this work programme, our view is that enhanced reporting requirements are justified to ensure Orion publicly discloses information about its progress in delivering its work programme and the anticipated benefits for consumers. Disclosure of its progress and results ensures that sufficient information is available to allow interested persons to assess whether the purpose of Part 4 is being met.

4.13 The enhanced reporting requirements that we propose for Orion are specified in a draft ID determination that is specific to Orion. This approach will avoid the complexity associated with making company-specific amendments to the principal ID determination that applies to all EDBs.

[73] The enhanced ID requirements limit the overlap with reporting required by the Electricity Authority. We are also open to addressing any specific concerns about redisclosure of information under existing ID requirements, eg, by clarifying that Orion could incorporate 'Schedule 12a: Report on asset condition' by reference in its ADR.
[74] Commerce Commission "Part 4 Information Disclosure Reviews: Framework Paper" (14 December 2023)
[75] Commerce Act 1986, s 53A.

4.14 As noted in Chapter 1, we will publish the draft ID determination on 17 November 2026. Submissions on both our draft ID decisions outlined in this chapter and the draft ID determination are due on 15 December 2026, with cross-submissions due on 11 January 2027. We expect to make final decisions on ID-related matters alongside (or shortly after) our final CPP decisions in March 2027.

Comprehensive reviews supported by annual disclosures

4.15 To ensure disclosures reflect the most relevant information used in practice, and to avoid imposing unnecessary compliance costs on Orion, we have sought to align the enhanced ID requirements with the commercial practices and Board-level reporting we expect of mature infrastructure companies.

4.16 For these companies, it is expected that:

4.16.1 comprehensive business cases will have been developed and signed off at appropriately delegated management levels;

4.16.2 post-programme analysis is conducted to assess the delivery of benefits against individual business cases; and

4.16.3 reporting is undertaken in the interim to provide assurance that investment delivery is progressing on track.

4.17 In this context, our draft ID decision is that Orion would be required to disclose a comprehensive post-programme review analysis for strategically significant investments against approved business cases at a suitable time, eg, after the CPP period. Because the post-programme reviews will be comprehensive, the annual reporting requirements in our draft ID decision are more targeted than they would be otherwise.

4.18 Strategically significant investments include:

4.18.1 ICT (eg, cybersecurity and artificial intelligence);

4.18.2 network transformation (eg, low voltage (LV) model and DERMS); and

4.18.3 resilience investments (eg, Central City 66kV cable renewal and wildfire risk poles).

4.19 In the interim, Orion will be required to disclose information annually—including financial data and key performance measures—that will help stakeholders understand whether the purpose of Part 4 is being met. The disclosures will provide assurance that each strategic priority is on track to deliver the expected benefits, and that future post-programme reviews will be suitably well informed.

Three key annual public reporting documents

4.20 Annual reporting will consist of three public reporting documents that help to demonstrate Orion's progress in delivering its strategic priorities (Table 4.1). Similar requirements applied to Powerco and Aurora when subject to CPPs in the past.

4.21 In our Process and Issues paper, we signalled that the requirements for Orion were likely to be broadly similar to those for Powerco and Aurora, but customised to Orion's particular circumstances, and incorporating 'lessons learned' we have identified in respect of past CPPs.[76]

4.22 One of the key lessons we learned through the CPP process for Powerco and Aurora is that quantifiable measures are needed to make it clear to informed stakeholders whether investment programmes are on track to deliver the intended outcomes rather than assuming that simply completing a project means it was successful.

Table 4.1 Orion ID annual reporting documents

What	When	Why
Annual plan	Start of year	Communicate Orion's plans in the year ahead, and the expenditure and (where relevant) activities it plans to deliver to meet each annual and long-term target[77]
ADR	End of year	Demonstrate whether Orion has achieved its annual targets and remains on track to deliver long-term targets by the end of the CPP period, alongside information about costs
Consumer-facing summary of the ADR	End of year	Support consumers to better understand Orion's overall performance and hold Orion accountable for the benefits it is likely to deliver to consumers in return for revenue

4.23 Where annual progress is constrained in some way, we have found that it should be made clear as to what the reasons for this are as well as how the business intends to achieve the expected outcomes.

Proposed measures for Annual Plans and ADRs

4.24 In its CPP proposal, Orion suggested a range of measures that it could report against during the CPP, to demonstrate delivery of the strategic priorities underpinning its plan along with additional detail on the delivery of customer priorities and expectations.[78]

[76] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), chapter 7.
[77] In its first Annual Plan, Orion will be required to recalculate its long-term target in light of expenditure approved in the final CPP decision. See Attachment L.
[78] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), chapter 16.

4.25 Because Orion's strategic priorities cover all aspects of its CPP investment programme, the framework that Orion suggested has provided a helpful starting point for developing measures that are customised to Orion's particular circumstances.

4.26 After considering the measures proposed by Orion, and the suggestions from stakeholders, we have identified six measures with targets that Orion should include in its Annual Plans and ADRs (Table 4.2).

4.27 The draft ID determination also specifies eleven measures without targets for Orion to include in its Annual Plans and ADRs, to enable stakeholders to understand progress and assess whether the purpose of Part 4 is being met (Table 4.3). These measures are primarily focused on ICT and network transformation investments, and reflect information that is or will soon be readily available to Orion during the CPP.

Table 4.2 Proposed ID measures with long-term targets

Strategic priority	Proposed ID measure and long-term target
Maintain safety and reliability	1. Network asset risk value: Network asset risk is maintained at or below the expectations implicit in asset health forecasts
Support population and demand growth	2. Number of LV network constraints: LV constraints are managed at or below the historical average number identified each year 3. Connection processing times: Maintain or improve time taken to make initial connection offer, for offer codes with basic and non-standard offer types
Strengthen resilience	4. Vegetation-related SAIDI: Material reduction in the average duration of unplanned outages (SAIDI) attributable to vegetation
Prepare for future energy needs	5. LV visibility: Material reduction in low voltage issues first identified by consumer complaint
Enhance efficiency and capability	6. Workforce and contractor capacity. Internal and external resourcing and supply chains are adequate to support delivery of CPP outputs and outcomes

Table 4.3 Proposed ID measures without long-term targets

Strategic priority	Proposed ID measure without long-term targets
Support population and demand growth	1. Elapsed time to connect from first application to connection, by offer code, for the most common connection types 2. Customer complaints broken down by type, including connection-related
Strengthen resilience	3. Volumes of activity relative to plan for key programmes

Strategic priority	Proposed ID measure without long-term targets
Prepare for future energy needs	4. Capacity added or released to resolve constraints by solution type 5. Notification of constraints to flexibility providers – number and timeliness 6. Non-network capacity available and used, broken down by type 7. DER connected / visible / communicable / dispatchable / successfully dispatched 8. Peak demand durations and load duration curves for top ten most congested feeders, and zone-substations with forecast constraints
Enhance efficiency and capability	9. Asset inspections and fault rates 10. Impact of improved data accuracy on reported health profiles 11. Percentage of customers restored within prescribed timeframes

4.28 In addition, as Orion delivers its investments, we expect the benefits of its investments should result in a measurable change in the quality of information that informs its decision-making. For this reason, our draft ID decision is that Orion disclose specific methodologies, reviews, and documentation that it prepares as part of its operations.[79]

Exceptions-based commentary to focus effort and attention

4.29 Unlike ADRs for previous CPPs, Orion will generally only be required to provide commentary where a target has not been met (or is not projected to be met) and/or for material financial variances. This approach is intended to focus Orion's effort and stakeholder attention on areas that warrant closer scrutiny, while reducing the burden of reporting on matters that are progressing as expected.

Reporting to continue until outcomes are delivered

4.30 We are proposing that the determination would remain in force until 31 March 2035 (end of DY35) so that:

4.30.1 Orion has adequate time to complete comprehensive post-programme reviews of key investments against business cases; and

4.30.2 Orion is required to continue disclosing information for each measure until the targets have been achieved, where it makes sense to do so.

4.31 Attachment L explains the main features of the draft ID determination, including the reasons for the proposed length of time the determination will remain in force, and the expected content of Annual Plans, ADRs, and consumer-facing summaries.

[79] For example: documented analysis of constraints showing consideration of non-network solutions; documented case studies of pricing changes; and documented reviews of flexibility trials. Any commercially sensitive information would be redacted in public disclosures.

Implementation of ID requirements

4.32 We have specified Orion's reporting requirements in some detail in the draft ID determination in order to provide certainty about the legal obligations created.

4.33 We recognise that Orion will be able to provide input to help align the requirements to its internal systems and processes (eg, complaint categories). We encourage Orion and other parties to provide specific drafting suggestions in their submissions if possible to ensure the requirements are effective and workable in practice.

4.34 We will consider the need for further engagement on the draft requirements and/or draft ID determination in light of the submissions we receive.

4.35 In addition, we consider that transitional arrangements may be required to give Orion time to put in place in-house processes for implementing the requirements. We therefore propose that Orion's first enhanced ID disclosures (ie, Annual Plan for DY28) will occur by 1 September 2027, 5 months after the start of the CPP on 1 April 2027.

4.36 We invite views from stakeholders on the above, including on how best to ensure the requirements will be effective and workable in practice for the CPP period.