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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 – Attachments A to N

10 November 2026



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Attachment A Regulatory framework for assessing and setting a customised price-quality path

Purpose of this attachment

A1 This attachment explains the approach we have taken to evaluate Orion's customised price-quality path (CPP) proposal and come to our draft decision. It explains the framework we have applied to make a draft decision that delivers long-term benefits to consumers.

The Commerce Act guides our determination of Orion's CPP

A2 Part 4 provides for the regulation of the price and quality of goods or services in markets where there is little or no competition and little or no likelihood of a substantial increase in competition.[1] For electricity distribution businesses (EDBs) it sets out that regulation should apply in two forms:

A2.1 Price-quality regulation, under which price-quality paths set the maximum average price or total allowable revenue that EDBs can charge. They also set standards for the quality of services that each EDB must meet. This ensures that EDBs do not have incentives to reduce quality to maximise profits under their price-quality path;[2] and

A2.2 information disclosure (ID) regulation, under which EDBs are required to publicly disclose information relevant to their performance.[3]

A3 Section 53M of the Act sets out the content of price-quality paths and what they must specify:[4]

A3.1 either the maximum prices that may be charged, or the maximum revenue it may recover;

A3.2 any quality standards that must be met; and

A3.3 the regulatory period to which the price-quality path relates.

A4 Additionally, price-quality paths may include incentives (including penalties) for individual suppliers to maintain or improve their quality of supply.[5]

A5 By default, Orion is subject to the default price-quality path (DPP).[6]

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[1] Commerce Act 1986, s 52.
[2] Commerce Act 1986, ss 52B and 53M.
[3] Commerce Act 1986, s 54F.
[4] Commerce Act 1986, s 53M.
[5] Commerce Act 1986, s 53M(2).
[6] Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28 (as amended 26 August 2026).

A6 EDBs subject to a DPP have the option of applying for a CPP to better meet their particular circumstances. To do this, an EDB must make a CPP proposal to us, which applies the applicable input methodologies (IMs).[7] This is what Orion has done.

A7 Once we have decided that a proposal complies with the IMs, we must determine a CPP within 150 working days.[8]

A8 In determining a CPP we are not constrained by what was proposed but may set a price-quality path that we consider appropriate (within what is contemplated in s 53M).[9] When deciding what CPP is appropriate, we apply the evaluation criteria set out in the IMs (see further, below). We must also consider the purpose of Part 4 of the Act – to promote the long-term benefit of consumers:[10]

The purpose of Part 4 of the Commerce Act

Section 52A purpose of Part 4

(1) The purpose of Part 4 is to promote the long-term benefit of consumers in markets referred to in section 52 by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—

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

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

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

d. are limited in their ability to extract excessive profits.

A9 We must also promote incentives, and avoid imposing disincentives, for suppliers of electricity lines services to invest in energy efficiency and demand side management, and to reduce energy losses.[11]

A10 The Act also requires us to set rules and processes for CPPs. These are set out in the IMs.

A11 The IMs set out the requirements that must be met by Orion for information, verification, audit and consumer consultation, as well as the criteria that we must use to evaluate a CPP proposal.[12]

[7] Commerce Act 1986, ss 53Q and 53T.
[8] Commerce Act 1986, s 53T(2).
[9] Commerce Act 1986, s 53V. Section 53V also allows us to, with the agreement of the supplier, vary an input methodology that would otherwise apply to the supplier.
[10] Commerce Act 1986, s 52A.
[11] Commerce Act 1986, s 54Q.
[12] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), see Part 5 specifically for CPPs.

The CPP evaluation criteria

A12 The criteria that we must use to evaluate a CPP are set out in the IMs. These criteria are intended to ensure that our determination of a CPP promotes the long-term benefit of consumers (ie, the purpose of Part 4 of the Act).[13]

> 5.2.1 Evaluation criteria
>
> (1) The **Commission** will use the following evaluation criteria to assess each **CPP proposal**:
>
> (a) whether the **CPP proposal** is consistent with the **input methodologies** specified in Part 5;
>
> (b) the extent to which a **CPP** in accordance with the **CPP proposal** would promote the purpose of Part 4 of the **Act**;
>
> (c) whether data, analysis, and assumptions underpinning the **CPP proposal** are fit for the purpose of the **Commission** determining a **CPP** under s 53V, including consideration as to the accuracy and reliability of data and the reasonableness of assumptions and other matters of judgement;
>
> (d) whether proposed **capital expenditure** and **operating expenditure** meet the **expenditure objective**;
>
> (e) the extent to which any proposed **quality standard variation** provided in a **CPP proposal** better reflects the realistically achievable performance of the **EDB** over the **CPP regulatory period**, taking into account either or both-
>
> (i) statistical analysis of past SAIDI and SAIFI performance; and
>
> (ii) the level of investment provided for in proposed **maximum allowable revenue before tax**,
>
> as the case may be; and
>
> (f) the extent to which-
>
> (i) the **CPP applicant** has consulted with **consumers** on its **CPP proposal**; and
>
> (ii) the **CPP proposal** is supported by **consumers**, where relevant.

A13 We briefly discuss each of the evaluation criteria below. Where we conclude that Orion's proposal fully satisfies the evaluation criteria, then we are likely to set a CPP based on the proposal.

A14 However, where we consider that Orion's proposal does not satisfy the evaluation criteria, we must still set a CPP. In that case, we will seek to set a CPP that better satisfies the evaluation criteria.

A15 The depth and extent of our analysis for considering a CPP that better meets the evaluation criteria will vary for different CPP proposals, depending on the robustness and quality of the proposal.

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

Whether the proposal is consistent with the relevant IMs

A16 Orion's proposal must apply or adopt all relevant IMs.[14] The IMs establish the key rules, requirements and processes of regulation.

A17 Our evaluation of Orion's proposal included assessing whether the proposal was consistent with the IMs. This included an assessment, prior to accepting the proposal, of whether the proposal met the CPP process and IM requirements; as well as an assessment of whether the proposal met the substantive IMs for determining a CPP.[15]

The extent to which the proposal will promote the purpose of Part 4

A18 To satisfy the evaluation criteria the proposal must promote the purpose of Part 4 of the Act, outlined above. The Act's purpose is to promote the long-term benefit of consumers by promoting outcomes that would occur in competitive markets in the manner set out in s 52A(1)(a)-(d).

Whether the information in the proposal is fit for purpose

A19 The information in a proposal must be sufficient in detail and quality to allow us to undertake our assessment. The assumptions used must also be robust. Where additional information was necessary to determine whether information was fit for purpose, we requested this from Orion. Where we had doubts about the appropriateness or robustness of an assumption, we sought further explanation for the assumption from Orion or used a more appropriate assumption ourselves.

Whether the proposed expenditure meets the expenditure objective

A20 The expenditure objective is a specific evaluation criterion for the assessment of capital expenditure and operating expenditure. The expenditure objective requires us to assess Orion's proposed capex and opex on the basis that it reflects the efficient costs that a prudent non-exempt EDB would require to:

A20.1 meet or manage the expected demand for electricity distribution services, at appropriate service standards, during the CPP period and over the longer term; and

A20.2 comply with applicable regulatory obligations associated with those services.[16]

A21 Assessing proposed expenditure requires regulatory judgement and, where appropriate, expert advice.

A22 The assessment of proposed expenditure focuses on the CPP regulatory period. However, the expenditure objective provides that we may also consider meeting the demand for services at appropriate service standards over the longer term as well.

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[14] Commerce Act 1986, s 53Q(2)(d).
[15] Commerce Commission "Notice that Orion New Zealand's CPP application has been accepted as complete and IM compliant" (5 August 2026).
[16] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 1.1.4.

Whether the proposed quality standard variation is realistically achievable

A23 The evaluation criteria require us to assess the extent to which a proposed quality standard variation better reflects the realistically achievable performance of Orion over the CPP regulatory period than Orion's quality standards under its existing DPP.[17]

A24 Where no quality standard variation is proposed, we must still set quality standards that will apply for the CPP. In that case, we will seek to set quality standards that promote the purpose of Part 4, and will have regard to the realistically achievable performance of Orion, to provide services at a quality that reflects consumer demands.

A25 In assessing Orion's realistically achievable performance we will take into account either or both of:

A25.1 a statistical analysis of past system average interruption duration index (SAIDI) or system average interruption frequency index (SAIFI) performance;

A25.2 the level of investment provided for in the revenue we allow Orion to recover from consumers.

The extent of Orion's consultation with consumers and support from Orion's consumers

A26 One of our criteria is considering the extent of Orion's consultation. There are two limbs to assessing this criterion:

A26.1 the extent to which Orion has consulted with consumers on its proposal; and

A26.2 the extent to which the proposal is supported by consumers, where relevant.

A27 The first limb informs the second. The greater the extent to which Orion has consulted with consumers, the more we can rely on it in terms of the extent to which it indicates support of the proposal.

A28 We acknowledge that an EDB may have a better understanding of the need for network investment than consumers. This is why consumer support is not required for the approval of a CPP. However, consumer views remain a relevant consideration in our assessment. The degree to which consumer feedback is likely to be relevant depends on the extent to which an EDB seeks to justify proposed investments or changes on the basis of consumer demand.[18]

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[17] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 1.1.4: "quality standard variation" means variation to any standard or incentive measure- (a) specified in a DPP determination; and (b) which prescribes the use by an EDB of an historic time series of data relating to service quality measured in accordance with a specified metric, where the variation is limited to changed values of the metric by which such quality standards or quality incentive measures are specified but not the metric itself. We are not precluded from setting standards other than those proposed by the supplier.;

[18] Commerce Commission "Input Methodologies (Electricity Distribution and Gas Pipeline Services: Reasons Paper" (22 December 2010) para 9.4.15.

Our determination of the duration of the CPP

A29 The default term for a CPP is five years.[19] However, we may set a CPP of a shorter duration (to a minimum of three years) if we consider that the shorter duration will better meet the purpose of Part 4 of the Act.

[19] Commerce Act 1986, s 53M (4),(5)

Attachment B Overview of expenditure allowances

Purpose of this attachment

B1 This attachment provides an overview of our draft decisions on Orion's proposed expenditure allowances for the customised price-quality path (CPP) period, including our assessment approach and key issues raised by stakeholders.[20]

B2 We have assessed Orion's proposed capex and opex allowances separately with details of our evaluation and reasons for our draft decisions set out in Attachments C and E to H.

High-level context relevant to our CPP draft decisions

Orion has requested a significant uplift in its expenditure allowances

B3 Orion proposed $1.51 billion of investment and expenditure during the CPP period to address five key strategic priorities for its business. This is a significant uplift on default price-quality path (DPP) allowances (20% higher), and on Orion's spend for past years (32% higher).[21]

B4 Orion's overall CPP work plan involves both a continuation and extension of its existing programmes, and some new initiatives. Orion has said that all of its planned investment is needed for the CPP period, and deferring its plans would increase total future costs for consumers and lead to poorer outcomes for consumers.[22]

B5 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.[23] 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.

[20] Process and Issues paper submissions

[21] The calculation of comparative DPP allowances is based on allowances used to set Orion's revenue path under DPP4 for DY28-DY30, and Orion's estimate of DPP allowances for DY31-DY32 for DPP5. Past year spend includes Orion's DY23-DY25 actual spend reported under ID requirements, and DY26-DY27 forecast spend from Orion's DY25 AMP.

[22] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 15 and chapter 2.

[23] Orion's unplanned reliability performance has generally improved and stabilised over the past 10 years, following on from the Christchurch earthquake recovery period, see Attachment J. 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, see Electricity Authority, Regional power prices, May 2026.

Our assessment of expenditure is based on the best information available at this time

B6 Our role has been to scrutinise Orion's proposed CPP expenditure allowances to ensure that they satisfy the evaluation criteria. Specifically, we look at whether the proposed amounts meet the expenditure objective, ie, that expenditure is prudent (the right investments at the right time and able to be delivered) and efficient (at the right cost).[24]

B7 If what is proposed does not meet the expenditure objective, then we decide an amount that we consider does.[25]

B8 When making our decision we assess the evidence as a whole, applying judgement where necessary, to determine whether Orion's proposed expenditure met the expenditure objective.[26] Our draft expenditure allowance decisions are therefore based on what we consider to be the most recent and relevant information available to us at this point in the CPP evaluation process.

We are open to receiving further stakeholder views and evidence

B9 We welcome stakeholders' views on our approach to assessing Orion's proposed expenditure, the conclusions we reached, and the resulting draft expenditure allowances. We particularly welcome further evidence relevant to the adjustments set out in this attachment and in Attachments C and E to H.

B10 The process for providing submissions on our draft decisions is set out in Chapter 1.

Our key draft decisions on expenditure

Draft decision for capex and opex allowances

B11 We have approved most of Orion's proposed capital expenditure and operating expenditure (89% in total).

B12 Our draft decisions result in the overall CPP expenditure allowances in Table B1. These allowances satisfy the expenditure objective.

Table B1 Overall Orion CPP expenditure allowances ($m, 2026 constant dollars) – draft decisions

	Capex	Opex	Total
Orion's CPP proposal	931.6	578.1	1,509.7
Reductions from our assessment	(118.7)	(42.2)	(160.9)
CPP draft decisions	**812.9**	**535.9**	**1,348.8**

[24] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.2.1(1)(d); see Attachment A for more detail.
[25] Attachment A, paras A13-A15.
[26] Attachment A, para A21.

The allowances reflect reductions across Orion's proposed capex and opex

B13 Our draft capex and opex allowances reflect reductions we have made to the levels of expenditure allowances proposed by Orion for the CPP period, comprising:

B13.1 **Capex bottom-up reductions** of **$30.9m**, to reflect our findings from a bottom-up review of all capex projects and programmes for years 1 to 5 of the CPP.

B13.2 An **additional reduction (after bottom-up reductions are applied) in respect of asset replacement and renewal (ARR) capex** of **$87.8m**, removing some replacement and renewal capex planned for years 2 to 5 of the CPP.

B13.2.1 Orion can seek approval of some or all of the $87.8m unapproved ARR expenditure during the CPP period through our proposed reliability risk event reopener.

B13.3 **Opex bottom-up reductions** of **$27.7m**, to reflect our findings from a bottom-up review of all opex programmes for years 1 to 5 of the CPP.

B13.4 An **efficiency adjustment to most opex categories** of a combined **$14.5m**, reflecting efficiency gains we expect should arise in those categories from the nature of Orion's investments – which should be shared with consumers.

B14 Our adjustments were also informed by cross-cutting analysis of three expenditure-related areas spanning both capex and opex:

B14.1 Network Transformation work programme;

B14.2 information and communication technology (ICT) programmes; and

B14.3 the overall deliverability of Orion's proposed CPP programme.

Enhanced information disclosure requirements on expenditure delivery will apply to Orion

B15 Given the overall scale of the expenditure allowances and the importance of Orion delivering the capabilities and consumer benefits expected to result from the proposed expenditure, our draft decisions are supported by enhanced information disclosure (ID) requirements for Orion.

B16 These ID requirements will enable stakeholders to assess Orion's progress in delivering its CPP work programme and whether consumers will receive the benefits anticipated when the expenditure was approved.

We detail our expenditure adjustments in a number of attachments

B17 Table B2 lists all attachments relevant to expenditure and identifies where the draft decision expenditure allowance adjustments outlined above are discussed.

Table B2 Overview of attachments directly related to expenditure adjustments

Attachment	Content

Attachment C	• Our assessment of proposed capex
	  ○ Numerical summary of capex draft decisions (adjustments and resulting allowances)
	• Our assessment of proposed capex against the expenditure objective
	  ○ Bottom-up capex assessment
	  ○ Additional assessment of ARR capex
	• Our assessment of capex forecast inputs (cost estimation, cost escalation and demand forecasting approach)

Attachment E	• Detailed bottom-up analysis of capex by individual project and programme

Attachment F	• Our assessment of proposed opex
	  ○ Numerical summary of opex draft decisions (adjustments and resulting allowances)
	• Our assessment of proposed opex against the expenditure objective
	  ○ Bottom-up opex assessment
	  ○ Our assessment of opex efficiency

Attachment G	• Detailed bottom-up analysis of opex by individual opex project and programme

Attachment H	• Our assessment of cross-cutting expenditure programmes
	  ○ Network Transformation programme
	  ○ ICT programme
	  ○ Deliverability of Orion's CPP

Attachment L	• Reporting and monitoring ○ Includes enhanced reporting requirements for Network Transformation, ICT and Deliverability

How we assessed proposed expenditure allowances

The verifier's findings were the starting point for our assessment

B18 The findings contained in the verifier's report are a key input and starting point for our assessment of Orion's proposed expenditure allowances.[27]

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

B19 Not all expenditure is subject to verification. Under the input methodologies (IMs), the verifier is required to select no more than 20 identified programmes for its review.[28] The verifier determines how much of that 'reviewed' expenditure to 'accept' after assessing whether the proposed expenditure meets the expenditure objective, ie, whether it is prudent (the right investments at the right time and able to be delivered) and efficient (at the right cost).[29]

B20 The expenditure the verifier 'accepts' is considered to be 'verified'.

B21 For the Orion CPP, the verifier selected, with our input, specific programmes based on their materiality, risk and relevance to the key drivers of Orion's CPP proposal.

B21.1 The verifier reviewed 73% of Orion's proposed capex and concluded that 68% of proposed capex would meet our prudent and efficient test, accepting that as verified.[30]

B21.2 For Orion's proposed opex, the verifier reviewed 86% and accepted as verified 83%.[31]

B22 The detailed bottom-up assessment tables in Attachments E and G list the identified programmes selected for verification and summarise the outcomes of the review.

How we applied the verifier's findings in our assessment

B23 The verifier's findings were a key input into our assessment, but we were not bound by them in making our draft decisions. As such, and in line with other CPP assessments, we considered the extent to which we would rely on the verifier's analysis and conclusions in coming to our draft decisions.

B24 We considered whether the verifier's assessment was consistent with the requirements of Schedule G of the IMs (which includes the methods and techniques the verifier used to assess Orion's proposal), whether the reasons supporting its conclusions were robust and well explained, and whether there were any limitations in the scope of review or the verifier's expertise that affected the weight we should place on its findings.[32]

[28] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule G, clause G4.
[29] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule G, clauses G5 and G6.
[30] The percentage figures in this paragraph are calculated values and are unlikely to align with the verifier report as Orion proposed higher expenditure for some categories of expenditure in its CPP proposal compared to proposed values at the time of verification.
[31] The percentage figures in this paragraph are calculated values and are unlikely to align with the verifier report as Orion proposed higher expenditure for some categories of expenditure in its CPP proposal compared to proposed values at the time of verification.
[32] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule G.

B25 We also held discussions with the verifier to better understand its conclusions, areas of concern and key issues and focus areas it identified for us. Overall, we were satisfied with the rigour of the verifier's analysis and consider its review to be thorough and generally undertaken to a high standard.

B26 Having considered the verifier's report, we agreed with the verifier's conclusions for much of our review of Orion's proposed expenditure.[33] We then undertook our own assessment where we reached a different preliminary view, where updated information required consideration, or where broader questions were not fully resolved by the verifier's review.

Where we focused our assessment

B27 We note Orion's submission on our Process and Issues paper, where it said that we should place substantial reliance on the verifier's findings and should revisit verified expenditure only where there is a clear basis for doing so. [34] While it is ultimately our responsibility to determine the CPP, we agree with Orion that the verifier's work should avoid unnecessary duplication and enable our assessment to be targeted and proportionate.

B28 In this context, we focused our assessment effort on areas where we were most likely to positively impact outcomes for consumers. Specifically, we focused our assessment on:

B28.1 areas not reviewed by the verifier (ie, outside of the 20 identified programmes);

B28.2 areas the verifier recommended for our further scrutiny;

B28.3 select areas which were reviewed by the verifier, but where questions or uncertainties remained; and

B28.4 areas where Orion proposed expenditure higher than that reviewed by the verifier or provided more information post verifier review (ie, in its CPP proposal) to justify why its proposed amounts were higher than the verifier accepted.

B29 We applied a bottom-up assessment approach broadly consistent with the verification framework. This included assessing - investment drivers underpinning the need for the expenditure, assumptions that were made, consideration of alternatives, interdependencies between projects and programmes, forecasting and cost estimation approaches and reasonableness of forecast costs, to conclude whether the proposed expenditure was consistent with the expenditure objective.

[33] GHD "Orion's CPP verification report" (31 March 2026)
[34] Process and Issues paper submissions

B30 In addition to a bottom-up assessment of individual expenditure categories, we undertook an additional assessment of Orion's ARR capex package after any bottom-up adjustments were applied. We considered whether the overall scale, uplift and timing of that expenditure were supported by the outcomes and consumer benefits Orion expected it to deliver, and therefore whether that expenditure package, as a whole, was consistent with the expenditure objective.[35]

B31 We used a formal request for information (RFI) process to obtain additional evidence and clarification from Orion. Attachment N contains a list of RFIs issued to Orion during our assessment.

B32 The ability to make efficient use of non-network solutions and demand flexibility will be increasingly important as Orion responds to changing patterns of demand and generation. As noted in table B3, submissions on our Process and Issues paper highlighted both the importance of developing these capabilities and the need to demonstrate that the associated expenditure will deliver benefits for consumers. As such, and given the scale, complexity and specialty nature of Orion's network transformation programme, we commissioned Baringa Management Consulting (Baringa) to assess whether the programme would equip Orion with the capabilities needed to operate a more flexible, data-driven network and defer or avoid traditional capital-intensive investment (see Attachment H).

How we reached our draft decisions

B33 In reaching our draft decisions on expenditure allowances, we relied on all available evidence – Orion's proposal, the verifier's findings, additional reports we have commissioned, information from Orion in response to our Requests for Information, stakeholder views, our analysis, and relevant information disclosure data. We assessed this evidence as a whole, applying judgement where necessary, to determine whether Orion's proposed expenditure met the expenditure objective.

What we heard about expenditure from submitters on our Process and Issues paper

B34 In August 2026, we invited stakeholders to submit on our Process and Issues paper.[36] Table B3 summarises the main expenditure-related points raised by submitters and explains how we considered those points in reaching our draft decisions. Feedback concerning affordability, revenue smoothing, pricing, quality standards or wider funding policy is addressed elsewhere in this reasons paper.

[35] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.2.1(1)(d).
[36] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026)

Table B3 Key points raised in submissions on expenditure[37]

Topic	Points raised in submission	Submitter/s	How we have considered these points, and where they are discussed
Demonstrating that the proposed expenditure is justified by the benefits for consumers	• Submitters sought clearer evidence that the scale and timing of Orion's proposed expenditure would deliver benefits valued by consumers. Some noted that Orion's strong reliability performance, its previous delivery under the DPP and the size of the proposed uplift made it important to assess the consequences of undertaking less expenditure or deferring it. • For example, Electricity Retailers' and Generators' Association of New Zealand (ERGANZ) proposed modelling a lower-investment scenario and quantifying the resulting service outcomes. Orion submitted that the benefits of its investment programme were identified in its proposal, including through the consequences of not making the proposed investments.	ERGANZ; Grid Share Limited; Lyttelton Energy Transition Society; anonymous submitter; Orion	• We considered whether the scale, uplift and timing of Orion's expenditure were supported by the risks addressed and expected consumer benefits. For ARR capex, we concluded that the evidence supported substantial renewal expenditure but did not support the full scale and timing proposed for six material programmes. We therefore made an additional ARR capex reduction after our bottom-up adjustments. • See Attachment C for further detail.
The role of the verifier in our expenditure assessment	• Orion submitted that there should be a relatively high hurdle for revisiting conclusions already reached by the verifier. It considered verified expenditure should be revisited only where there was a clear, evidenced basis, to avoid duplication and maintain proportionate scrutiny.	Orion	• The verifier's findings were an important input and the starting point for our assessment, but we undertook further assessment where questions remained, updated information was available, Orion proposed an amount different from that reviewed by the verifier, or broader matters were not fully resolved by its review. • This is addressed earlier in this attachment, Attachment B.

[37] Process and Issues paper submissions

Topic	Points raised in submission	Submitter/s	How we have considered these points, and where they are discussed
Network Transformation, flexibility and non-network alternatives	• Submitters generally supported developing Orion's network transformation capabilities and independent expert scrutiny of the programme. They also sought greater testing of traditional network investment against network pricing, demand flexibility, distributed generation, battery storage and other non-network alternatives. • Submitters considered Orion should demonstrate how improved visibility, analytics and different levels of flexibility could affect network constraints, peak demand, connection processes, and the scale and timing of conventional network reinforcement. • Some submitters also sought a more structured approach to obtaining flexibility from commercial customers, third-party providers and community organisations, including appropriate measurement, verification, commercial arrangements and engagement.	ERGANZ; Grid Share Limited; Foodstuffs South Island; Lyttelton Energy Transition Society; Orion	• We expect Orion to consider network and non-network solutions on an equal footing, develop network pricing signals that enable efficient responses to constraints, and engage transparently with providers of non-network solutions. We commissioned Baringa Management Consulting to assess whether Orion's network transformation programme would equip it to operate a more flexible, data-driven network and make efficient use of non-network solutions. We agreed with the verifier and Baringa that the programme is well directed and should improve Orion's ability to understand network conditions, compare network and non-network options, and manage changing patterns of demand and generation. See Attachment H for further detail. • We also considered non-network alternatives through our bottom-up assessment of system-growth capex. For example, the verifier's challenge to Orion's demand assumptions and consideration of non-network alternatives also contributed to Orion reducing its proposed LV-reinforcement capex from $76.2m to $59.3m, which we accepted. See Attachment E for further detail. • We agree that improved visibility, forecasting, analytics and access to flexibility should increasingly help Orion identify latent capacity, improve connection processes, right-size reinforcement and defer or avoid conventional investment. Our proposed information disclosure requirements will provide visibility of Orion's engagement with flexibility providers, the non-network capacity available and used, and the effect of these capabilities on network-planning and investment outcomes. See Attachment L for further detail.

Topic	Points raised in submission	Submitter/s	How we have considered these points, and where they are discussed
Monitoring expenditure delivery and consumer outcomes	• Submitters supported enhanced annual reporting but sought reporting on more than expenditure alone. Requested information included delivery capability, consumer benefits, non-network solutions considered and adopted, expenditure deferred or avoided through flexibility, engagement with flexibility providers, regional resource constraints, and explanations for material differences between planned and actual delivery. • Orion supported reporting on delivery of customer priorities, strategic objectives and funded projects, while avoiding duplication and poorly defined measures.	ERGANZ; Grid Share Limited; Lyttelton Energy Transition Society; MainPower; Orion	• We propose a company-specific information disclosure determination requiring Annual Plans, Annual Delivery Reports and accessible consumer-facing summaries. Orion will report against measures and targets, explain where annual or long-term targets are not being met, report financial performance by strategic priority and key programme, and explain material financial variances. See Attachment L for further details.
Staging growth expenditure against observed utilisation	• ERGANZ and Grid Share supported linking growth-related expenditure to observed network or asset utilisation, so consumers do not fund capacity before it is needed. Powerco supported the concept generally but took no position on its application to Orion and considered any measure should be applied by network tier, rather than as a single metric across all assets. • Orion submitted that the measure must correspond to the location and tier of the relevant constraint and account for matters such as standard asset sizes and land-use constraints.	ERGANZ; Grid Share Limited; Powerco; Orion	• We considered whether observed utilisation should be used to stage the release of growth expenditure allowances but decided not to adopt a specific utilisation-based trigger. A standalone utilisation measure does not necessarily indicate whether investment is required because utilisation is affected by the location and nature of the constraint, forecast demand, network configuration, and the security standard being maintained. For example, assets providing N-1 security may exhibit lower utilisation because spare capacity is required to maintain the planned level of service. Developing an appropriate measure would therefore require further work to account for differences between network assets, tiers and security standards. However, as noted in our Open Letter of 10 September 2026, we are seeking feedback on measures to improve network utilisation for all electricity distribution businesses (EDBs) as part of our medium-term strategy.

Topic	Points raised in submission	Submitter/s	How we have considered these points, and where they are discussed
			• Consistent with the nature of a CPP assessment, we instead assessed Orion's proposed system-growth programmes individually against the expenditure objective. Our assessment, and the verifier's review of the material growth programmes, considered utilisation alongside demand forecasts, power-system analysis, planning and security standards, the timing of forecast constraints, and network and non-network alternatives. This provided a more complete basis for assessing whether each investment was needed at the proposed time than applying a single utilisation threshold across different network assets and tiers. • Our proposed information disclosure requirements will also require Orion to disclose peak demand durations and load-duration curves for congested or forecast-constrained parts of its network. This information will help stakeholders assess the severity and duration of constraints, the justification for augmentation, and the potential for non-network solutions. • See Attachment E for further details on our assessment of individual projects and programmes, and Attachment L for further detail of our reporting requirements.
ARR forecasting and evidence	• Orion submitted that different forecasting methodologies are appropriate for different asset populations and time horizons, and that age and expected life can be appropriate inputs for high-volume asset classes. Powerco took no position on Orion's renewal programme but recommended developing a common New Zealand methodology for asset condition and renewal risk. Other submitters sought stronger evidence that the scale and timing of renewal expenditure were justified.	Orion; Powerco; ERGANZ; Grid Share Limited; anonymous submitter	• We assessed Orion's evidence for its renewal capex and we accepted its approaches where appropriate but made targeted reductions where the proposed volumes and timing were not supported. See Attachment C for further details. • We have not used this CPP decision to establish the common sector-wide methodology proposed by Powerco – but seek feedback in Attachment D on an approach we considered for this CPP but ultimately did not proceed with.

Topic	Points raised in submission	Submitter/s	How we have considered these points, and where they are discussed
Efficiencies expected from Orion's proposed investment	• Orion submitted that any opex efficiency adjustment should reflect efficiencies realistically achievable in each expenditure category. It considered the verifier's recommended 1% adjustment did not adequately account for the New Zealand context, Orion's current efficiency, the progressive delivery of ICT and Network Transformation investments, or existing Part 4 efficiency incentives.	Orion	• We considered Orion's submission alongside its proposal, the verifier's findings and our own analysis. We concluded that Orion's proposed efficiency adjustment did not adequately reflect the efficiencies reasonably expected from its ICT, Network Transformation, asset-management and business-process investments. See Attachment F for further details.
Managing expenditure uncertainty through reopeners	• Orion supported new and modified reopeners to address uncertain growth, customer connections and project timing. Powerco supported reopeners in principle where expenditure is approved after need is confirmed rather than funded upfront. Grid Share sought a requirement to assess non-network alternatives before additional growth expenditure could be recovered through a capacity-event or listed-project reopener. However, ERGANZ noted that reopeners introduce in-period bill volatility and that they transfer forecasting risk on to consumers.	Orion; Powerco; Grid Share Limited, ERGANZ	• Attachment K provides further detail on the reopeners we have proposed should be available to Orion during the CPP. • We have not introduced a specific requirement that non-network alternatives be considered before additional growth expenditure can be accessed through a reopener. However, we consider that a prudent EDB would do so – and we would test this as part of assessing any such reopener against the expenditure objective.
Deliverability and regional resource constraints	• MainPower raised concerns that Orion's expanded programme could constrain workforce, contractor and plant availability and increase costs for neighbouring EDBs. It sought a Canterbury-wide assessment and reporting on workforce capacity, contractor concentration, subcontracting, procurement and regional crews. Orion submitted that its programme was deliverable and unlikely to create delivery issues for neighbouring EDBs.	MainPower; Orion	• We considered these submissions alongside Orion's delivery plans and the verifier's assessment. We considered making part of the allowance contingent on delivery or introducing a deliverability adjustment but concluded those approaches would be complex to implement and could affect the operation of the Incremental Rolling Incentive Scheme (IRIS). We instead propose enhanced reporting. Where Orion encounters delivery issues, it will be required to explain its engagement with other EDBs and report on workforce capacity, contractor concentration, subcontractor use, procurement outcomes and use of regional crews. See Attachment H for further information.

Attachment C How we assessed Orion's proposed capex and determined the draft capex allowances

Purpose of this attachment

C1 This attachment outlines our draft decisions on the Orion customised price-quality path (CPP) capex allowances. It also describes the review steps we undertook to inform our draft decisions on appropriate levels of capex for Orion's CPP, the adjustments we made to Orion's proposed capex allowances, and why our approved allowances meet the expenditure objective.

C2 All references to financial values of expenditure in this attachment are in DY26 constant dollars unless otherwise stated.

Structure of this attachment

C3 Table C1 sets out the structure of this attachment.

Table C1 Structure of this attachment

Title	Description of content

Summary of our capex draft decisions	• Our draft decisions for Orion's CPP capex allowances
	• Describes the reductions we have made to Orion's proposed CPP capex allowances following our assessment against the expenditure objective, which included both:
	  ○ a bottom-up assessment; and
	  ○ a further assessment of asset replacement and renewal (ARR) capex

Our bottom-up assessment supports most proposed capex with some targeted reductions	• Sets out bottom-up reductions, resulting approved allowances and explains why those allowances meet the expenditure objective
Additional assessment of Orion's proposed ARR capex after bottom-up adjustments resulted in an additional $87.8m reduction	• Description of and rationale for the additional ARR capex reduction over years 2 to 5 of the CPP period. We also describe the proposed reliability risk event reopener allowing Orion to seek in-period approval for the ARR capex amounts we have not approved upfront
Our review of the key inputs underpinning all capex	• Our assessment of cost estimation, cost escalation and demand forecasting assumptions used by Orion and tested by the verifier

Summary of our capex draft decisions

C4 Our draft decision is to approve total capex allowances for Orion's five-year CPP period between DY28 and DY32 (1 April 2027 to 31 March 2032) of **$812.9m**.

C5 This is an overall reduction of $118.7m (12.7%) to the total capex allowance of $931.6m proposed by Orion in its CPP application.

C6 The reductions we have made consist of:

C6.1 adjustments to reflect our findings from a bottom-up review of all asset-related programmes for years 1 to 5 of the CPP, totalling **$30.9m**; and

C6.2 an additional adjustment which removes a portion of ARR capex (after bottom-up adjustments) planned for years 2 to 5 of the CPP, totalling **$87.8m.**

C7 Table C2 sets out our draft decision capex allowances for each year of the CPP period, relative to those proposed by Orion in its CPP application.

Table C2 Orion CPP capex adjustments ($m, DY26 constant dollars) – draft decisions

	DY28	DY29	DY30	DY31	DY32	Total
Orion CPP proposal	166.4	187.4	198.6	198.0	181.2	**931.6**
Bottom-up adjustments	(4.9)	(5.2)	(5.8)	(9.4)	(5.5)	**(30.9)**
Additional ARR capex adjustments	-	(16.6)	(26.5)	(25.5)	(19.2)	**(87.8)**
CPP draft decision	161.4	165.6	166.3	163.1	156.4	**812.9**

Why this aspect of Orion's CPP matters

C8 Capex relates to expenditure on assets which is expected to provide an enduring benefit. Although the capex allowance is not the largest contributor to annual revenues for the CPP regulatory period, it is important because of the long-term implications for consumers. Once assets are built and commissioned, their costs (depreciation, return on capital and ongoing maintenance) are recovered through allowable revenues, and affect consumer prices, over the lifetimes of those assets, typically 40-60 years.

Our assessment of proposed capex against the expenditure objective had three core components

C9 In Attachment B, we described the overall approach we applied in assessing Orion's proposed CPP expenditure against the expenditure objective – including how we took the verifier's findings into account. The rest of this attachment covers the three core review steps we undertook in our capex assessment:

C9.1 Bottom-up assessment of project/programme capex;

C9.2 Additional assessment of ARR capex (after bottom-up adjustments applied); and

C9.3 Review of key inputs underpinning all capex forecasts.

Our bottom-up assessment supports most proposed capex, with some targeted reductions

C10 We performed a bottom-up assessment of Orion's proposed capex, at expenditure category and individual project and programme level, to evaluate whether that capex was prudent and efficient in line with the expenditure objective.[38]

C11 This resulted in category-specific capex reductions totalling **$30.9m** for the CPP period.

C12 Table C3 sets out the bottom-up adjustments from our capex review by capex category, together with each category's approved amounts (after bottom-up adjustments) and explains why those amounts meet the expenditure objective.

C13 Attachment E supplements this overview of our bottom-up assessment by setting out the views of the verifier, our analysis and conclusions for each capex category, and the projects and programmes within those categories. Our assessment of network transformation capex is contained in Attachment H, as part of our assessment of the network transformation programme as a whole.

C14 The fourth row in Table C3 sets out that the amount for ARR primary assets after our bottom-up assessment is $481.7m. However, we do not consider this to be an appropriate allowance for ARR expenditure as we had further concerns about this programme viewed as a whole, which prompted an additional assessment to confirm whether it met the expenditure objective. This is discussed in the '*Additional assessment of Orion's proposed ARR capex after bottom-up adjustments resulted in an additional $87.8m reduction'* section following Table C3.

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

Table C3 Capex allowance reductions by category reflecting bottom-up adjustments ($m, DY26 constant dollars) – draft decisions

Capex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Key reasons for bottom-up adjustment	Approved amounts after bottom-up adjustment ($m)	Assessment against the expenditure objective
Consumer connection	**146.1**	-	-	**146.1**	• Orion's forecast expenditure considered to be prudent, as connection growth forecasts are based on a base step approach aligned with demand forecasts, known connections and expected future connections by sector. • Forecast expenditure considered efficient as based on historical costs per connection providing a reasonable estimate of future connection costs.
System growth	**139.0**	-	-	**139.0**	• Expenditure is prudent as: ○ Project need driven by demand growth with existing assets lacking capacity, and to remediate existing and emerging 11kV and low voltage (LV) network constraints. ○ Most projects supported by business cases that considered alternatives and follow Orion's policies and planning standards, or base step and trend modelling to forecast volumes. • Expenditure is efficient as costs estimated using established cost estimation frameworks, historical remediation solutions, bespoke cost estimates to a +/- 30% level of accuracy and unit rates from Orion's Pricebook which has been externally reviewed.
Asset relocations	**4.7**	**(1.5)**	Reflects a correction to use a more reasonable base to forecast expenditure than proposed by Orion. Orion's use of the most recent capex, which was significantly higher than the capex incurred over the previous 5 years, in its base step and trend modelling, was not reasonable.	**3.2**	• Expenditure is prudent and efficient as the approved amount used a more reasonable basis to forecast expenditure, ie a 5-year historical average as the base for the base step approach instead of DY25 which is an outlier compared to historical.

Capex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Key reasons for bottom-up adjustment	Approved amounts after bottom-up adjustment ($m)	Assessment against the expenditure objective
Asset replacement and renewals – primary assets[39]	**511.1**	**(29.4)**	**$4.6m Overhead conductor – sub transmission (reconductoring of line)**: Inconsistency in Orion proposal documentation, allowance has been set at amount stated in Orion's forecast model. **$5.2m Overhead conductor – LV distribution (reconductoring of 400V lines)**: Available evidence on current reasonable condition of fleet does not support full replacement volumes as being prudent. **Overhead structures – $11.7m Poles and $2.5m Telecom poles**: Replacement volumes reduced as not considered prudent, pole reinforcements should be used as an alternative in line with the practice of other electricity distribution businesses (EDBs). **$4.5 m Overhead structures – Vulnerable poles**: Based on information provided where alternative options were considered but risks have not been quantified; replacement volumes have been reduced to prudent levels. **$1.0 m Distribution switchgear – Pole mounted fuses:** Prudent for	**481.7 (pre-additional ARR adjustment)**	• Our initial assessment showed that the need for substantial investment across the portfolio was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost estimation methods. However, we were not able to conclude based on the information available (for all portfolios except two) whether the amounts after bottom-up adjustments were applied, were prudent and efficient - when considering the scale, uplift and timing of expenditure against the risks addressed and benefits expected for consumers. We address that question through the additional ARR assessment and adjustment discussed in the section after this table. • For two portfolios (zone substation and underground transmission cables) Orion has provided particularly strong support as it has supplemented its work on investment drivers, volume forecasting and cost estimation with detailed business cases and economic analysis. As such, we are satisfied that the proposed ARR capex for these portfolios is prudent and efficient and have not applied any adjustments. *Provisional, subject to additional ARR assessment, as set out later in this Attachment.

[39] Primary assets are overhead structures, overhead conductors, underground cables, zone substations, distribution switchgear and distribution transformers.

Capex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Key reasons for bottom-up adjustment	Approved amounts after bottom-up adjustment ($m)	Assessment against the expenditure objective
			replacement volumes to be reduced, commensurate and consistent with reduced pole replacements.		
Asset replacement and renewals – secondary systems[40]	**53.0**	**-**		**53.0**	• Expenditure in portfolio is prudent given it is driven by a range of drivers (including asset age and condition, asset failures, operational issues, loss of vendor support, obsolescence, and lack of trained staff) and supported by forecasting approaches that are reasonable and consistent with EDB industry accepted practice. • Expenditure is efficient as costs have been estimated using unit rates based on historical cost estimates and average replacement costs, from Orion's Pricebook which has been externally reviewed,
Reliability, safety and environment	**15.8**	**-**	-	**15.8**	• Expenditure is prudent as: ○ Forecast capex is lower than historical reliability, safety and environment (RSE) capex, primarily because a large safety focused programme for fuse relocation is scheduled for completion in FY27. ○ The forecast has been developed based on a bottom-up assessment of expenditure needs. • Expenditure is efficient, with costs estimated using unit rates based on historical costs, vendor pricing, high-level estimates and Orion's Pricebook which has been externally reviewed.
Information and communication technology (ICT)	**38.4**	**-**	-	**38.4**	• Expenditure is prudent as: ○ It is guided by a clear ICT strategy aligned with ICT business objectives that link to reliability, efficiency, and customer service goals and is supported by detailed justifications for projects. ○ All significant ICT projects have robust business cases that are tested by internal Steering Committee. ○ Projects go out for tender with clear decision-making procurement strategy to reuse, buy or build.

[40] Secondary systems are protection, batteries and DC supplies, communications, signalling and communications cables, SCADA and metering.

Capex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Key reasons for bottom-up adjustment	Approved amounts after bottom-up adjustment ($m)	Assessment against the expenditure objective
					• Expenditure is efficient, as benchmarking of expenditure against Australian utilities and other EDBs indicates expenditure is not out of step with industry ICT costs.
Network transformation	**7.0**	**-**	-	**7.0**	• Expenditure is prudent as it is supported by good governance arrangements and business cases and underpinned by a range of drivers intended to address emerging network and consumer needs associated with consumer decarbonisation, digitalisation, decentralisation and active consumer engagement in power supply/usage. • Expenditure is efficient as cost efficiency is reasonable with analysis suggesting the programme will reduce peak demand by 1% per annum, providing savings of $42.5m (ie benefits outweigh the costs).

Other non-network capex	**16.5**	**-**	-	**16.5**	• Expenditure is prudent as:
					  ○ Forecast expenditure (for vehicle costs, corporate property costs, and equipment costs, plan to expand office space and invest in oil handling capability) reflects business and workforce growth
					  ○ Forecast has been developed based on bottom-up assessment of need as data was available - providing a more accurate forecast than base-step-trend.
					• Expenditure is efficient, with costs based on historical average replacement costs, bottom-up estimates, and market tested against alternative options.

Total	**931.6**	**(30.9)**	-	**900.7**	

Additional assessment of Orion's proposed ARR capex after bottom-up adjustments resulted in an additional $87.8m reduction

Overall summary

C15 Our initial bottom-up assessment supported much of Orion's proposed ARR capex. However, when considering the scale, uplift and timing of the ARR capex even after bottom-up adjustments were applied, alongside Orion's strong reliability performance, we remained concerned about whether the overall programme was justified by the risks Orion says it is seeking to address and the benefits expected for consumers.

C16 We therefore undertook a further assessment of ARR capex which led us to conclude that, on the evidence currently available, we are not satisfied that the proposed ARR capex after bottom-up adjustments were applied met the expenditure objective.[41]

C17 This further assessment has resulted in an additional reduction (after bottom-up adjustments have been applied) totalling $87.8m over years 2 to 5 of the CPP period. Despite this significant adjustment, we are still approving the majority of Orion's proposed ARR capex which is a significant uplift over the previous five-year period.

C18 In addition, we have proposed a reliability risk event reopener that Orion can apply for in-period to seek approval for the ARR capex amounts that we have not approved upfront if quantitative evidence can justify it meets the expenditure objective.

C19 We welcome submissions on both our draft decision that this ARR capex does not meet the expenditure objective and the design of our proposed reliability risk event reopener.

Context in which Orion's ARR capex is proposed

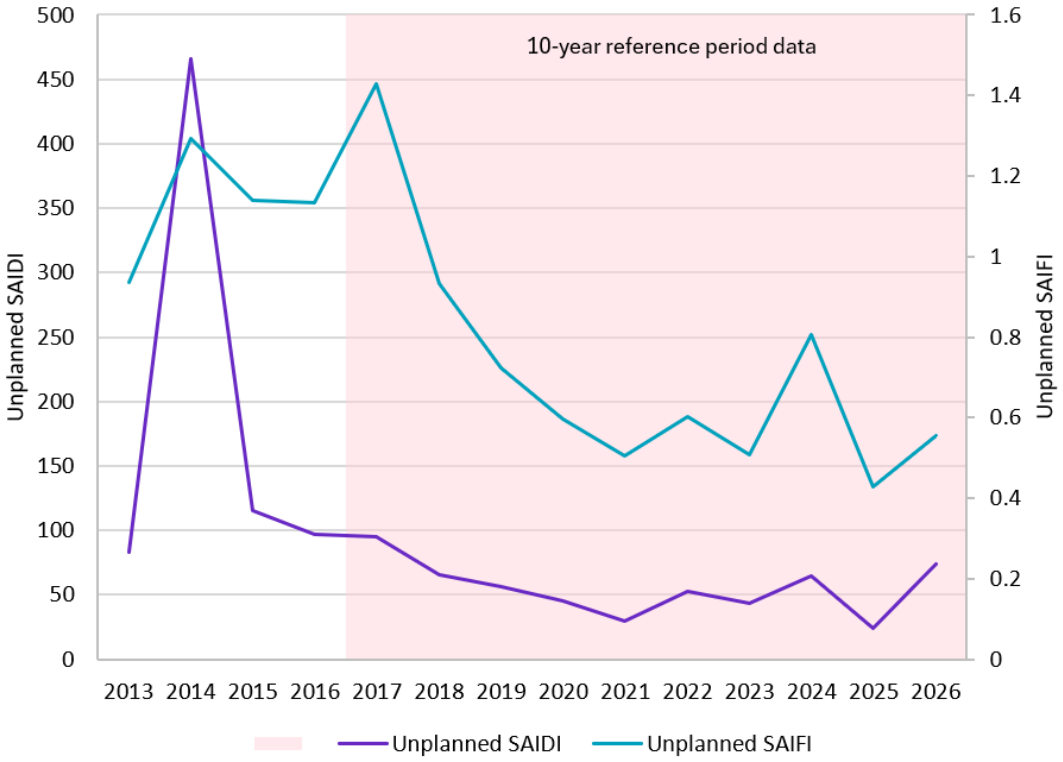
C20 ARR is Orion's largest capex category, accounting for 61% of its proposed capex and 37% of proposed total expenditure.[42] Orion has also principally presented the CPP as a whole as necessary to maintain reliability, safety and resilience.[43]

C21 Orion's proposed ARR capex for the 5-year CPP period (DY28-DY32) is more than double (+117.2%) that for the previous 5-year period (DY23-DY27).

C22 At the same time, Orion's unplanned reliability performance has generally improved and settled into a more stable range over the past 10 years, following on from the Christchurch earthquake recovery period (Figure C1).

[41] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.2.1.
[42] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 278.
[43] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. ii-iii.

Figure C1 Orion's network reliability performance (DY13-DY26)



Source: Orion annual information disclosure data, Schedule 10 unnormalised data

The verifier supported most proposed ARR capex, but noted some concerns

C23 The verifier verified 95% of the ARR capex that it reviewed.[44] While the verifier considered Orion's ARR forecasting approaches reasonable and consistent with accepted industry practice, it noted some concerns. For instance, it noted that replacement decisions remain heavily reliant on asset age due to limitations in asset condition, defect and failure data supporting some models. It also identified shortcomings in data quality, historical asset records and legacy systems which constrained Orion's ability to fully support condition-based replacement decisions, reflecting a still-maturing asset management capability.[45]

C24 The verifier also observed that while Orion's risk management framework is generally robust, its quantitative assessment of risk is limited and focused primarily on energy-at-risk, with other consequences assessed qualitatively. The verifier considered further development of asset data and risk quantification methods necessary to strengthen future investment decision-making.[46]

[44] The verifier reviewed $343.6m of the $564.1m ARR capex Orion proposed, accepting $327.6m GHD "Orion's CPP verification report" (31 March 2026), Table ES 2, p.iii.
[45] GHD "Orion's CPP verification report" (31 March 2026), pp. 36, 48-50.
[46] GHD "Orion's CPP verification report" (31 March 2026), pp.36, 48-50.

C25 As already noted, despite these concerns, the verifier accepted that the majority of the ARR expenditure it reviewed was prudent and efficient.

Strong reliability performance and a material expenditure uplift require proportionate analysis of consumer benefits

C26 We placed significant weight on the verifier's findings. Its view that Orion's forecasting methods establish a credible need for substantial renewal expenditure is supported by our own initial bottom-up analysis (as summarised in Table C3 and detailed in Attachment E).

C27 However, for 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. Where current network performance remains strong, and these other factors apply, a prudent EDB should also assess the risks of doing less or deferring expenditure, as well as the benefits expected from the proposed expenditure.

C28 The extent of analysis should be proportionate to the size and nature of the programme. We do not consider a quantified cost benefit analysis (CBA) for every asset renewal programme to be required. However, for material programme areas where benefits and risks can reasonably be quantified, we expect analysis capable of showing that the overall scale, uplift and timing of expenditure represents the efficient costs of a prudent EDB.

C29 This conclusion is consistent with concerns we expressed in our Process and Issues paper where we questioned whether benefits to consumers had been clearly demonstrated to justify proposed uplifts in expenditure when viewed from a top-down perspective.[47] We also raised these concerns with the verifier in our feedback on its draft report in February 2026 and shared this feedback with Orion at the time.

C30 Similar concerns were expressed in submissions on our Process and Issues paper by the Electricity Retailers' and Generators' Association of New Zealand (ERGANZ) and Grid Share, with ERGANZ commenting that:[48]

> Orion should be required to model a lower investment scenario and quantify the service outcomes consumers would experience under it, using value of lost load (VOLL) or an equivalent measure. Absent that, maintaining current service levels is a description of an input, rather than a benefit ...

C31 Given this, we sought to supplement the verifier's views and our initial analysis by considering whether proposed ARR capex (after bottom-up adjustments) was consistent with Orion's operating context and the benefits Orion expected the programme as a whole to deliver.

[47] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 20.
[48] Process and Issues paper submissions

Orion has not demonstrated the benefits of much of the proposed ARR expenditure

C32 We therefore reconsidered the evidence Orion had provided to determine whether the overall scale and timing of its proposed ARR programme, after bottom-up adjustments were applied, met the expenditure objective.

C33 Through this additional assessment we focused on whether the evidence, viewed across the programme as a whole, demonstrated that the risks to be addressed and the benefits expected for consumers justified the full scale and timing of the proposed uplift (after bottom-up adjustments).

C34 To this end, Orion did provide quantified justification for some material parts of its ARR programme. These included its zone substation renewal projects and the 66 kV underground cable programme.[49] We consider both of those programmes meet the expenditure objective.

C35 However, the majority of ARR capex (consisting of volumetric, programme-based renewals for different asset classes) was not supported by equivalent justification demonstrating that reliability, safety and/or resilience outcomes would worsen if Orion did not invest at the proposed levels.

We attempted to quantify the relationship between ARR expenditure (after bottom-up adjustments) and reliability benefits

C36 To test whether Orion's ARR expenditure after bottom-up adjustments supported the expected benefits for consumers, we explored whether the relationship between expenditure and reliability outcomes could be assessed quantitatively with the information available to us.

C37 Our view was that reliability was a suitable focus for this analysis as it is the key driver underpinning the majority of Orion's proposed ARR capex. As reliability outcomes are also more directly linked to quality standards, we considered that focussing on this aspect for our quantitative analysis would provide a practical basis for assessing the relationship between expenditure and consumer benefits. To this end, we developed a model that compared the proposed expenditure (after bottom-up adjustments) with the potential cost to consumers of declining reliability if that expenditure was not made.

C38 Our modelling was intended to provide an additional input for our assessment of ARR capex (after bottom-up adjustments) against the expenditure objective, focussing on the overall scale and timing of Orion's ARR programme. It was not intended to replace Orion's asset management judgement or the bottom-up assessment of individual projects and programmes.

[49] See Table E1 in Attachment E.

C39 We shared the modelling with Orion and considered its feedback.[50] That process identified some modelling limitations. In particular, our modelling did not capture all relevant expenditure drivers and consumer benefits related to safety, resilience and legislative compliance.

C40 We ultimately concluded that the modelling was not sufficiently developed at this stage to determine whether, or how much of, Orion's ARR expenditure post bottom-up adjustments met the expenditure objective. We have therefore not relied on the modelling in determining either the findings set out below or the amount of our draft ARR allowance.

C41 However, the exercise reinforced the importance of connecting the overall scale and timing of ARR expenditure to the risks addressed and the expected benefits for consumers. We have included a high-level description of the modelling and its limitations to support stakeholder feedback on whether, and how, quantitative analysis could assist our final decision and expenditure assessments in future resets (see Attachment D).

On the information available, the full scale and timing of ARR capex (after bottom-up adjustments) does not meet the expenditure objective

C42 On the information before us, we are not satisfied that the full scale and timing of Orion's ARR capex (after bottom-up adjustments) meets the expenditure objective. Although the evidence supports substantial renewal expenditure, it does not establish that the uplift is required during the CPP period to maintain service standards and meet Orion's regulatory obligations.

C43 In particular, the evidence does not provide sufficient confidence about the consequences of undertaking less work or deferring expenditure, and the benefits of completing the work within the CPP period.

C44 As the ARR capex amount after bottom-up adjustments did not meet the expenditure objective, we set out below the steps we took to determine an amount that did.

[50] Commerce Commission and Orion New Zealand correspondence on forecast cost of unreliability, see Orion CPP 2027 webpage.

How we determined an allowance that was consistent with the expenditure objective

C45 Having concluded that the evidence currently available did not support the full scale, uplift and timing of Orion's ARR capex (after bottom-up adjustments), we used regulatory judgement to determine an appropriate ARR allowance for the CPP period. Our objective was to provide Orion with expenditure allowances to promote the purpose of Part 4 of the Act.[51] Our view was that the allowances should be set to provide incentives for Orion to invest in a substantial programme of asset replacement and renewal over the CPP period, while not requiring consumers to fund the full acceleration proposed by Orion where the associated risks and benefits had not been established.

C46 To do this, we first determined the DY28 ARR allowance. We did this by applying only the project and programme specific reductions identified through our initial bottom-up assessment. This resulted in a DY28 ARR allowance of $90.8m. We consider this a reasonable starting point because it reflects Orion's proposed year 1 work programme after it has been tested and adjusted through our initial bottom-up assessment.

C47 We did not apply the additional ARR adjustment in DY28. Retaining the bottom-up-adjusted amount in the first year enables Orion to commence its proposed renewal programme while developing further evidence about the condition and risks of the relevant assets, the consequences of deferral and the benefits of the expenditure proposed for later years.

C48 For DY29 to DY32, we held the annual ARR allowance at the DY28 level in real terms. We consider this a practical basis for setting the five-year CPP allowance because the evidence supports a substantial and continuing renewal programme but does not currently support the further increase Orion proposed over the later years. This approach resulted in a further reduction totalling $87.8m (in real terms) across the CPP period – while still allowing a significant uplift in overall ARR expenditure for the CPP period ($446.9m for the CPP, relative to $259.7m for DY23-DY27).

C49 Applying this $87.8m reduction results in our ARR capex draft decision amount of $446.9m (in DY26 constant dollars). Table C4 contains further detail. The resulting allowance reflects our assessment of the amounts that should be approved for the CPP period consistent with meeting the expenditure objective based on the evidence currently available.

Table C4 Additional reductions to asset replacement and renewal capex ($m, DY26 constant dollars) – draft decisions

	DY28	DY29	DY30	DY31	DY32	Total
ARR capex after project and programme specific reductions arising from our bottom-up assessment	90.8	106.7	116.0	111.7	109.5	**534.7**

[51] Commerce Act 1986

	DY28	DY29	DY30	DY31	DY32	Total
Further reduction to ARR capex based on our conclusion that not all ARR capex met the expenditure objective	-	(16.6)	(26.5)	(25.5)	(19.2)	**(87.8)**
ARR capex draft decision	90.8	90.1	89.6	86.2	90.2	**446.9**

We have only reduced ARR capex for some ARR categories, not all

C50 We applied the $87.8m reduction to only six ARR programmes. These are the programmes where we considered Orion had not demonstrated that the scale and timing were justified and that further evidence of the relevant risks and benefits could reasonably be provided.

C51 The reduction was pro-rated across the six ARR programmes, as set out in Table C5.

Table C5 Application of the ARR capex reduction of $87.8m ($m, DY26 constant dollars) – draft decisions

Affected ARR programme	DY28	DY29	DY30	DY31	DY32	Total reduction
ARR distribution switchgear (ground-mounted switchgear)	-	3.0	5.1	4.9	3.6	**16.6**
ARR distribution switchgear (enclosures)	-	3.6	6.3	6.3	4.9	**21.1**
ARR overhead structures (poles – Telecommunication poles)	-	1.3	2.2	2.2	1.7	**7.3**
ARR overhead structures (poles - end of life poles)	-	3.7	5.2	4.8	3.6	**17.2**
ARR overhead structures (Crossarms)	-	1.9	3.1	2.8	2.1	**9.9**
ARR underground cable - distribution (distribution cables)	-	3.0	4.7	4.5	3.4	**15.6**
Total	**-**	**16.6**	**26.5**	**25.5**	**19.2**	**87.8**

C52 We did not apply the reduction to ARR programmes:

C52.1 for which Orion had already provided quantitative justification. These programmes consisted of:

C52.1.1 ARR underground cable – sub transmission cable asset class ($69.0m); and

C52.1.2 ARR zone substations – all projects and programmes ($66.1m).

C52.2 where quantitative justification would not be reasonably practicable for Orion. The relevant portfolio was ARR secondary systems with six programmes totalling $53.0m (comprising protection, batteries and DC supplies, communications, signalling and communications cables, SCADA and metering); and

C52.3 with proposed capex below $20m. For a CPP of this scale and specific context, we consider the $20m an appropriate threshold below which requiring quantitative justification would not be a proportionate practice. The relevant programmes were within distribution switchgear[52], overhead conductor[53], underground cable[54], distribution transformers[55], and overhead structures[56] portfolios totalling $64.4m.

Orion can seek in-period access to additional ARR capex allowances

We have proposed a CPP reliability risk event reopener

C53 We recognise the importance of ARR capex in maintaining reliability, resilience and safety. For that reason, while we have not approved all proposed ARR expenditure upfront, we have proposed a reliability risk event reopener that would allow Orion to access some or all of the additional funding if it can demonstrate to us that the expenditure delivers net benefits to meet the expenditure objective.

C54 As such, our draft decision is to seek agreement from Orion to vary the input methodologies (IMs)[57] to include a prospective 'reliability risk event reopener' that would enable it to access some or all of the $87.8m as expenditure allowances during the CPP period, if it meets the requirements for this reopener.

C55 This reopener would require Orion to provide programme level quantified analysis that shows the programme is expected to deliver a net benefit to consumers, and so meets the expenditure objective, arising through effects on reliability, resilience, safety or in meeting legislative requirements.

C56 Further, our approach to applying the ARR capex adjustment means that it only impacts years two to five of the CPP period, giving Orion more time to develop its case in support of the proposed expenditure.

C57 We have provided indicative drafting for the reopener in the draft Deed of IM Variation alongside this paper.[58] We welcome submissions on the design of this reopener, to ensure it is workable.

[52] Pole mounted fuses ($4.5m)
[53] Sub transmission ($1.9mm), distribution ($6.2m) and LV ($5.2m)
[54] LV ($2.8m)
[55] Ground and pole mounted transformers ($16.3m), voltage regulators and capacitors ($5.2m), generators ($0.2m)
[56] Vulnerable poles ($4.5m), steel structures ($17.6m)
[57] The approach we apply to deciding whether to seek an IM variation is set out in Attachment K.
[58] Draft Deed IM Variation, see Orion CPP 2027 webpage.

C58 We discuss our overall approach to evaluating and applying IM variations to establish uncertainty mechanisms in more detail in Attachment K.

How the reliability risk event reopener will operate

C59 The reopener is subject to caps on the maximum values that can be approved based on the amounts Orion proposed in its CPP application and after the bottom-up adjustments discussed in the previous section are applied. The caps are specified by year and by ARR capex category.

C60 Table C6 sets out the values we have approved upfront in our draft decisions for the six categories, and the maximum additional capex for those categories by year that could be approved under the reopener (these amounts match reductions in Table C5).

Table C6 Maximum additional ARR capex for reopener application ($m, DY26 constant dollars) - draft decisions

Primary asset category	Assessment period ending 31 March 2029		Assessment period ending 31 March 2030		Assessment period ending 31 March 2031		Assessment period ending 31 March 2032	
	Initially approved for CPP	Maximum additional capex	Initially approved for CPP	Maximum additional capex	Initially approved for CPP	Maximum additional capex	Initially approved for CPP	Maximum additional capex
Ground-mounted switchgear	6.78	3.05	6.27	5.05	6.93	4.88	8.33	3.64
Switchgear enclosures	8.04	3.61	7.80	6.29	8.96	6.31	11.18	4.88
Poles – end of life	8.24	3.70	6.45	5.20	6.80	4.79	8.16	3.56
Telecommunications poles	2.94	1.32	2.67	2.15	3.13	2.21	3.79	1.65
Crossarms	4.29	1.93	3.79	3.05	4.01	2.83	4.76	2.08
Underground distribution cables	6.64	2.99	5.88	4.73	6.35	4.47	7.85	3.43
Total	**36.93**	**16.60**	**32.86**	**26.47**	**36.19**	**25.49**	**44.07**	**19.24**

C61 The reopener requires Orion to demonstrate, separately for each affected ARR capex category, that the total scale and timing of the programme has a positive expected net benefit in a CBA. In particular, Orion must show that the expected quantified benefits of each programme exceed its costs, taking account of effects on reliability, resilience, safety and meeting legislative requirements.

C62 To be clear:

C62.1 Orion would use the reopener to seek an additional allowance of up to the difference between the allowance provided for the relevant programme area in the CPP and the corresponding amount in its original CPP proposal.

C62.2 However, Orion must demonstrate the expected net benefit of the total programme area supported by the combined CPP and reopener allowances, rather than only the incremental costs/benefits of the additional allowance sought.

C63 We invite feedback from stakeholders on whether the proposed draft Deed of IM Variation sufficiently gives effect to the requirement that Orion demonstrate the total net benefit per ARR capex category.

Quantitative information required to support Orion's application for a reopener

C64 Orion has detailed knowledge of its assets, risks and proposed renewal programme and data available to it. It is therefore better placed than us to decide how best to use that to demonstrate the expected net benefit from investment.

C65 While we are not prescribing the form of quantitative justification or evidence required to support Orion's reopener application, we expect that Orion would be able to quantify:

C65.1 the effects of different expenditure profiles and the reliability outcomes of those profiles supported by expected failure rate estimates; and

C65.2 safety risks and the consequences of those risks, before and after the proposed investment in safety.

C66 We also expect that Orion would be able to support the data used and the assumptions it has made in this analysis, either by reference to external data or its own network data. Information and data which has become available to Orion since it provided us with its CPP application will be able to be used as part of its justification in its reopener application.

C67 In addition to having flexibility over the type of analysis it provides, Orion will also be able to choose for a reopener application which capex categories and years it will apply for (subject only to the timing restrictions described below).

C68 Lastly, the reopener is a revenue path only reopener; quality standards or quality incentive measures will not be amended. As Orion must demonstrate that the proposed expenditure is required to manage any material risk of failing to meet the quality standards already set for the CPP period, those quality standards must therefore remain unchanged as the benchmark against which Orion's application will be assessed.

Application timing

C69 Orion will be able to apply for the reopener by two application deadlines within the CPP period. Limiting the reopener to having only two applications is for efficiency reasons and to minimise regulatory costs for both Orion and for us. Specifically:

C69.1 by 1 September 2027, Orion may apply for some or all of the unapproved ARR capex for years 2-5 of the CPP period; and

C69.2 by 1 September 2029, Orion may only apply for some or all of the unapproved ARR capex for years 4-5 of the CPP period.

C70 The reopener is a prospective reopener, which means Orion can only apply for capex incurred for assets that will be commissioned after the date of its reopener application. More specifically, this means that if Orion does not make an application by 1 September 2027 for some or all of the years 2-3 unapproved ARR capex, it will not be able to later apply for that capex (ie, capex in the period from 2 September 2027 to 1 September 2029) retrospectively by the next application date of 1 September 2029.

C71 The reopener will only be available for the CPP period, not for future default price-quality paths (DPPs) or CPPs.

Our review of the key inputs underpinning all capex

C72 Capex forecasts are underpinned by three key input areas – cost estimation, cost escalation and demand forecasting. These are important because they underpin forecast costs across Orion's proposed capex programme.

C73 This section reviews the verifier's findings on Orion's approaches to cost estimation, cost escalation and demand forecasting and explains why we consider them reasonable.

Our assessment of Orion's cost estimation approach

What is cost estimation and why it matters

C74 The expenditure objective requires an assessment of whether proposed capex and opex reflect efficient costs. Cost estimation is a key component of testing whether costs are likely efficient.

Orion's approach

C75 Orion has a Cost Estimation Framework that informs and guides its cost estimating practices. A key component of this framework is Orion's Pricebook, a centrally managed database of approved unit rates and component costs used to develop cost estimates.[59] Orion engaged Ergo Consulting to benchmark and review its Pricebook in early 2025, resulting in some changes to unit rates and their underlying components.

C76 Orion primarily uses volumetric unit rates for programmes involving large volumes of similar work and uses building block unit rates for more tailored projects.[60]

The verifier's assessment

C77 The verifier assessed Orion's Cost Estimation Framework, unit rate development and testing processes, estimation methods and treatment of project contingencies. It concluded that Orion's cost estimation process is generally reasonable.[61]

[59] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 228
[60] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 229
[61] GHD "Orion's CPP verification report" (31 March 2026), p. 59.

C78 The verifier also considered Ergo Consulting's review and concluded that the volumetric and building block unit rates in Orion's Pricebook are efficient and likely to represent the efficient costs of a prudent supplier. It also compared unit rates for 7 programmes against Australian benchmarks to provide additional confidence in their reasonableness.[62]

C79 For programmes that did not use the Cost Estimation Framework and Pricebook, the verifier assessed the alternative cost estimation methods and underlying cost data and concluded these were reasonable.[63]

C80 The verifier identified opportunities for improvement but did not identify any major issues with Orion's cost estimation approach.[64]

Our conclusions

C81 Following our review, we are satisfied with the verifier's assessment of Orion's cost estimation approach and agree with its conclusions that Orion's cost estimation process is reasonable and that its unit rates reflect efficient costs. We have not identified any matters that would lead us to depart from the verifier's findings. The scope and nature of the verifier's review provides us a sound basis for relying on Orion's cost estimation approach in our expenditure assessment.

Our assessment of Orion's cost escalation approach

What is cost escalation and why it matters

C82 Cost escalation reflects expected changes in prices Orion will pay for key inputs, such as labour and materials over the CPP period. Orion applied cost escalation factors in its capex and opex forecasts to forecast its future expenditure in nominal terms. These assumptions are therefore relevant to our assessment of whether Orion's proposed allowances reasonably reflect the expected costs of delivering its proposed work programme.

[62] GHD "Orion's CPP verification report" (31 March 2026), p. 58.
[63] GHD "Orion's CPP verification report" (31 March 2026), Executive Summary, p. i
[64] GHD "Orion's CPP verification report" (31 March 2026), p. 54.

Orion's approach

C83 Orion developed separate escalation factors for different expenditure categories rather than applying a single escalation factor across all expenditure. These were based on different labour and material cost component weightings for each expenditure category and forecasts from Sapere Consulting based on published third-party data of the relevant escalation drivers (such as various metals, labour costs, CPI and producer prices).[65]

C84 Orion sought to reduce potential bias in the development of its escalators by determining expenditure weightings before applying Sapere's forecasts.

C85 Orion also compared the resulting escalators with those produced using the EDB DPP4 cost escalation approach and found that the DPP4 approach would have resulted in higher escalation indices across all capex and opex categories.

The verifier's assessment

C86 The verifier considered that Orion's approach was transparent, reproducible and consistent with established practice and approaches adopted by other EDBs (eg Aurora Energy).[66] It considered Sapere's approach to forecasting the underlying escalation factors to be reasonable.[67]

C87 The verifier also noted that Orion's cost escalation assumptions were more specifically tailored to Orion's cost base than would be the case had it been following DPP4 guidelines. The verifier concluded that the overall cost escalation approach was generally reasonable.[68]

Our conclusion

C88 We are satisfied that the verifier undertook an appropriate review of Orion's methodology and supporting evidence, and we have not identified any issues that would cause us to question its findings or depart from its conclusions. We have relied on the verifier's findings that Orion's cost escalation assumptions are reasonable and appropriately supported. Having considered the verifier's assessment and Orion's supporting information, we agree with the verifier's conclusion and have not made any adjustments to Orion's cost escalation assumptions for the purposes of our draft decision.

[65] GHD "Orion's CPP verification report" (31 March 2026), p. 61: each escalation factor is derived as a weighted combination of the forecast escalation for basic component prices (or "economic factors" such as engineering labour, aluminium, steel, etc) and the estimated percentage composition of each respective component in the particular expenditure programme (transformers, switchgear, vegetation control etc). Escalators for broad capex categories are then derived as weighted combinations of the programme escalators (e.g. zone substations are made up of 35% labour, 30% transformers, 25% switchgear, 10% other).
[66] GHD "Orion's CPP verification report" (31 March 2026), p. 65.
[67] GHD "Orion's CPP verification report" (31 March 2026), p. 65.
[68] GHD "Orion's CPP verification report" (31 March 2026), p. 65.

Our assessment of Orion's electricity demand forecasting approach

What is demand forecasting and why it matters

C89 Demand forecasting estimates future electricity demand and is a key input in assessing whether proposed growth-related capex (eg, system growth and consumer connection capex) is justified.

Orion's approach

C90 Orion developed its demand forecasts by applying forecasts of key demand drivers, including population and urban development, electrification, distributed generation and flexibility measures, to a weather-corrected baseline demand profile. Its forecasts use a range of demographic, economic and customer-specific inputs and are based on a central future energy scenario.[69]

The verifier's assessment

C91 The verifier assessed Orion's demand forecasting assumptions, input data, forecasting methodologies and model implementation. It concluded that Orion's approach is reasonable and fit for purpose, compares favourably with practices adopted by similar utilities in NZ and Australia and is broadly aligned with national scenarios used by Ministry of Business, Innovation and Employment (MBIE) and Transpower. It also noted that Orion's approach was developed with external assistance, benefitting from wide experience.[70]

C92 The verifier concluded that Orion's demand forecasts are appropriate for determining future expenditure that depends on demand growth.[71]

Our conclusion

C93 We consider the verifier's assessment to be comprehensive and have relied on its conclusions. We agree that Orion's demand forecasting approach is consistent with good industry practice and provides a reasonable basis for assessing proposed growth-related capex that depends on demand growth.

[69] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), pp.117-120.
[70] GHD "Orion's CPP verification report" (31 March 2026), p. 79.
[71] GHD "Orion's CPP verification report" (31 March 2026), Executive Summary, p. ii.

Attachment D Unreliability modelling methodology for stakeholder feedback

Purpose of this attachment

D1 In Attachment C, we discussed our use of a modelling approach that attempted to quantify the relationship between proposed expenditure and reliability benefits.[72]

D2 Although we did not rely on the modelling for our draft decision, we provide details of the methodology for transparency and to seek stakeholder views on the potential use of quantitative analysis for our final decision and expenditure assessments in future resets.

D3 This attachment sets out that modelling methodology.

Purpose of the modelling

D4 We set out to indicatively understand whether Orion's proposed customised price-quality path (CPP) expenditure is required to maintain current levels of network reliability, specifically - how much was required and when it was required.[73] To do this, we developed a simplified cost benefit model that compares:

D4.1 the cost of deteriorating reliability if the proposed investment does not occur; and

D4.2 the cost of the proposed expenditure intended to avoid that deterioration.

D5 The analysis is based on a counterfactual scenario in which the proposed uplift in expenditure does not occur and network asset condition declines over time. We then compared the cost of the resulting unreliability with the proposed expenditure uplift.

D6 Our preliminary analysis suggested that the proposed extent of Orion's CPP expenditure uplift did not appear to be justified based on reliability outcomes by a material margin. The analysis also suggested that the expenditure uplift could be occurring earlier than required to maintain existing reliability levels, even under very conservative input assumptions (ie, assumptions tending to favour more investment).

[72] See Attachment C.

[73] Proposed CPP expenditure that affects reliability outcomes includes selected categories for both capex and opex and in our modelling, we considered the effects of those categories that would have the most significant and direct impact on reliability outcomes. This is discussed further below in *Step 3: Estimate the CPP expenditure uplift* section.

D7 While we have not used the modelling to inform our expenditure draft decisions, because reliability is not the only driver of investment, it highlights a gap in evidence that Orion is best-placed to address - in demonstrating that the timing and extent of the proposed expenditure uplift are justified by the risks addressed and benefits expected, in order to meet the expenditure test of prudent and efficient investment.[74]

Overview of methodology

D8 The modelling consisted of four steps:

D8.1 Step 1: Estimate the current cost of unreliability;

D8.2 Step 2: Estimate how unreliability would change if CPP investment did not increase;

D8.3 Step 3: Estimate the expenditure uplift associated with Orion's CPP; and

D8.4 Step 4: Compare the costs and benefits by assessing whether the expenditure uplift is broadly proportionate to the reliability costs it is expected to avoid using a net present value (NPV) analysis.

Step 1: Estimate the current cost of unreliability

D9 We estimated the current cost of unreliability using expected unserved energy (EUE) which measures the economic cost of electricity supply interruptions.

D10 System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) data is only reported for outages that affect customers at medium voltage (MV) and high voltage (HV) levels.

D11 For the HV and MV network, the EUE estimate was based on Orion's reported reliability data and the DPP4 value of lost load.[75] We also incorporated Orion's "no-break" n-1 network assets by assigning them an additional unreliability cost based on its proportion of the network.[76]

[74] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 1.1.4 and cl 5.2.1.

[76] Because of network design, n-1 asset outages in this part of Orion's network will not impact customers, but for completeness, the unreliability cost of these assets needed to be included. Using Orion's security of supply guide in Table F1 of its 2026 AMP, we calculated that the no-break n-1 network assets were 11% by volume when compared to the ID reported SAIDI network. We valued the effect of the n-1 network as incurring 11% of additional unreliability cost based on a network length comparison, by considering that the assets in the 'no-break' n-1 network were generally in a similar condition to those in the ID reported SAIDI reported network.

D12 For the low voltage network, where reliability data is not routinely reported, assumptions were required. We used European regulatory benchmarking data to estimate the relationship between low voltage (LV) and MV/HV reliability to derive an indicative LV unreliability cost.[77]

D13 Together, these estimates provide a baseline measure of the current cost of network unreliability.

Step 2: Estimate unreliability without the CPP investment uplift

D14 Orion's proposal is based on the proposition that, without additional investment, asset condition and network unreliability will deteriorate over time.

D15 To test this proposition, we modelled a scenario where investment remains at approximately pre-CPP levels and asset health declines over a 15-year period. We modelled that network fault rates increase as asset condition worsens. To inform this assumption we referenced the UK Common Network Asset Indices Methodology (CNAIM), which indicates that asset failure rates increase significantly as assets move from good condition to end-of-life condition.[78] We modelled that in 15 years, on average the fault rate on the network will increase by a factor of 20.

D16 The resulting increase in fault rates was used to estimate an increase in EUE costs over time, representing the additional cost of declining reliability compared with the current baseline level of unreliability estimated in Step 1 above.

Step 3: Estimate the CPP expenditure uplift

D17 We estimated the CPP expenditure uplift relative to Orion's forecast expenditure in DY27.

D18 The analysis assumes that some, but not all expenditure directly affects asset health and reliability outcomes, the relevant categories are:

D18.1 ARR capex;

D18.2 Network opex;

D18.3 SONS opex; and

D18.4 Corporate Support opex.

[77] Council of European Energy Regulators (CEER) "7th CEER-ECRB Benchmarking report on the quality of electricity and gas supply" (2022), Table A7, p. 241

[78] Ofgem "DNO Common Network Asset Indices Methodology- Health & Criticality – Version 2.1" (1 April 2021), Table 240, pp. 208-209.

Step 4: Compare costs and benefits

D19 The cost benefit analysis is a simple cost of unreliability versus expenditure uplift trade-off using NPV analysis. No other costs or benefits were assumed. The assumption is that a certain level of expenditure uplift is necessary to offset or avoid worsening network unreliability.

D20 This final step compares the NPV of:

D20.1 the CPP expenditure uplift; and

D20.2 the forecast increase in unreliability costs or EUE cost.

D21 Under this approach:

D21.1 If expenditure uplift NPV exceeds the EUE cost NPV, reliability is being improved and therefore the expenditure uplift may be higher than required.

D21.2 If expenditure uplift NPV is lower than the EUE cost NPV, then reliability is being degraded and therefore the expenditure uplift may be lower than required.

D21.3 If the two are broadly equal, then reliability is being maintained and therefore the expenditure uplift is justified.

Assumptions made

D22 The analysis relies on several simplifying assumptions. These include:

D22.1 assumptions about the reliability performance of the LV network in Step 1;

D22.2 the use of average SAIDI between DY21 and DY26 to calculate the base reliability cost in Step 1;

D22.3 the relationship between asset condition and asset failure rates in Step 2;

D22.4 the extent to which increased asset failures translate into customer interruptions in Step 2;

D22.5 the expenditure categories that contribute to maintaining reliability outcomes in Step 3; and

D22.6 the choice of reference year against which reliability performance is measured when calculating the expenditure uplift in Step 3.

Attachment E Detailed bottom-up analysis of capex

Purpose of this attachment

E1 Table C3 of Attachment C provides a summary of our bottom-up analysis of proposed capex. This attachment sets out that analysis in full for all capex projects and programmes - apart from Network Transformation capex and information and communication technology (ICT) capex which are analysed in Attachment H as those programmes cut across both opex and capex.

E2 As discussed in Attachment C, our initial bottom-up assessment of asset replacement and renewal (ARR) capex programmes focused on whether their need was demonstrated by investment drivers, and whether methods for forecasting replacement volumes and developing cost estimates were reasonable. It did not resolve whether the risks addressed and expected benefits justified the scale, uplift and timing of proposed ARR capex. To address this, we carried out an additional assessment of ARR capex which focused on identifying whether the largest (over $20m) ARR programmes were supported by cost benefit analysis – which we considered to be prudent given the underlying strong performance of Orion's network. This further assessment resulted in an additional reduction in six ARR programmes – as set out in Table E1 below.

Table E1 Bottom-up analysis of capex by project/programme

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

Consumer connection[79]
 	
(reviewed by the verifier)
	146.1	146.1	• The amount proposed for this programme is slightly less when compared to historical expenditure levels from the previous 5 years.
			• The proposed amount of $146.1m was fully verified and is less than what was reviewed by the verifier largely due to a capital contributions policy change since verification arising from an Electricity Authority (EA) regulatory change.
			• Our draft decision is to approve the full amount proposed of $146.1m.
			• We consider this amount meets the expenditure objective because:
			  ○ The proposed amount has been forecasted using a reasonable approach and therefore considered prudent– a base step approach aligned with demand forecasts, known new connections (informed by actual enquiries) and expected future connections forecasted by sector.
			  ○ The amount is efficient as the costs for new connections are based on historical costs per connection providing a reasonable estimate of future connection costs.

[79] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 8.3, pp 139-143; Orion CPP POD70 – Customer connections.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

System growth – Lincoln township[80]
 	
(reviewed by the verifier)
	13.9	13.9	• The proposed investment is to install additional transformer capacity in a new zone substation and cables to the Springston zone substation.
			• Our draft decision is to approve the full proposed amount of $13.9m. This is consistent with the verifier's findings.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by:
			  ▪ Demand growth (population growth of 9.8% per annum) supporting a need for capacity increase.
			  ▪ Age (in addition to being forecasted to exceed their capacity, the two 33/11kV 10MVA transformers at Lincoln are both 58 years old and nearing its expected lifespan of 60 years).
			  ○ The proposed investment is consistent with Orion's planning standards.
			  ○ The project is underpinned by a well-developed business case with alternatives considered and a cost benefit analysis applied. The cost benefit analysis included consideration of a non-network opex solution to defer capex which was justified.
			  ○ The amount is efficient, as cost estimates and accuracy of estimates is reasonable for the stage and nature of the project. Estimates were developed using unit rates from Orion's Pricebook which has been externally reviewed.

System growth – 11kV network reinforcement[81]
 	
(reviewed by the verifier)
	32.6	32.6	• Our draft decision is to approve the full proposed amount of $32.6m. This is consistent with the verifier's findings.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear, driven by consumer connection demand forecasts and required to remediate existing and emerging constraints in the 11kV network (comprises 45% network reconfiguration work and 55% capacity expansion).
			  ▪ We note that the verifier recommended Orion refine its demand forecast using latest data, but our view is that this is unlikely to affect quantum of need.
			  ○ Replacement volumes have been forecasted using a base step and trend modelling approach in lieu of identifying all bottom-up projects based on network modelling. While not ideal, we consider this is a reasonable approach at this time, in light of the demonstrated need driven by the demand forecast.
			  ○ The proposed investment is consistent with Orion's planning standards and policies.
			  ○ The programme has been aligned with other work programmes (eg programmatic renewal work) for cost efficiency purposes.
			  ○ The programme is supported by a well-developed business case, the cost benefit analysis included consideration of a non-network opex solution ($0.38m) to defer capex which was justified.
			  ○ The amount is efficient; cost estimates are reasonable as these have been based on historical project costs.

[80] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 7.4.1.1, pp. 123-124; and Orion CPP CPP017 - Lincoln Growth; GHD "Orion's CPP verification report" (31 March 2026), section 9.4.

[81] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 7.6, pp. 129-131; GHD "Orion's CPP verification report" (31 March 2026), section 9.5, and Orion CPP CPP073 - 11kV Network Reinforcement POD.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

System growth – low voltage (LV) network reinforcement[82]
 	
(reviewed by the verifier)
	59.3	59.3	• The original proposed amount for this programme at the draft verification stage was $76.2m.
			• The verifier did not accept the proposed amount in full, accepting $50.5m, challenging Orion on its demand forecast assumptions (Orion took a risk averse worst-case scenario) and consideration of non-network alternatives.
			• As a result, Orion reconsidered its demand forecast to more prudent levels, adopting a medium growth forecast scenario[83], revising its proposed amount to $59.3m in its proposal. Orion also supplied more information in its proposal on network constraints.
			• The proposed amount is a significant expenditure uplift compared to the previous 5-year period.
			• The programme covers upgrading or installing new 11/0.4kV distribution transformers, 400V overhead conductors and 400V underground cables.
			• Our draft decision is to approve the full revised proposed amount of $59.3m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and supported by a prudent and reasonable demand forecast (as revised by Orion following verifier feedback) and known and modelled network constraints.
			  ▪ Increasing demand and changing usage patterns require Orion to reinforce its LV network to remediate capacity constraints.
			  ▪ Orion is forecasting to remediate 787 known and modelled LV constraints, plus additional LV constraints that are presently unmodelled.
			  ▪ There are currently 530 backlogged LV constraints on the network amounting to $33.3m of the $59.3m.
			  ▪ The remaining $26m is for forecast constraints. Network modelling is incomplete for these but given the need, a pro-rated approach has been applied based on what is known now.
			• The proposed investment is consistent with Orion's policies and planning standards.
			• The proposed investment is supported by a well-developed business case.
			• The amount is efficient as:
			  ○ The programme has been aligned with other work programmes (eg programmatic renewal work) for cost efficiency purposes.
			  ○ We have relied on the verifier's assessment that cost estimates are reasonable, after they challenged these with Orion and later accepted as reasonable.

[82] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 7.7, pp. 132-133, GHD "Orion's CPP verification report" (31 March 2026), section 9.6, and Orion CPP CPP074 - LV Network Reinforcement POD.

[83] Using a 10% probability of exceedance (PoE10) forecast to adequately capture 1 in 10-year weather events driving peak demand and capturing areas where demand growth may exceed the medium growth forecast, eg areas experiencing accelerated in fill development or higher than expected EV uptake.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			• However, we note concerns raised by Baringa in its review of this programme and welcome stakeholder views on whether more should be done by Orion to use capabilities from its Future Networks Programme to confirm and right size actual reinforcement decisions during the customised price-quality path (CPP).

System growth – other projects[84]
 	
(not reviewed by the verifier)
	25.6	25.6	• This programme covers other system growth projects - Templeton zone substation, Lyttleton major supply upgrade, Malvern industrial growth and emergency spare transformers.
			• Our draft decision is to approve the full proposed amount of $25.6m.
			• We consider this amount meets the expenditure objective because:
			  ○ Each project was supported by a business case which demonstrated the need for the investment.
			  ○ The business cases were well-developed and considered options/alternatives.
			  ○ The proposed projects are aligned with Orion's policies and planning standards.
			  ○ The amount is efficient as:
			  ▪ The projects have been aligned with other work programmes for cost efficiency purposes.
			  ▪ Cost estimates are reasonable as these are based on tested unit rates from Orion's Pricebook.

Asset relocations[85] **(not reviewed by the verifier)**	4.6	3.2	• This programme is for expenditure in response to third-party requests to move or alter existing network assets, these parties are typically the owners of infrastructure (such as road or stormwater pipes) located alongside or near network assets. • The amount proposed is a significant increase when compared with historical expenditure levels. • Our draft decision is to approve a lower amount than proposed, ie $3.2m instead of $4.6m. • We consider the reduced amount of $3.2m meets the expenditure objective because we have used a more reasonable basis to forecast expenditure, ie a 5-year historical average as the base for the base step approach instead of DY25 adopted by Orion which is an outlier compared to historical. Using this approach results in a lower amount of $3.2m. ○ Orion considered DY25 expenditure to be likely over the CPP period and has used base step trend modelling adopting DY25 as the base year. The use of DY25 as a base year is not supported, Orion did not provide an explanation for not using historical average spend as the base.
ARR Secondary systems - Protection[86]	19.9	19.9	• Protection assets are critical; they protect primary assets and maintain wider network reliability and safety. • This expenditure category contains a wide range of different protection asset types eg electromechanical relays to microprocessor-based assets. Legacy devices are usually reliable but possess limited functionalities. • Our draft decision is to approve the full amount proposed of $19.9m. This is consistent with the verifier's findings. • We consider this amount meets the expenditure objective because:

[84] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 7.4.1.2 to 7.4.1.4, pp. 122-126; and Orion CPP CPP007 - Templeton Commercial Growth, CPP004 - Malvern Industrial Growth, CPP008 - Lyttelton Port Company Growth and CPP009 - Emergency Spares Transformers.
[85] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 8.4, pp. 143-144; and Orion CPP POD71 – Asset relocations.
[86] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.2, pp. 101-103, GHD "Orion's CPP verification report" (31 March 2026), section 9.12 and Orion CPP ACS07 – Secondary Systems ACS (IV).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
(reviewed by the verifier)			○ The need for the expenditure is clear and driven by a range of investment drivers: ▪ Asset age. ▪ Asset condition. ▪ Loss of vendor support for legacy protection assets. ▪ Obsolescence. ▪ Shortage of trained and skilled staff with expertise to maintain older relay types. ○ Replacement volumes are forecasted using age-based models which we consider reasonable for this portfolio. ○ The amount is efficient as: ▪ Timing of replacement has been aligned with other related assets to achieve cost efficiencies. ▪ Protection system replacement programme is influenced and, in some instances, driven by the schedule of its switchgear replacements or other related work. ▪ Costs have been estimated based on unit rates that have been adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.
ARR Secondary systems – Batteries and DC supplies[87] **(not reviewed by the verifier)**	2.0	2.0	• This programme covers batteries and DC supplies assets – these assets supply protection and relay systems in zone substations so they are crucial assets in the secondary systems assets portfolio. • The amount proposed for this programme is minor but is a significant uplift when compared to historical levels. • Our draft decision is to approve the full amount proposed of $2.0m. • We consider this amount meets the expenditure objective because: ○ Orion's change in asset strategy from reactive to proactive replacement and renewals is prudent ○ The need for the expenditure is clear and driven by several investment drivers: ▪ Asset age, supported by asset age modelling. ▪ Asset condition. ○ The amount is efficient as estimates are based on unit rates (compiled from historical averages) that are adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.
ARR Secondary systems – Communications[88]	2.3	2.3	• This programme covers communications equipment supporting the operation and protection of the distribution network, protection signalling, remote indication and control of network equipment. • The amount proposed for this programme is minor, but a moderate uplift when compared to historical levels. • The majority of the amount proposed is driven by radio replacements, followed by modems, routers and antennas. • Our draft decision is to approve the full amount proposed of $2.3m. • We consider this amount meets the expenditure objective because: ○ The need for the expenditure is clear and driven by several investment drivers:

[87] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.3, pp. 103-104 and Orion CPP ACS07 – Secondary Systems ACS (IV).
[88] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.4, pp. 104-106 and Orion CPP ACS07 – Secondary Systems ACS (IV).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
(not reviewed by the verifier)			▪ Asset age. ▪ Obsolescence. ▪ Asset condition (from regular inspection of sites and functional testing). ○ Replacement volumes are forecasted using an age-based model supported by condition data, which we consider appropriate. Age is a reasonable proxy for failure and obsolescence for communications equipment. ○ The amount is efficient as it is based on unit rates based on average replacement cost for the equipment type (e.g. antenna, radios, modems), adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.
ARR Secondary systems – Signalling and communications cables[89] **(not reviewed by the verifier)**	26.9	26.9	• Signalling and communication cables provide network operation communication to coordinate isolation of primary plant during a fault, and for protection signalling. • The amount proposed for this programme is significant and a large uplift when compared to historical levels and when compared to other comparable electricity distribution businesses (EDBs) (eg Wellington Electricity and Vector). • Orion plans to replace an average of 12km of cables per year during the CPP period, this is a small percentage of the population per annum. • We sought the verifier's view on whether Orion's ownership of the fibre network was common or whether third-party providers were a better option. The verifier advised that ownership and operation of inter-zone substation fibre networks is standard practice for security reasons and that Orion's proposal was reasonable. • Our draft decision is to approve the full amount proposed of $26.9m. • We consider this amount meets the expenditure objective because: ○ The need for the expenditure is clear and driven by a range of investment drivers: ▪ Consequences both current and potential, from current issues being experienced on these assets: – Potential protection failures and primary equipment damage. – Potential compliance issues on protection equipment with fault clearance times. – Operational issues being experienced currently, with the need to use alternate communication methods. ▪ Asset age. ○ Replacement volumes are forecasted using a repex model which we consider a reasonable approach. ○ The amount is efficient as: ▪ Replacements are coordinated with replacements of other assets for cost efficiency purposes (eg with distribution cable replacements while cable trenches are open). ▪ It is based on volumetric unit rates (based on estimated averages covering a wide range of brownfield conditions), adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.

[89] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.5, pp. 106-108, and Orion CPP ACS07 – Secondary Systems ACS (IV).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR Secondary systems – supervisory control and data acquisition (SCADA)[90]
 	
(not reviewed by the verifier)
	1.0	1.0	• SCADA assets provide control and visibility of the distribution network in real time for assets located in zone substations and in the field.
			• The amount proposed is largely consistent with historical expenditure.
			• Our draft decision is to approve the full amount proposed of $1.0m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by a range of investment drivers which are reasonable for this asset category where asset condition is difficult to judge:
			  ▪ Asset age.
			  ▪ Level of manufacturer support.
			  ▪ Timing of replacement is driven by zone substation work programmes.
			  ○ The amount is efficient as:
			  ▪ Timing of replacement is coordinated with other zone substation work programmes for cost efficiency purposes.
			  ▪ It is based on unit rates (based on estimated averages covering hardware replacement costs over a wide range of brownfield conditions), adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.

ARR Secondary systems – Metering[91]
 	
(not reviewed by the verifier)
	0.8	0.8	• The asset fleet covers high voltage customer metering, Transpower grid exit point metering, power quality monitoring, and LV monitoring.
			• The amount proposed is a significant increase when compared with historical expenditure levels.
			• Our draft decision is to approve the full amount proposed of $0.8m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by a range of investment drivers:
			  ▪ Asset age.
			  ▪ Risks with level of manufacturer support.
			  ▪ Lack of specialist knowledge to maintain.
			  ▪ Limited functionality from older meters.
			  ▪ Nature of the assets, challenging to judge condition despite regular testing and inspection.
			  ▪ Orion's change in asset strategy for older legacy assets from reactive to proactive replacement based on age is prudent.
			  ○ The amount is efficient as it is based on unit rates (based on estimated averages covering metering replacement costs over a wide range of brownfield conditions), adopted from Orion's Pricebook which was externally reviewed by Ergo Consulting.

[90] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.6, pp. 108-109 and Orion CPP ACS07 – Secondary Systems ACS (IV).
[91] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.9.7, p. 110 and Orion CPP ACS07 – Secondary Systems ACS (IV).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR Distribution switchgear – Pole mounted fuses[92]
 	
(not reviewed by the verifier)
	5.6	4.5	• The amount proposed is a significant increase when compared with historical expenditure.
			• The historical run to failure strategy deemed no longer appropriate for high-risk areas, moving to a proactive replacement approach.
			• This programme of work is to replace fuses in rural areas and/or areas with dry grass, such as the Port Hills, with sparkless fuses, which are designed to minimise fire risk from fuse operation.
			• Our draft decision is to approve a lower amount than proposed, ie, $4.5m instead of $5.6m.
			• We consider the $4.5m amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by:
			  ▪ Fire exposure risk from older fuse types in high fire risk areas.
			  ▪ A change in asset strategy from historical run to failure to proactive replacement.
			  ○ Replacement volumes adequately forecasted using a repex model (excluding sparkless fuses) which we consider reasonable.
			  ○ Amount is efficient as:
			  ▪ Opportunistic replacement of fuses is aligned with pole replacements for cost efficiency purposes.
			  ▪ Costs have been estimated using volumetric unit rates based on an estimated average cost covering a wide range of brownfield conditions, sourced from Orion's Pricebook which has been externally reviewed.
			  ○ The unapproved amount of $1.0m [93] does not meet the expenditure objective. This amount reflects reduced replacement volumes of pole mounted fuses as these are linked to the vulnerable pole replacement programme where we have approved replacement for only 50% of vulnerable poles (see discussion at *ARR Overhead structures – Vulnerable poles* section in this table).

ARR Distribution switchgear – Ground mounted switchgear[94] **(reviewed by the verifier)**	53.4	53.4 (pre-additional ARR adjustment of 16.6m)	• The amount proposed ($53.4m) is a significant increase when compared with historical expenditure. Our initial assessment showed, consistent with the verifier's findings, that the proposed amount of $53.4m was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving this level of expenditure uplift, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at the scale and timing proposed. As Orion did not undertake that analysis, we do not consider that the full proposed expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $16.6m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.

[92] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.7.2, p. 90-91 and Orion CPP POD16 – Pole mounted fuses.
[93] The amount is not $1.1m because of rounding. The proposed amount is $5,559,815 and approved amount is $4,534,908, the difference is $1.0m.
[94] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.7.3, pp. 91-92 and GHD "Orion's CPP verification report" (31 March 2026), section 9.10, p. 168-175 and Orion CPP POD17 – Ground mounted switchgear.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
ARR Distribution switchgear – Enclosures[95] **(reviewed by the verifier)**	64.7	64.7 (pre-additional ARR adjustment of 21.1m)	• The amount proposed ($64.7m) is a significant increase when compared with historical expenditure. Our initial assessment showed, consistent with the verifier's findings, that the proposed amount of $64.7m was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving this level of expenditure uplift, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at the scale and timing proposed. As Orion did not undertake that analysis, we do not consider that the full proposed expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $21.1m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.

ARR overhead conductor – sub-transmission[96]
 	
(not reviewed by the verifier)
	6.5	1.9	• The expenditure in this programme relates to reconductoring of 66kV and 33kV sub-transmission lines.
			• The amount proposed is an increase when compared with historical expenditure.
			• Orion operates about 515 route km of overhead sub-transmission conductor that is predominantly aluminium conductor steel-reinforced (ACSR) and some copper.
			• Our draft decision is to approve a lower amount than proposed of $1.9m instead of $6.5m.
			• We consider this is consistent with the expenditure objective as based on the information before us, there is inconsistency in Orion's proposal documentation:
			  ○ Main proposal amount ($6.5m) and Project Overview Document (POD) amount ($1.9m) are inconsistent.
			  ○ The allowance has been set at the proposal POD amount until an adequate description and justification for the BRM-HTE 66kV reconductoring project line item in the forecast model has been made.
			• The inconsistency issue aside, we consider that the approved amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by a range of investment drivers:
			  ▪ Age.
			  ▪ Change in asset strategy to proactive replacement.
			  ▪ Compliance – to address under-clearance violations.
			  ▪ Asset condition:
			  – Health of conductors is assessed through preventive maintenance inspections and condition testing (including Cormon testing).
			  – Certain coastal 66kV circuits exhibit elevated corrosion and deterioration, including loss of zinc coating and strand degradation.
			  ▪ Exposure to safety risk from downed conductors.

[95] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.7.4, pp. 93-95 and GHD "Orion's CPP verification report" (31 March 2026), section 9.11 and Orion CPP POD18 – Enclosures.
[96] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.4.2, pp. 69-71 and Orion CPP POD04 – Sub transmission conductors.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			○ Replacement volumes are adequately forecasted using age-based modelling supported by condition data and safety/risk assessments, which we consider reasonable. Age-based modelling is undertaken by conductor type, size, and corrosion zone (similar to Transpower). ○ The amount is efficient as costs were estimated using building block unit rates (based on average costs covering a wide range of brownfield conditions) which were recently externally tested.
ARR overhead conductor – distribution[97] **(not reviewed by the verifier)**	6.2	6.2	• This programme relates to reconductoring of 11kV distribution lines. • Orion operates about 3,125 route km of overhead distribution conductor that is predominantly ACSR and some copper and aluminium. • The amount proposed is an increase when compared with historical expenditure. • Our draft decision is to approve the full proposed amount of $6.2m. • We consider this amount meets the expenditure objective because: ○ The need for the expenditure is clear and driven by: ▪ Asset condition. ▪ Safety risk exposure with some conductor types, eg older copper conductors which are failing. ○ Replacement volumes have been adequately forecasted using repex modelling, with models forecasting the volumes of conductor of each type and size. Corrosion zones are used to identify most at-risk assets needing to be replaced. ○ The amount is efficient with costs estimated using building block unit rates based on estimated average costs covering a wide range of brownfield conditions.
ARR overhead conductor – LV[98] **(not reviewed by the verifier)**	10.3	5.2	• This programme relates to reconductoring of 400V distribution lines. • Orion operates about 2,300 route km of overhead LV conductor that is predominantly older copper. • The amount proposed is a significant increase when compared with historical expenditure which is virtually zero. • Our draft decision is to approve a lower amount than proposed, ie $5.2m instead of $10.3m. • The approved amount of $5.2m (50% of proposed) meets the expenditure objective because: ○ As Orion has set out, the current condition of the fleet is good. ○ Although Orion uses a proactive replacement approach with repex modelling, there is limited condition or failure rate data to confirm repex model outcomes and replacement which led to our view that the amount proposed by Orion overstated the expenditure needed. ○ Despite safety risk being a likely investment driver with some conductor types, eg copper, there is limited failure data to confirm need, and no safety risk analysis has been presented. ○ We consider that some expenditure is necessary, but the full amount proposed is not supported. ○ It is difficult to rely on historical baselines given expenditure is virtually zero.

[97] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.4.3, pp. 71-73 and Orion CPP POD05 – Distribution conductors.
[98] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.4.4, pp. 73-74 and Orion CPP POD06 – Low voltage conductors.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			○ In light of the above, we consider that the amount we have approved (ie 50% of proposed expenditure) meets the expenditure objective. ○ We also note that Orion has a DY28 study planned to assess prioritisation of replacement.
ARR underground cable – sub-transmission[99] **(reviewed by the verifier)**	69.0	69.0	• The expenditure relates to a programme of work to replace 66kV oil filled underground cables – these are high criticality assets delivering power from Transpower grid exit points (GXPs) to Orion zone substations. • The amount proposed is a significant increase when compared with historical expenditure. • Our draft decision is to approve the full proposed amount of $69.0m. This is consistent with the verifier's findings. • We consider this amount meets the expenditure objective because: ○ The need for the expenditure is clear and driven by a range of investment drivers: ▪ Age. ▪ Asset condition – cable insulation degradation tests and increasing oil leaks indicate cables are in declining health despite asset failure rate data suggesting reliability is improving. ▪ Risk exposure from needing specialist skills which is in short supply for oil filled cable jointing: – Replacement with newer cross-linked polyethylene (XLPE) cable type would remove the need for specialist oil filled cable jointing requirement. ▪ Resilience risk exposure (seismic risk) prompting need for cable route diversity and change network architecture from radial to meshed arrangement: – The verifier noted this is a key driver for replacement rather than asset condition. ○ Proposed expenditure is supported by quantitative evidence demonstrating that the investment is justified: ▪ Orion business case included outage risk analysis that supported its proposed plan to change its network architecture when compared to the like for like network architecture option. ○ Replacement volumes are not inconsistent with other major EDBs (see Figure 57 IV report). ○ Costs have been developed based on a specific design and using tailored estimates (±30%accuracy reflecting uncertainty in pricing but not scope), based on building block unit rates sourced from Orion's Pricebook which has been externally reviewed.

[99] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.5.2, pp. 75-78 and GHD "Orion's CPP verification report" (31 March 2026), section 9.13, p. 197 and Orion CPP BC007 – Central city cable renewal.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
ARR underground cable – distribution[100] **(reviewed by the verifier)**	49.9	49.9 (pre-additional ARR adjustment of 15.6m)	• This expenditure relates to 11kV cables delivering power from Orion zone substations to the wider network. We accept the underlying need for the proposed expenditure, but we are not satisfied that that the scale, uplift and timing of the expenditure meets the expenditure objective. • The amount proposed ($49.9m) is a significant increase when compared with historical expenditure. Our initial assessment showed, consistent with the verifier's findings, that the proposed amount was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving this level of expenditure uplift, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at the scale and timing proposed. As Orion did not undertake that analysis, we do not consider that the full proposed expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $15.6m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.

ARR underground cable – LV[101]
 	
(not reviewed by the verifier)
	2.8	2.8	• The expenditure covers reconductoring of 400V distribution cables.
			• Orion operates about 3,300 route km of LV cable conductor that is predominantly PILC, PVC and XLPE cable types.
			• The amount proposed is an increase when compared with historical expenditure which is very low.
			• Our draft decision is to approve the full proposed amount of $2.8m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by:
			  ▪ Age.
			  ▪ Orion moving to a more proactive replacement strategy for known older asset types:
			  – Inspections are limited, as fleet is generally less than 40 years old.
			  ○ Replacement volumes have been adequately forecasted using repex modelling which we consider is reasonable.
			  ○ The amount is efficient as costs are estimated using volumetric unit rates reflecting estimated average cost covering a wide range of brownfield conditions (including trenching, reinstatement, jointing, and traffic management).

ARR distribution transformers – ground and pole mounted transformer[102]	16.3	16.3	• The proposed amount is a significant increase when compared with historical expenditure.
			• Our draft decision is to approve the full proposed amount of $16.3m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by several investment drivers:
			  ▪ Exposure to safety and fire risk for some ground mounted units:

[100] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.5.3, pp. 78-80 and GHD "Orion's CPP verification report" (31 March 2026), section 9.9, pp. 161-167 and Orion CPP POD08 – Distribution cables.
[101] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.5.4, pp. 80-81 and Orion CPP POD09 – Low voltage cables.
[102] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.8.2, pp. 96-98 and Orion CPP POD20 – Distribution transformers.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
(not reviewed by the verifier)			– Some replacements of ground mounted units due to safety risk and exposure to fire - 200 units at customer premises pose a fire risk. Orion operate a run to failure strategy for smaller units. ▪ Asset condition – for both ground mounted and pole mounted units. ▪ Age: – Large volume of ground mounted units reaching end of life each year - plan is to undertake proactive replacements from FY26. ▪ A change in asset strategy by Orion moving towards proactive replacements from reactive in past periods: – Proactive replacements between FY21 and FY25 were limited due to prioritising other asset replacements. ○ Replacement volumes adequately forecasted for both fleets using repex modelling supported by condition assessment (for prioritisation of work) and safety risk assessments. ○ The amount is efficient as costs have been estimated using volumetric unit rates sourced from Orion's Pricebook which has been externally reviewed: ▪ Unit rates for ground mounted units based on the historical average replacement cost. ▪ Pole mounted unit rate costs assume single replacement cost that represents an average across all types and sizes.
ARR distribution transformers – voltage regulators and capacitors[103] **(not reviewed by the verifier)**	5.2	5.2	• This expenditure programme is for assets that manage network voltages to ensure customers can operate electrical equipment and to meet regulatory power quality obligations. • Failure of voltage regulators and capacitors do not always lead to an outage but result in loss of reactive support and low network voltages. • The proposed amount is a significant increase when compared with very low historical expenditure, historically renewals have been limited to reactive capacitor replacements only. • Our draft decision is to approve the full proposed amount of $5.2m. • We consider this amount meets the expenditure objective because: ○ The need for the expenditure is clear and driven by: ▪ Asset condition - with condition assessments identifying many assets in very poor asset health. ▪ A change in asset strategy by Orion moving towards a more proactive strategy than previous. ○ Replacement volumes have been adequately forecasted using repex models supported by condition assessment data which we consider reasonable. ○ The amount is efficient as costs have been estimated using unit rates (based on historical average replacement costs) sourced from Orion's Pricebook which has been externally reviewed.

[103] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.8.3, p. 99-100 and Orion CPP POD22 – Voltage regulators and capacitors.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR distribution transformers – generators[104]
 	
(not reviewed by the verifier)
	0.2	0.2	• This expenditure relates to expected costs associated with 14 mobile/standby generators and building generators.
			• Historical expenditure has been inconsistent and reflective of reactive maintenance approach.
			• Our draft decision is to approve the full proposed amount of $0.2m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need for the expenditure is clear and driven by:
			  ▪ Asset age.
			  ▪ Asset condition.
			  ○ Replacements have been adequately forecasted using asset age modelling and Orion's understanding of asset condition.
			  ○ The amount is efficient as cost have been estimated by using unit rates based on historical average replacement and maintenance costs.

ARR Zone substations – Addington outdoor (OD) switchgear and transformer[105]
 	
(reviewed by the verifier)
	11.4	11.4	• Our draft decision is to approve the full proposed amount of $11.4m. This is consistent with the verifier's findings.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by a range of investment drivers:
			  ▪ Load growth.
			  ▪ Asset age.
			  ▪ Asset condition eg switchyard asset corrosion.
			  ▪ Fire safety risk of existing transformer location.
			  ▪ Health and safety risk for eg, due to age and condition of oil circuit breakers.
			  ▪ Inconsistency of design with modern standards eg, switchyard design.
			  ○ The proposed expenditure is consistent with Orion's planning standards and policies and repex models for replacements were tested and found to be reasonable.
			  ○ Expenditure is supported by well-developed business cases which included options testing, cost benefit analysis and quantified risk assessments.
			  ○ The amount is efficient as costs are considered reasonable as these were estimated using building block unit rates (sourced from Orion's Pricebook which has been externally reviewed), quantified to match the scope of works and appropriate for this type of work.

[104] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.8.4, pp. 100-101.
[105] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.6.2, pp. 82-85 and GHD "Orion's CPP verification report" (31 March 2026), section 9.14, and Orion CPP BC010F – Addington 66kV OD Switchgear and Transformer Replacement – Business Case V1.0.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR Zone substations – Power transformers, buildings and grounds, and ancillary equipment[106]
 	
(not reviewed by the verifier)
	10.6	10.6	• The proposed expenditure consists of refurbishment of zone substation power transformers, renewal of zone substation buildings and grounds assets and replacement of end of life zone substation ancillary equipment:
			  ○ Power transformers are high value, critical, long lead time network assets.
			  ○ Buildings house substation switchgear and secondary systems.
			  ○ Ancillary equipment fleet includes load management equipment, being ripple controllers, ripple transmitters, and coupling cells. Load management equipment used to manage peak loads and very effectively defers primary asset capex capacity investment.
			• The proposed amount is an uplift when compared to historical expenditure.
			• Our draft decision is to approve the full proposed amount of $10.6m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by a range of investment drivers:
			  ▪ Asset condition.
			  ▪ Known reliability issues – for eg, there are reliability issues with ageing static frequency converters (ripple transmitters), which are prone to failure with age.
			  ▪ Asset age.
			  ▪ Exposure to seismic risk for buildings and grounds (seismic assessments were completed after the Christchurch earthquake but some remain unresolved).
			  ○ Replacement volumes have been adequately forecasted using several approaches which we consider reasonable:
			  ▪ Repex models supported by asset condition data (for power transformers):
			  – Assessments for transformer replacement were tested by the verifier for the Addington project and found to be reasonable.
			  ▪ Base trend approach for buildings and grounds with the base year reflecting recent actual expenditure on recurring works and adjusted for abnormal items.
			  ▪ Age-based approach for ancillary equipment.
			  ○ The proposed investment is consistent with Orion's planning standards.
			  ○ The proposed expenditure is supported by well-developed business cases.
			  ○ The amount is efficient as cost estimates are reasonable and developed based on unit rates from Orion's Pricebook which has been externally reviewed.

[106] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.6.3.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR Zone substations – Shand Road ZS rebuild [107]
 	
(not reviewed by the verifier)
	10.7	10.7	• Our draft decision is to approve the full proposed amount of $10.7m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by a range of investment drivers:
			  ▪ Load increase.
			  ▪ Asset condition (transformers exhibiting increased risk of failure).
			  ▪ Asset age (switchgear).
			  ▪ Lack of spares (switchgear).
			  ▪ Exposure of building to seismic risk.
			  ○ The proposed investment is supported by customers according to Orion.
			  ○ The proposed investment is consistent with Orion's policies and procedures.
			  ○ The proposed expenditure is supported by well-developed business cases with alternatives considered and cost benefit analysis applied.
			  ○ The amount is efficient as cost estimates are reasonable and are tailored estimates based on building block unit rates from Orion's Pricebook which has been externally reviewed.

ARR Zone substations – Dallington ZS 11kV switchboard replacement[108]
 	
(not reviewed by the verifier)
	6.1	6.1	• Our draft decision is to approve the full proposed amount of $6.1m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by a range of investment drivers:
			  ▪ Asset condition.
			  ▪ Exposure to fire risk (relevant for bulk oil switchgear and switchboard assets).
			  ▪ Exposure to risk of causing downstream operational issues (relevant for bulk oil switchgear and switchboard assets).
			  ▪ Lack of spares (for circuit breakers).
			  ▪ Consistency with modern substation design standards.
			  ○ The proposed investment is supported by well-developed business cases with alternatives considered and cost benefit analysis applied.
			  ○ The proposed investment is consistent with Orion's policies and procedures.
			  ○ The amount is efficient as cost estimates are reasonable, developed using tailored estimates based on building block unit rates sourced from Orion's Pricebook which has been externally reviewed.

[107] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.6.2, pp. 82-85 and Orion CPP CPP025 - Shands Rd ZS Asset Replacement.
[108] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.6.2, pp. 82-85 and Orion CPP CPP019 - Dallington ZS 11kV Switchboard Replacement.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective

ARR Zone substations – McFaddens ZS 11kV switchboard replacement[109]
 	
(not reviewed by the verifier)
	6.3	6.3	• Our draft decision is to approve the full proposed amount of $6.3m.
			• We consider this amount meets the expenditure objective because:
			  ○ The need is clear and driven by a range of investment drivers:
			  ▪ Asset condition.
			  ▪ Exposure to fire risk (relevant for bulk oil switchgear and switchboard assets).
			  ▪ Exposure to risk of causing downstream operational issues (relevant for bulk oil switchgear and switchboard assets).
			  ▪ Lack of spares (for circuit breakers).
			  ▪ Consistency with modern substation design standards.
			  ○ The proposed expenditure consistent with Orion's policies and procedures.
			  ○ The proposed investment is supported by well-developed business cases with alternatives considered and cost benefit analysis applied.
			  ○ The proposed investment is supported by customers according to Orion.
			  ○ The amount is efficient as cost estimates are reasonable, developed using tailored estimates based on building block unit rates sourced from Orion's Pricebook which has been externally reviewed.

ARR Zone substations – minor projects[110] **(not reviewed by the verifier)**	21.0	21.0	• Our draft decision is to approve the full proposed amount of $21.0m. Amount relates to 8 smaller zone substation projects under $5m. • We consider this amount meets the expenditure objective because: • The need is clear and driven by a range of investment drivers: • Asset age and condition. • Exposure to fire risk (relevant for switchgear and switchboard assets). • Seismic risk. • Exposure to risk of causing downstream operational issues (relevant for switchgear and switchboard assets). • Lack of spares (for circuit breakers). • Consistency with modern substation design standards. • Proposed expenditure consistent with Orion's policies and procedures. • Proposed investments are supported by well-developed business cases with alternatives considered and cost benefit analysis applied. • Proposed investments are supported by customers according to Orion.

[109] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.6.2, pp. 82-85 and Orion CPP CPP020 - McFaddens ZS 11kV Switchboard Replacement.
[110] Includes CPP018 - Middleton ZS 11kV CB replacement and building ($1.2m), CPP023 and Halswell 66kV CB replacement and building ($2.2m), CPP003 - Diamond Harbour ZS 33kV ODID conversion ($0.6m), CPP001 - Darfield ZS replacement ($2.8m), CPP010 - Hororata ZS 33kV ODID conversion and transformer replacement ($4.4m), CPP005 - Bankside ZS 11kV switchgear replacement ($2.4m), CPP006 - Portman ZS 11kV switchboard replacement ($3.5m) and CPP012 - Moffet St 11kV switchgear replacement ($3.9m).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			• The project amounts are efficient as cost estimates are reasonable, developed using tailored estimates based on building block unit rates sourced from Orion's Pricebook which has been externally reviewed.
ARR overhead structures - Poles[111] **(reviewed by the verifier)**	71.1	59.4 (pre-additional ARR adjustment of 17.2m)	• Orion proposed $71.1m, higher than the proposed amount of $65.8m at the time of verifier review, it did not explain why. The verifier accepted $59.4m to reflect its recommendation that 25% of poles Orion proposed for replacement should be reinforced instead. • We agreed with the verifier's findings that only the $59.4m was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving even this lower level of expenditure uplift than the amount originally proposed, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at this scale and timing. As Orion did not undertake that analysis, we do not consider that this expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $17.2m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.

ARR overhead structures – vulnerable poles[112]
 	
(reviewed by the verifier)
	8.9	4.5	• This programme relates to poles on the electricity network that Orion considers to be at high risk from wildfires and slips.
			• The proposed expenditure is to proactively replace wooden poles in high risk wildfire areas (rural, hilly areas) with more fire-resistant poles.
			• This is a resilience risk programme in a region that has experienced numerous wildfires in recent times.
			• The verifier did not accept any of the proposed expenditure as at the time of verification, no options analysis, need and benefit had been demonstrated by Orion.
			• Orion's proposal contained a consideration of alternative options but there was no quantification of the risk or consequence before and after the proposed investment.
			• Our draft decision is to approve a lower amount than proposed, ie $4.5m instead of $8.9m. This is partially consistent with the verifier's findings.
			• We consider this amount meets the expenditure objective:
			  ○ While the need for the expenditure is clear ie, the resilience risk is evident, based on information provided, the full amount cannot be supported as the risk has not been quantified.
			  ○ We consider replacement volumes should be reduced to more prudent levels at 50% of the proposed amount.

[111] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.3.2, pp. 62-65 and GHD "Orion's CPP verification report" (31 March 2026)section 9.7, and Orion CPP CPP066 - Poles (POD01).
[112] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.3.2, pp. 62-65 and GHD "Orion's CPP verification report" (31 March 2026) section 9.8, and Orion CPP CPP084 – Wildfire risk poles (POD01A).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			○ This is similar to decisions we made on Transpower RCP4 resilience use-it-or-lose-it (UIOLI) and Powerco Gas DPP4 resilience risk programmes where we acknowledge that because risk exists and some expenditure is likely justified, we accept 50% of what has been proposed. • We encourage Orion to develop a quantified risk analysis framework to support these types of resilience risk investments.
ARR overhead structures – Telecom poles[113] **(not reviewed by the verifier)**	25.6	23.1 (pre-additional ARR adjustment of 7.3m)	• This is a new programme of expenditure for poles which Orion has LV assets on, which will transition into its ownership. • Our initial assessment showed that a lower amount ($23.1m) than the proposed $25.6m was reasonable to reflect that 25% of the poles Orion proposed for replacement should instead be reinforced - consistent with verifier recommendations for similar poles in the ARR Poles programme. Other than this, the amount was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving even this lower level of expenditure uplift than the amount originally proposed, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at this scale and timing. As Orion did not undertake that analysis, we do not consider that this expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $7.3m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.
ARR overhead structures – Crossarms[114] **(not reviewed by the verifier)**	31.9	31.9 (pre-additional ARR adjustment of 9.9m)	• The proposed expenditure is to replace crossarm assemblies (and related components) attached to poles, to proactively replace poor condition crossarms over the CPP period. • Our initial assessment showed that the proposed amount was reasonable when assessed from the perspective of appropriateness of investment drivers, volume forecasting approaches and cost efficiency. • However, for a programme of this scale and involving this level of expenditure uplift, we consider that a prudent supplier would assess the costs and expected benefits of proceeding at the scale and timing proposed. As Orion did not undertake that analysis, we do not consider that the full proposed expenditure meets the expenditure objective. • We therefore applied an additional adjustment of $9.9m to arrive at an allowance that we consider meets the expenditure objective. Attachment C explains our approach in more detail.
ARR overhead structures – Steel structures[115]	17.6	17.6	• Our draft decision is to approve the full amount proposed of $17.6m. • We consider this amount meets the expenditure objective because: ○ The need for the investment is clear and driven by renewal requirements triggered by: ▪ Age - most towers are at least 50 years old and require routine inspection and maintenance and proactive refurbishment to keep them in good serviceable condition. ▪ Asset condition:

[113] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.3.2, pp. 62-65 and Orion CPP CPP085 - Telecommunications Poles (POD01B).
[114] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.3.3, pp. 65-67 and Orion CPP CPP067 - Crossarms (POD02).
[115] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 6.3.4, pp. 67-69 and Orion CPP CPP068 - Steel Structures (POD03).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
(not reviewed by the verifier)			– Detailed condition assessment occurs every five years and identifies the need for grillage refurbishment, tower painting and recoating, and replacement of tower degraded steel and bolts as needed. – The main cause of degradation is corrosion, driven by the corrosiveness of the area in which towers are located and their age which is a measure of how long they have been exposed to corrosive conditions. – Approximately 40% of towers are painted, however many of these are now due, or overdue, for their 12-to-20-year re-coat cycle. Tower painting was previously deprioritised due to expenditure constraints. ○ Replacement and renewal volumes are based on asset health modelling that includes consideration of corrosion zone, current condition and tower type. ○ The amount is efficient as costs have been estimated based on unit cost rates sourced from Orion's Pricebook which was externally reviewed.
Reliability, safety and environment[116] **(not reviewed by the verifier)**	15.8	15.8	• The amount proposed is a significant decrease when compared with historical expenditure levels. • This programme covers smaller, targeted investments in new dedicated assets in response to safety risks, localised reliability issues, and compliance needs. • Our draft decision is to approve the full amount proposed of $15.8m. • We consider this amount meets the expenditure objective because: ○ The amount forecasted is lower than historical reliability, safety and environment (RSE) capex, primarily because a large safety focused programme for fuse relocation is scheduled for completion in DY27. ○ The amount forecasted has been developed based on a bottom-up assessment of expenditure needs. ○ The amount is efficient, with costs estimated using unit rates (based on historical costs, vendor pricing, high-level estimates) adopted from Orion's Pricebook which has been externally reviewed.
Other non-network capex – planned routine corporate capex[117] **(not reviewed by the verifier)**	13.2	13.2	• The proposed amount is reasonably consistent with DY21 to DY25 expenditure with a significant cost in DY26 for accelerated head office refresh and slightly larger-than-normal year for vehicle replacements, due to expansion associated with bringing the project management office function back in-house. • Our draft decision is to approve the full proposed amount of $13.2m. • We consider this amount meets the expenditure objective because: ○ The need is clear and driven by the scale of the work programme during the CPP period: ▪ General increase in proposal reflects business and workforce growth. Forecast includes vehicle costs, corporate property costs, and equipment costs. ▪ Vehicle costs estimated based on increased need to carry out work programme. ▪ Property costs for upgrade of existing sites to reflect steady state expenditure after DY26 expenditure. ▪ Equipment costs based on trend of historical expenditure.

[116] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 8.5, pp.145-148 and Orion CPP POD72 – Reliability, Safety and Environment.
[117] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 9.4, pp. 152-154 and Orion CPP POD CPP078 – Non network capex.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of capex against the expenditure objective
			○ The amount forecasted has been developed based on a bottom-up assessment of needs (as data was available). ○ The amount forecasted is reasonably consistent with DY21-DY25 historical expenditure with CPP related uplift. ○ The amount is efficient as cost estimates are based on historical average replacement costs and developed based on a bottom-up assessment of needs which provides a more accurate forecast.
Other non-network capex – planned non-routine corporate capex[118] **(not reviewed by the verifier)**	3.4	3.4	• The proposed amount is minor but an uplift when compared to historical expenditure. • Plan is to invest $2.5m in expanding head office capacity to accommodate the additional workforce required to deliver CPP programme, $0.6m for a fuel storage facility, and $0.5m for oil storage facility. • Our draft decision is to approve the full proposed amount of $3.4m. • We consider this amount meets the expenditure objective because: ○ the need is clear and driven by a range of investment drivers: ▪ Addressing of space capacity constraints to accommodate staff: – Plan is to lease space for up to 50 staff from the beginning of FY28 - flexible and cost-effective solution for addressing short to medium term capacity constraints. ▪ Strengthen fuel resilience: – Fuel storage facility provides diesel storage to strengthen fuel resilience and ability to maintain operations and support emergency response activities. ▪ Reduce lifecycle costs and environmental impacts: – Oil storage and handling facility with increased capacity to refurbish transformer oil. Investment will enable Orion to reuse all transformer oil, reduce lifecycle costs and environmental impacts relative to disposal and replacement. – Current oil handling capability is limited, which constrains ability to efficiently reuse transformer oil and adopt alternative insulating fluids. Orion currently disposes of approximately 24,000 litres of transformer oil each year, representing an avoidable cost and environmental impact. ○ Alternatives were considered and justification was reasonable with some use of cost benefit analysis. ○ The amount is efficient as costs were market tested against alternative options.

[118] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 9.5, pp. 154-155 and Orion CPP CPP021 Project Justification - Head Office Capacity Expansion, and POD CPP078 – Non network capex.

Attachment F Our assessment of proposed opex

Purpose of this attachment

F1 This attachment outlines our draft decisions on the customised price-quality path (CPP) opex allowances. It also describes the review steps we undertook to inform our draft decisions on the appropriate levels of opex for Orion's CPP, the adjustments we made to Orion's proposed opex, and why our approved allowances meet the expenditure objective.

F2 All references to financial values of expenditure in this attachment are in DY26 constant dollars unless otherwise stated.

Structure of this attachment

F3 Table F1 sets out the structure of this attachment.

Table F1 Structure of this attachment

Title	Description of content
Summary of our opex draft decisions	• Our draft decisions for Orion's CPP opex allowances • Describes the reductions we have made to Orion's proposed CPP opex allowances following our assessment against the expenditure objective which included both: ○ a bottom-up review; and ○ an efficiency improvement review
Our bottom-up assessment has resulted in category-specific opex reductions	• Sets out bottom-up reductions, resulting approved allowances and explains why those allowances meet the expenditure objective
What a comparison of Orion's category level opex data tells us	• Describes our review of opex data published under ID regulation by Orion and its peers, as part of our bottom-up assessment
We applied efficiency adjustments to Orion's proposed opex	• Our analysis on opex efficiency improvements we have applied across Orion's proposed CPP opex allowances

Summary of our opex draft decisions

F4 Our draft decision is to approve total opex allowances for Orion's five-year CPP period between DY28 and DY32 (1 April 2027 to 31 March 2032) of **$535.9m**.

F5 This is an overall reduction of $42.2m (7.3%) to the total opex allowance of $578.1m proposed by Orion in its CPP application.

F6 The reductions we have made consist of:

F6.1 adjustments to reflect our findings from a bottom-up review of all opex programmes for years 1 to 5 of the CPP, totalling **$27.7m**; and

F6.2 an efficiency adjustment to most opex categories reflecting efficiency gains we expect should arise in those categories from the nature of Orion's investment, totalling **$14.5m**.

F7 Table F2 set out our draft decision opex allowances for each year of the CPP period, relative to those proposed by Orion in its CPP application.

Table F2 Orion CPP opex allowances ($m, DY26 constant dollars) – draft decision[119]

	DY28	DY29	DY30	DY31	DY32	Total
Orion CPP proposal	109.3	115.2	117.2	119.0	117.5	578.1
Bottom- up adjustments	(3.1)	(6.0)	(6.2)	(6.2)	(6.2)	(27.7)
Opex efficiency adjustments	(1.1)	(1.8)	(2.4)	(3.9)	(5.2)	(14.5)
CPP draft decision	105.1	107.3	108.6	108.9	106.0	535.9

Why this aspect of Orion's CPP matters

F8 Opex is directed at meeting the day-to-day operating costs of Orion's business, and our decisions on opex allowances directly affect the level of revenues Orion is allowed to recover from its customers during the CPP period through lines charges on electricity bills.

F9 Orion provided us with a detailed plan of opex it considers is required for the 5-year CPP period. We have assessed whether the proposed opex is prudent and efficient and meets the expenditure objective as required by the input methodologies (IMs).[120] Our aim is to ensure that customers do not pay for expenditure that may not be needed or is unable to be delivered.

Our assessment of proposed opex against the expenditure objective consisted of two steps

F10 In Attachment B, we described the overall approach we applied in assessing Orion's proposed CPP expenditure against the expenditure objective. In relation to proposed opex, our assessment against the expenditure objective comprised:

[119] Numbers may not add exactly due to rounding.
[120] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026).

F10.1 bottom-up assessment of opex by expenditure category complemented by a comparison analysis of opex with that of comparable electricity distribution businesses (EDBs); and

F10.2 an efficiency improvement assessment.

F11 The sections that follow in the rest of this attachment describe those assessments.

Our bottom-up assessment supports most proposed opex, with targeted reductions

F12 We performed a bottom-up assessment of Orion's proposed opex by expenditure category to determine if that opex was prudent and efficient in line with the expenditure objective.[121]

F13 This resulted in category-specific opex reductions totalling **$27.7m** for the CPP period.

F14 Table F3 sets out the adjustments from our opex review by individual expenditure category, together with why the draft decision allowances meet the expenditure objective. Table F3 also includes the opex efficiency reduction amounts for completeness although this is discussed later in the '*Adjustments to Orion's proposed opex for efficiency improvements*' section.

F15 Attachment G supplements the overview of our bottom-up assessment by setting out the views of the verifier, and our analysis and conclusions for each opex category. Our assessment of network transformation opex is contained in Attachment H, together with our assessment of the wider network transformation programme.

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

Table F3 Opex allowance reductions by category ($m, DY26 constant dollars) – draft decision

Opex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Overall reason for bottom-up adjustment	Opex efficiency reductions ($m)	Total reductions ($m)	CPP draft decision ($m)	Reasons the allowance meets the expenditure objective
Preventive maintenance	45.1	-	-	(1.3)	(1.3)	43.8	• Subject to our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling used to derive the forecast is consistent with industry practice, with modelling assumptions supported. ○ Step changes are supported and linked to bottom-up assessment of work programmes. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach.
Corrective maintenance	48.2	(5.3)	50% of step change for retightening crossarms on poles considered not prudent as not fully supported by data.	(1.5)	(6.8)	41.4	• Subject to the bottom-up adjustment and our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling used to derive the forecast is consistent with industry practice, with modelling assumptions supported. ○ Step changes are supported and linked to bottom-up assessment of work programmes, with the trend modelling reasonable and consistent with the DPP4 approach.
Reactive maintenance	65.8	-	-	(3.0)	(3.0)	62.8	• Subject to our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling used to derive forecast is consistent with industry practice, with modelling assumptions supported. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach. ○ Orion forecast is in line with historical reactive maintenance opex.

Opex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Overall reason for bottom-up adjustment	Opex efficiency reductions ($m)	Total reductions ($m)	CPP draft decision ($m)	Reasons the allowance meets the expenditure objective
Vegetation management	48.7	(9.3)	Step change to cut trees that pose a moderate/high treefall risk considered not prudent as cut volumes have not been prioritised and risk assessed.	(1.1)	(10.4)	38.3	• Subject to the bottom-up adjustment and our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling used to derive the forecast is consistent with industry practice, with modelling assumptions supported. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach. ○ Step changes are supported. ○ Unit costs have been market tested with vegetation service providers and are considered efficient.
Systems operations and network support (SONS)	113.3	(3.1)	50% of step change for increase in headcount considered not prudent as it has been double-counted under trend-related growth.	(3.0)	(6.2)	107.2	• Subject to the bottom-up adjustment and our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling, used to derive the forecast is consistent with industry practice, with modelling assumptions supported. ○ Trend assumption is consistent with network growth model used in DPP4. ○ Step changes are supported and linked to specific programmes of work.
Corporate support	170.4	(5.0)	50% of step change for increase in headcount considered not prudent as it has been double-counted under trend-related growth.	(4.5)	(9.5)	160.8	• Subject to the bottom-up adjustment and our efficiency adjustment, expenditure is prudent and efficient, as: ○ The base step and trend modelling used to derive the forecast is consistent with industry practice, with modelling assumptions supported. ○ Trend assumption is consistent with network growth model used in DPP4. ○ Step changes are supported and linked to specific programmes of work.

Opex category	Orion CPP proposal ($m)	Bottom-up reductions ($m)	Overall reason for bottom-up adjustment	Opex efficiency reductions ($m)	Total reductions ($m)	CPP draft decision ($m)	Reasons the allowance meets the expenditure objective
Network transformation	19.4	(5.0)	Volume of data purchase has not been fully justified based on available information and considered not prudent.[122]	-	(5.0)	14.4	• Subject to the bottom-up adjustment, expenditure is prudent and efficient, as the programme is: ○ well-directed and supports Orion to develop the capabilities needed to deliver expected benefits from this programme including the ability to identify efficient alternatives to traditional network investment. ○ supported by established governance and well-developed business cases.
Information and communication technology (ICT) opex	67.3	-	-	-	-	67.3	• Expenditure is prudent, as: ○ It is guided by a clear ICT strategy that sets out ICT business objectives that link to reliability, efficiency, and customer service goals and supported by detailed justifications for projects/ ○ All significant ICT projects have robust business cases that are tested by internal Steering Committee. ○ Projects go out for tender with clear decision-making procurement strategy to reuse, buy or build. • Expenditure is efficient, as benchmarking of expenditure against Australian utilities and other EDBs indicate expenditure is not out of step with industry ICT costs.
Total	**578.1**	**(27.7)**	**-**	**(14.5)**	**(42.2)**	**535.9**	

[122] See Attachment H.

What a comparison of Orion's category level opex tells us

F16 To provide context for the opex Orion proposed, we compared its proposed opex with that of comparable EDBs.

F17 Our comparative analysis was in addition to:

F17.1 the benchmarking already undertaken by Farrier Swier Consulting for Orion, intended to confirm proposed expenditure in the CPP proposal is broadly consistent with its peers;[123]

F17.2 the analysis undertaken by the verifier, intended to provide general background information on Orion's network characteristics and its recent historical behaviour against the backdrop of peer EDB metrics.[124]

F18 The analysis provided context and helped us understand how Orion's proposed opex compares with that of its peers. While it provided useful context, it did not determine the expenditure adjustments we made, those were determined through programme-specific assessment as set out in Table F3.

F19 This analysis identified Orion's vegetation management opex as an outlier relative to its peers. This observation was consistent with the conclusions of our bottom-up assessment on vegetation management opex but did not form a basis for the adjustments made.

Our approach

F20 We used our Performance Accessibility Tool (PAT) to help analyse Orion's historical and forecast opex.[125] The PAT uses data collected under ID regulation from EDBs.

F21 Our analysis extended the PAT benchmarking for Orion using Orion's CPP application data, and historical and forecast ID data, covering the period DY22-DY32 where data was available.

F22 In the analysis we compared Orion's expenditure trends with those of its peer networks to provide context for the CPP expenditure proposal. The peer networks we used are Vector Lines, WEL Networks and Wellington Electricity. Historical and forecast expenditure trends were assessed at both an aggregate and category level, including network and non-network opex, routine and corrective maintenance and inspection, vegetation management, and business support.[126]

[123] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 24.

[124] GHD "Orion's CPP verification report" (31 March 2026), pp. 18-34.

[125] Commerce Commission, Performance Accessibility Tool for electricity distributors.

[126] Note that these expenditure labels used for information disclosure purposes can differ from the titles used by Orion in its CPP proposal. For example, in our benchmarking analysis we refer to "business support", where Orion uses the title "corporate support" in its proposal.

F23 To improve comparability between Orion and its peers, we normalised expenditure using relevant drivers, such as overhead line length and installation control points (ICPs). Our analysis focused on identifying where Orion's forecast expenditure trends are broadly consistent with its peers and where those depart from historical trends or peer benchmarks.

F24 Overall, Orion's network and non-network opex trends are broadly consistent with its peer group until 2026. Nevertheless, the forecast expenditure exceeds the peer average from 2026 onwards.

F25 The increase in total opex over the CPP period is largely driven by:

F25.1 **business support opex** that nearly doubles over the CPP period. However, we note that, if analysed on a per ICP basis then Orion's forecast expenditure remains broadly consistent with the peer group;

F25.2 **vegetation management opex** also nearly doubles over the CPP period. From 2026 onwards, Orion's vegetation management opex per overhead line kilometre materially increased. It departed from the trajectory of its peer networks and rose to the highest level amongst its peer group;

F25.3 **other opex categories** are forecast broadly in line with Orion's peer group – (this finding is echoed in the analysis undertaken by Farrier Swier Consulting):[127]

F25.3.1 routine and corrective maintenance and inspection opex per overhead line per kilometre remains below the average of Orion's peer group;

F25.3.2 maintenance opex tends to be below the average of Orion's peer group; and

F25.3.3 reactive opex tends to be above the level of its peer networks.

Our working assumptions

F26 Our working assumptions include:

F26.1 **period:** our analysis focused on the period DY22-DY32 to show historical performance and forecast expenditure over the CPP period. Our analysis was limited to the data available (i.e. if forecast data was only available to DY31 then our analysis was limited to that).

[127] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 46, section 5.6.

F26.2 **total overhead length:** assumed to remain constant from DY26 onwards at the latest actual value, as forecast network length is not available. This provides a consistent basis for comparing costs per km but may overstate the values as the network continues to grow.

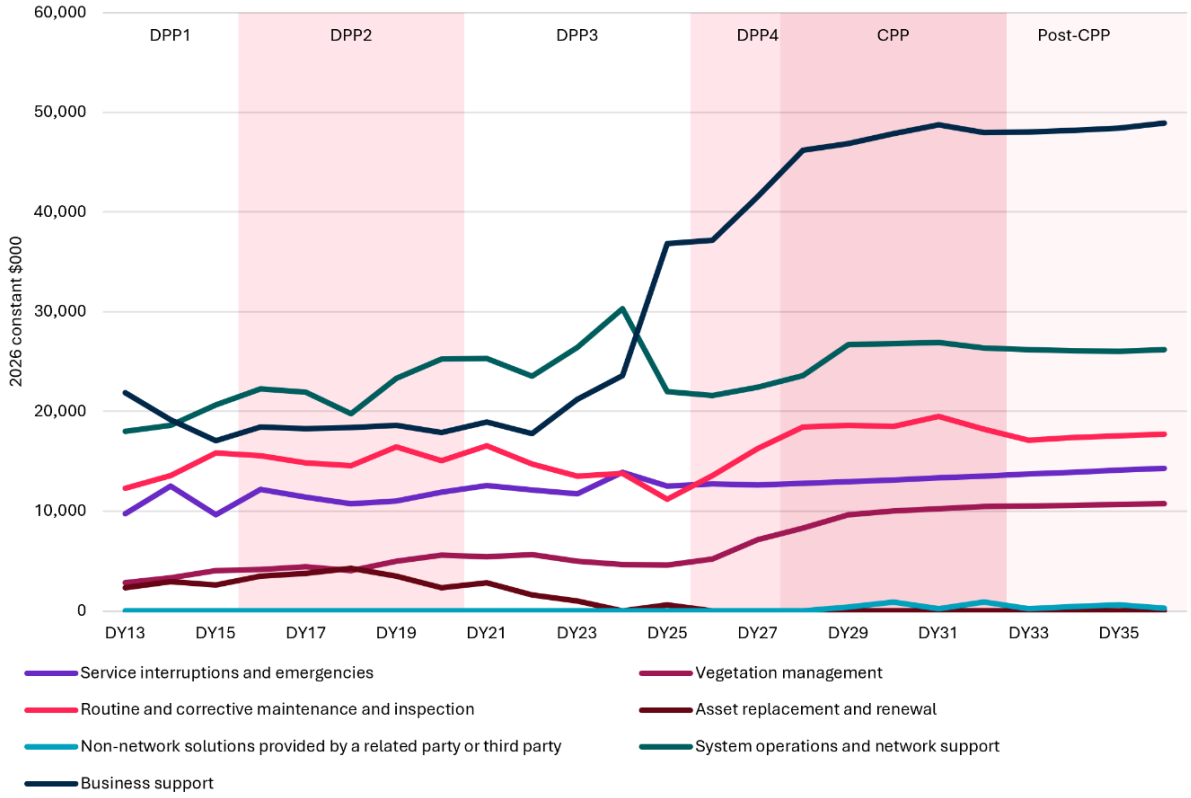
F26.3 **average number of ICPs in disclosure year:** from DY26 onwards, the average number of ICPs in each disclosure year (ie, consumer additions) are estimated as the prior year's average ICP count plus forecast ICP connections during the year, less the average number of ICPs decommissioned over DY23-DY25. Forecast ICP additions are only available through DY31; no forecast additions are available for DY32 onwards.

Our comparative analysis

Orion historical and forecast opex by categories from 2013 to 2036

F27 Orion's total opex appears to be primarily driven by business support expenditure, which increases significantly over the period and nearly doubles over 10 years. Other opex categories remain relatively stable, with only modest growth (refer to Figure F2).

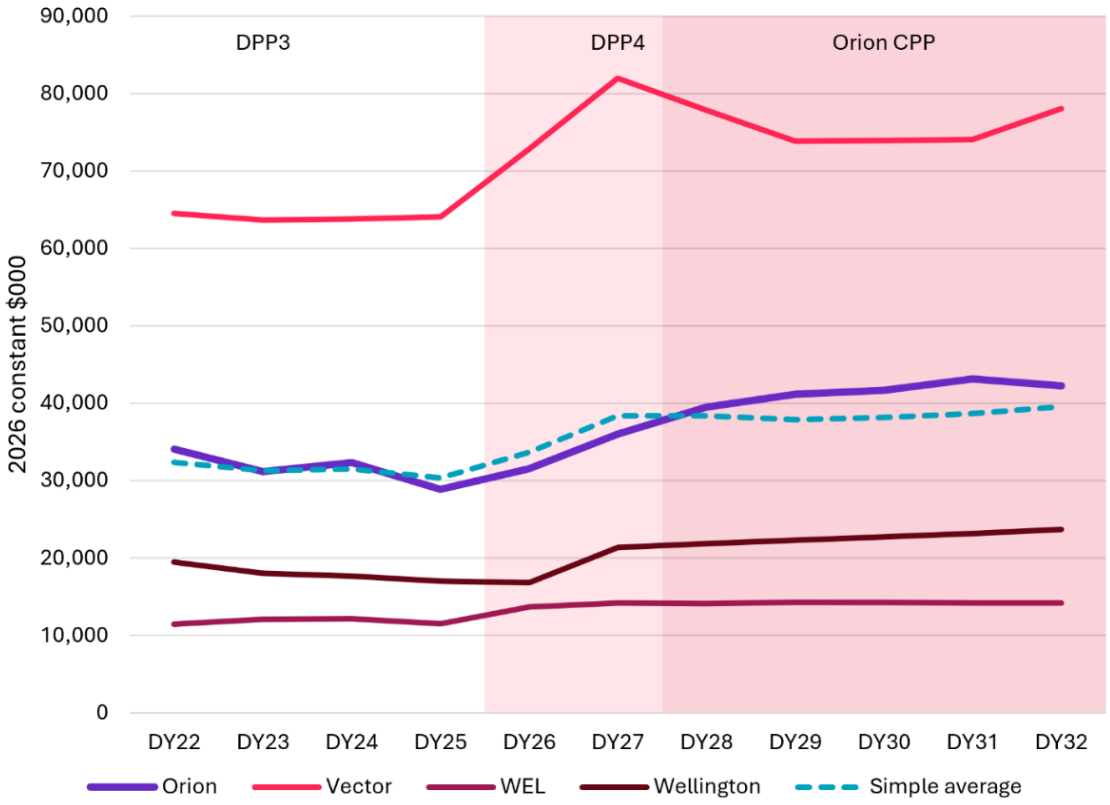
Figure F1 Historical and forecast opex by categories



Comparison of historical and forecast network opex from 2022 to 2032

F28 Orion's network opex trend is broadly consistent with other EDBs in the peer group, although forecast network opex exceeds the peer average from 2026 onwards (refer to Figure F3). Network opex comprises service interruptions and emergencies, vegetation management, routine and corrective maintenance and inspection, and asset replacement and renewal expenditure.

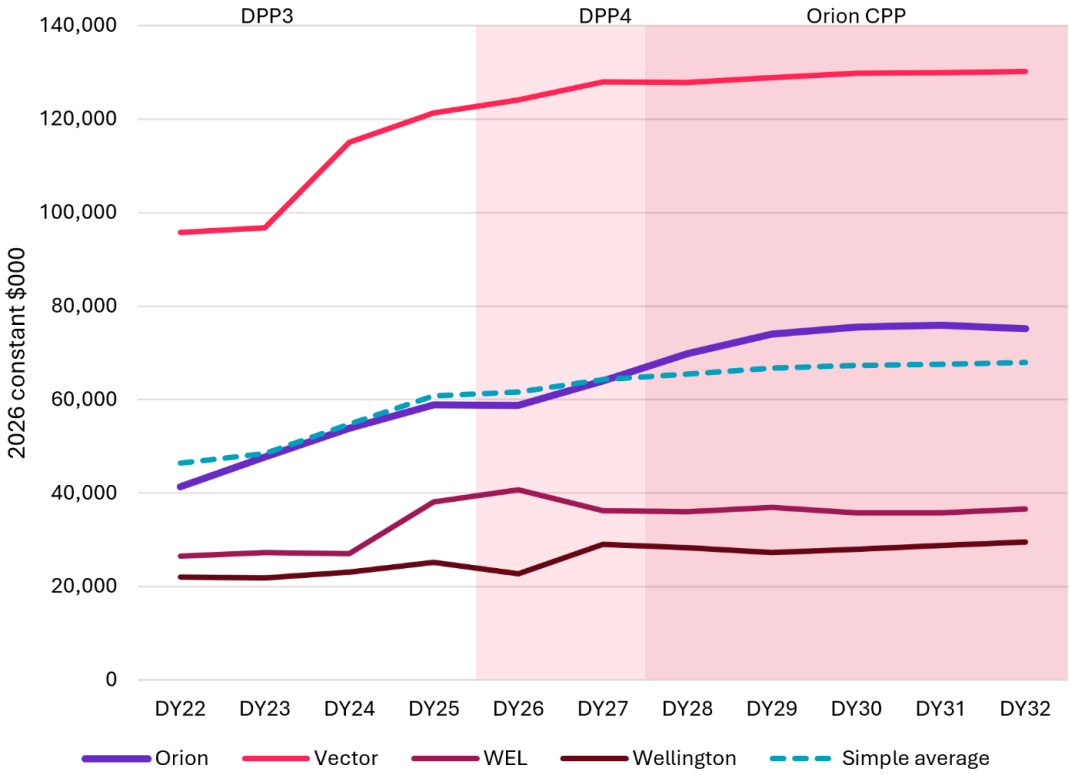
Figure F2 Historical and forecast network opex



Comparison of historical and forecast non-network opex from 2022 to 2032

F29 Orion's non-network opex trend is broadly consistent with other EDBs in the peer group, although forecast non-network opex exceeds the peer average from 2026 onwards (refer to Figure F4). Non-network opex comprises SONS, business support, and non-network solutions provided by a related party or third party.

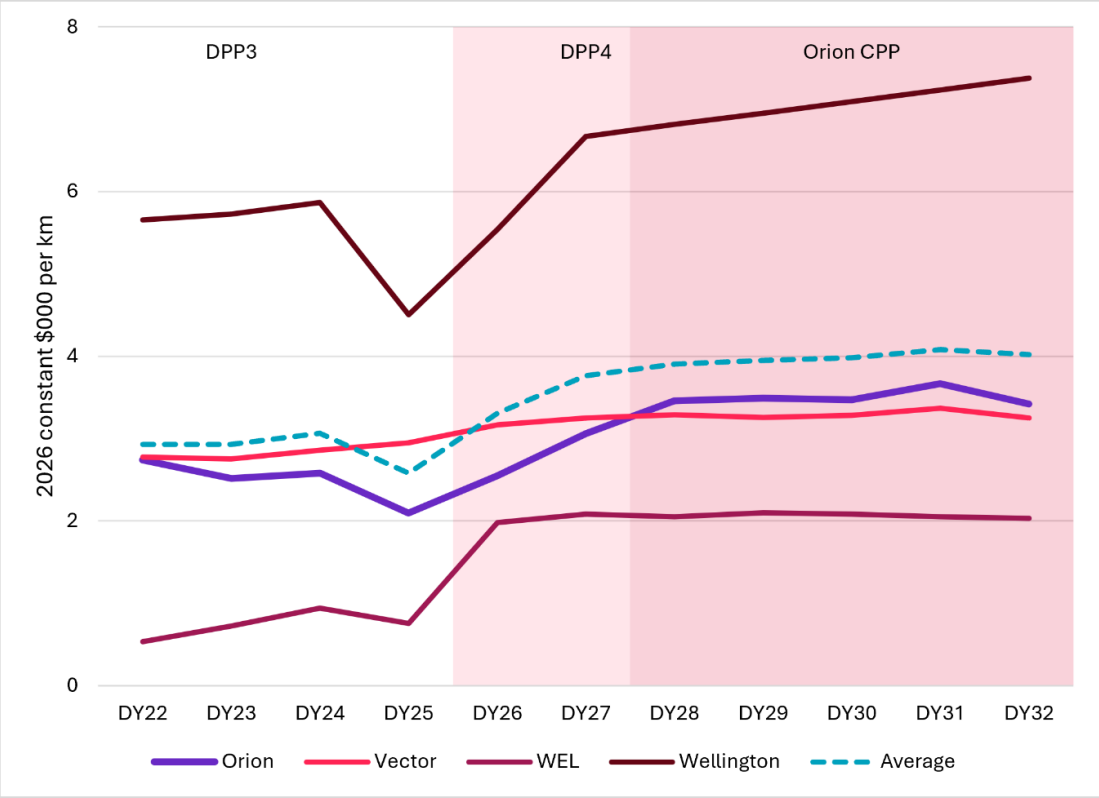
Figure F3 Historical and forecast non-network opex



Comparison of routine and corrective maintenance and inspection opex per overhead line km from 2022 to 2032

F30 Orion's historical and forecast routine and corrective maintenance and inspection opex per overhead line km is broadly consistent with other EDBs in the peer group. Orion remains just below the peer average throughout the 2022-2032 period (refer to Figure F5).

Figure F4 Historical and forecast routine and corrective maintenance and inspection opex per km

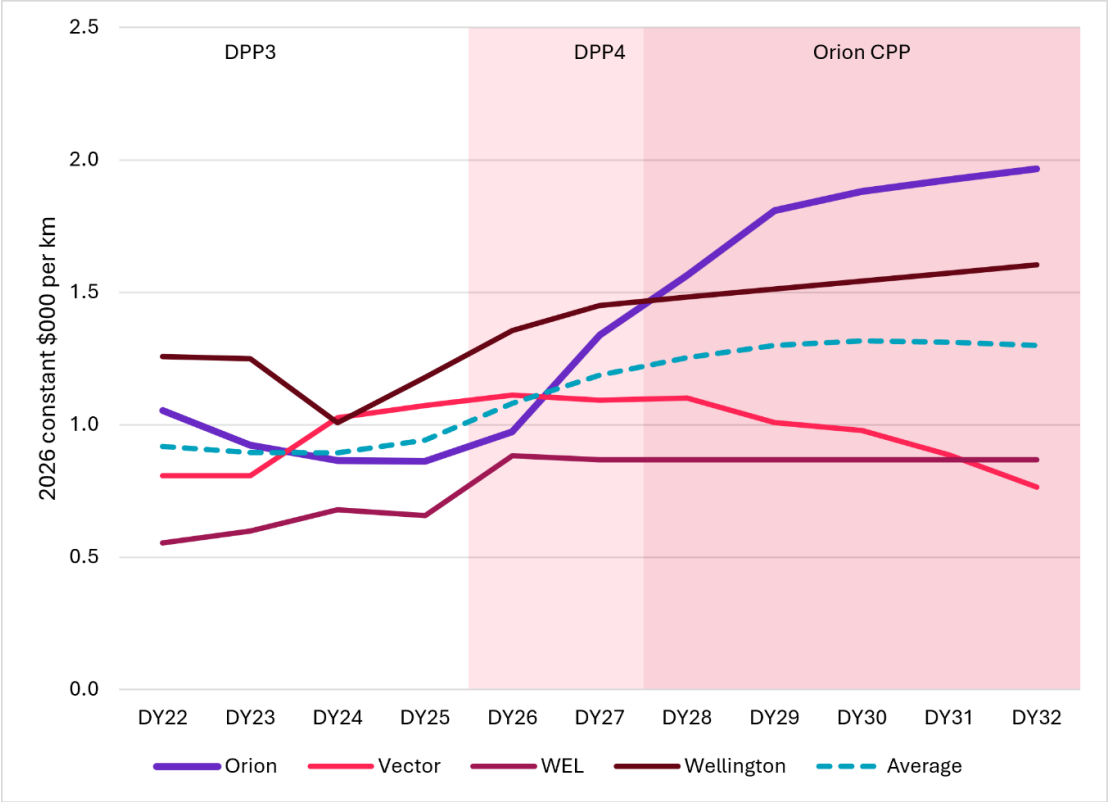


Comparison of vegetation management opex per overhead line km from 2022 to 2032

F31 Orion's vegetation management opex per overhead line kilometre is broadly consistent with other EDBs in the peer group over the historical period. However, forecast expenditure increases significantly from 2026 onwards, nearly doubling over the CPP period and rising to the highest level among the peer group (refer to Figure F6).

F32 This identified Orion's vegetation management opex as an outlier relative to its peers. This observation was consistent with the conclusions of our bottom-up assessment on vegetation management opex but did not form a basis for the adjustments made. See Table F3 in this attachment and further detail in Attachment G.

Figure F5 Historical and forecast vegetation management opex per overhead line km

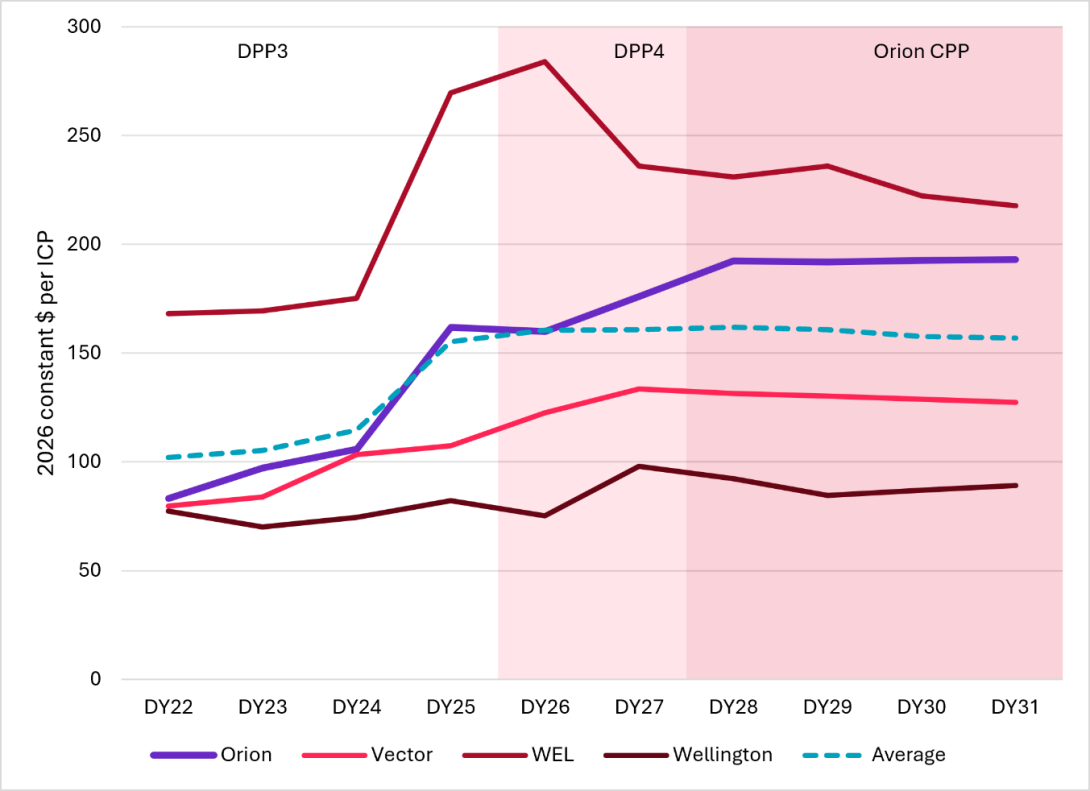


Comparison of business support opex per ICP from 2022 to 2031

F33 Orion's business support opex per ICP is broadly consistent with other EDBs in the peer group. While business support is a significant contributor to total opex growth, the increase is less pronounced on a per ICP basis (refer to Figure F7).

F34 This observation was consistent with the conclusions of our bottom-up assessment on Corporate Support opex but did not form a basis for the adjustment made. See Table F3 in this attachment and further detail in Attachment G.

Figure F6 Historical and forecast business support opex per ICP from 2022 to 2031



We applied efficiency adjustments to Orion's proposed opex

F35 As discussed in the preceding sections, our bottom-up assessment led to targeted reductions to a number of opex categories, consistent with observations from the comparison analysis. We also assessed, in the context of the expenditure objective, whether Orion's proposed opex investments were likely to deliver operational efficiencies across the CPP period.

F36 Our draft decision is to set the opex efficiency adjustment at 1.0% per annum for the first three years of the CPP period, rising to 2.0% per annum in the final two years of the CPP period, and to apply to this to all opex categories except for ICT opex and network transformation opex.

F37 Orion is investing significantly in ICT and network transformation initiatives, which we consider should deliver efficiency gains across the CPP period.[128]

[128] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), sections 10 and 11, pp. 158-180.

What is opex efficiency and why it matters

F38 Efficiency improvements (or productivity gains) reflect that over time a business will become more efficient as it invests in new technologies and upgrades assets and business processes. Opex reduction initiatives, or opex efficiency adjustments as we have referred to them in previous decisions, are to reflect the expected rate of efficiency improvement a regulated supplier can achieve over time. It acts as an offset to inflation (the Consumer Price Index), forcing a supplier to lower its real prices and share efficiency gains with consumers.

F39 The opex efficiency improvement is modelled as a component of the trend in base step and trend modelling and is a downward adjustment to reflect the fact that, as investment increases in the network and supporting systems start to positively impact work processes, opex efficiencies will occur and costs will lower.

What Orion proposed

F40 Orion proposed a 0% efficiency adjustment for all opex categories apart from a 0.5% per annum adjustment to SONS and Corporate Support opex. Orion considered this appropriate given its view that it is already operating efficiently and therefore applied the adjustment only where it considered such gains were expected to be realised.

F41 In its proposal, Orion states:[129]

> We also included a 0.5% annual productivity adjustment to reflect realistic efficiency gains from other initiatives, including our planned ICT spend. This goes beyond the Commission's DPP4 assumption of 0%, while recognising that Orion is operating at or near the efficient frontier for New Zealand EDBs (see Chapter 5 for further detail on our considerations regarding this productivity adjustment).

The verifier's assessment

F42 The verifier carried out an assessment of the opex reduction initiatives proposed by Orion in the proposal as required by the IMs.[130] These initiatives were proposed in the SONS and Corporate Support opex categories but not in any of the network opex categories.[131]

F43 The verifier summarised the proposed SONS and Corporate Support opex efficiency proposed by Orion:

> A cost efficiency factor of 0.5% is applied to these opex components to reduce the base level of expenditure each year from 2027 onwards and throughout the CPP period (i.e., the factor is compounded to produce a total reduction of base expenditure of 3.0% in real terms between FY26 and FY32). For these two programmes, this represents a total reduction over the CPP period (FY2028 to FY2032) of around $4.9m out of a total of $291.5m.[132]

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

[130] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), Schedule G6(1)(f).

[131] GHD "Orion's CPP verification report" (31 March 2026), section 5.4, pp. 67-70.

[132] GHD "Orion's CPP verification report" (31 March 2026), section 5.4, pp. 67-70.

F44 The verifier carried out benchmarking within New Zealand and using reset decisions in Australia and the UK, at the Australian Energy Regulator (AER) and Office of Gas and Electricity Markets (OFGEM) respectively, concluding that the quantum of 0.5% proposed by Orion for only its SONS and Corporate Support programmes is comparatively modest.[133]

F45 The verifier noted that, while Orion has proposed numerous ICT projects with advanced technologies and tools that will result in reduced opex costs - including staff reduction, improved network reliability, capex deferrals, and reduced outages for example - it has not linked the benefits of these initiatives to a top-down efficiency trend adjustment to any opex programme outside of SONS and Corporate Support.[134]

F46 The verifier concluded that an efficiency improvement of 1.0% per annum for all opex would provide a tangible target for continuous improvement to reap the benefit of Orion's proposed ICT expenditure, because there is scope for Orion to further actively seek and implement cost efficiencies in the delivery of its opex programmes. It therefore recommended we apply that 1.0% adjustment.[135]

Orion's response to the verifier's findings

F47 Orion responded to the verifier's recommendation that a 1.0% efficiency improvement be applied across all opex categories. Orion argued that any opex step change reductions risk creating inconsistency within the overall forecast by assuming efficiency gains that are dependent on capability uplift, alignment with ISO 55001, and realising benefits associated to ICT and network transformation investment, while removing the funding required to deliver those outcomes.[136]

F48 Orion has not accepted the verifier's recommendation that a 1.0% efficiency adjustment be applied because its benchmarking indicates it is operating at or near the efficient frontier of New Zealand EDBs and that a 1.0% factor is more consistent with a catch-up efficiency scenario than one applying to a business already at the frontier.

What we said in our Process and Issues Paper

F49 In our Process and Issues paper, we raised the possibility that we may follow the verifier's recommendation that the opex efficiency improvement should be higher than what was proposed by Orion.[137]

[133] GHD "Orion's CPP verification report" (31 March 2026), section 5.4.
[134] GHD "Orion's CPP verification report" (31 March 2026), section 5.4.
[135] GHD "Orion's CPP verification report" (31 March 2026), section 5.4.
[136] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026)
[137] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 19, para 2.26

What we heard from submitters

F50 In its submission to our Process and Issues paper,[138] Orion noted the verifier's view of an appropriate efficiency adjustment of 1.0% across all opex was not valid because:

F50.1 the verifier's recommendation appears to be solely based on international regulatory precedent rather than any form of analysis, lacks consideration of the New Zealand context relative to international benchmarks, and ignores evidence indicating that Orion is operating at or near the efficient frontier of New Zealand EDBs;

F50.2 the constant efficiency adjustment is misaligned to the ICT and transformation investments upon which it is predicated. These investments are made progressively throughout the regulatory period, implying that efficiencies are less likely to be delivered early in the period;

F50.3 positioning a blanket opex efficiency adjustment as a general productivity/efficiency incentive, as the Verifier has done, neglects the role of existing expenditure efficiency incentives within the Part 4 framework; and

F50.4 the Commission appears to have accepted the verifier's views on efficiency and is considering the recommended 1.0% annual adjustment as a 'floor' value, without any assessment being made as to the likely scale of reasonably achievable efficiencies in each expenditure category.

F51 Orion further noted that, while it accepts the importance of pursuing efficiencies, these have to be realistically achievable, and that setting unrealistic efficiency expectations may not be in the long-term interest of consumers if it results in necessary work being deferred.[139]

Our analysis of opex efficiencies

F52 In coming to our draft decision on opex efficiency adjustments, we have reviewed Orion's proposal, the verifier's findings, conducted our own analysis and considered Orion's submission on the Process and Issues paper.

Our DPP4 decision was sector-wide, not specific

F53 In our EDB DPP4 final decision we set a sector-wide efficiency adjustment, or partial productivity factor, of 0%.[140] That decision needed to set an adjustment that would apply equally to all EDBs subject to the DPP. It reflected efficiency expectations across the EDB sector as a whole, rather than the specific circumstances of an individual CPP proposal.

[138] Process and Issues paper submissions

[139] Process and Issues paper submissions

[140] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024).

Orion's CPP proposes significant additional investment and transformation creating opportunities for additional efficiencies

F54 As the verifier noted, a CPP is proposed to address a particular set of circumstances and should result in improvements in business practices and asset management.[141] Orion's CPP includes significant investment in asset management capability, ICT systems, network transformation and business processes intended to improve organisational capability and network performance. While Orion submitted that it is operating at or near the efficient frontier, we do not consider this precludes further efficiency improvements.[142] We also consider that Orion's submission is not consistent with the capability uplift that it is seeking through its network transformation, asset management and ICT programmes. The nature of the proposed investment programme supports an expectation that efficiencies will arise over the CPP period beyond those reflected in its current operations.

F55 Orion has already been ramping up its network and non-network expenditure to address what it considers are asset management process and network asset issues, and the necessary support tools to address these. We would expect that with Orion's increased focus and investment in these areas, business process efficiencies are already starting to occur and not just in the SONS and Business Support programmes.

F56 We agree with the verifier's views on efficiency improvements. Having assessed Orion's network asset replacements, ICT investment and network transformation initiatives, we consider that at least a 1.0% efficiency adjustment to be reasonably achievable for Orion. This reflects Orion's specific circumstances and proposed investments.

Efficiency benefits should not be deferred until they are fully realised

F57 Orion argued that a constant efficiency adjustment applied at the start of the period is misaligned with the ICT programme and transformation projects that may drive the efficiencies. Its view was that the efficiency gains would emerge progressively as initiatives are delivered.

F58 While the timing of individual efficiency initiatives may vary, we consider it reasonable to reflect expected efficiency gains across the period rather than defer them until benefits are fully realised. We agree with the verifier that efficiency improvements are occurring over time as projects and programmes are delivered and these efficiencies should not have to wait until the end of a CPP period to be fully shared with consumers.

[141] GHD "Orion's CPP verification report" (31 March 2026)
[142] Process and Issues paper submissions

Existing incentive mechanisms do not remove the need for efficiency assessments

F59 Orion also submitted that a blanket efficiency adjustment would duplicate existing efficiency incentives under the Part 4 regime. Our view is that in-period incentive mechanisms and expenditure forecasting serve different purposes. Existing incentive mechanisms do not remove the need for us to assess whether proposed expenditure allowances are prudent and efficient.

Application of the efficiency adjustment

F60 We consider it reasonable to expect that the benefits of Orion's proposed investments would contribute to opex efficiency improvements in network opex as well. Our view is that Orion has not made the case for why improved opex efficiencies would not extend to network opex given the significant improvement initiatives and tools it is investing in.

Our draft decision is to make changes to Orion's proposed opex efficiency improvements

F61 We consider Orion's proposed efficiency improvements do not adequately reflect the benefits reasonably expected to arise from its investment programme over the CPP period. We have decided to set higher efficiency improvement settings.

F62 We have applied an opex efficiency adjustment at 1.0% per annum for the first three years of the CPP, rising to a more challenging target of 2.0% per annum in the final two years. The efficiency adjustments we have set will apply to not only the SONS and Business Support categories of opex (as proposed by Orion), but also to the Corrective, Reactive and Preventive maintenance categories and vegetation management opex.

F63 This setting reflects our assessment of the efficiency improvements reasonably expected to arise from the scope and nature of Orion's proposed investments and provides an ongoing incentive for continuous improvement. It is intended to incentivise Orion to make efficiency gains progressively across the CPP period and to share those gains with consumers as soon as possible. The proposed reductions from applying our opex efficiency adjustments result in opex allowances that are consistent with the expenditure objective.

Orion's efficiency adjustment modelling change

F64 During our review of Orion's proposal and Orion's base step and trend models we identified an anomaly in the opex efficiency method applied by Orion. We have made the necessary change to align the opex efficiency adjustment modelling with the method applied in DPP4.

Attachment G Detailed bottom-up analysis of opex

G1 Table F3 of Attachment F provides a summary of our bottom-up analysis of proposed opex. This attachment sets out that analysis in full for all opex projects and programmes - apart from information and communication technology (ICT) opex and network transformation opex which is contained in Attachment H as those programmes cut across both opex and capex.

G2 The draft allowances presented in Table G1 for each opex programme include the application of opex efficiency adjustments. However, the programme-specific analysis relates only to our bottom-up assessment of the underlying opex and does not discuss the rationale for opex efficiency adjustments. As these adjustments are derived using a common approach, not unique for each applicable opex programme and applied consistently cross all programmes, the rationale for those adjustments is discussed separately in Attachment F.

Table G1 Bottom-up analysis of opex by project/programme

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective

Preventive maintenance[143] (reviewed by the verifier)	45.1	43.8 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• Programme covers ongoing opex for scheduled maintenance work to maintain the safety and integrity of network assets and provide asset condition information to support asset management of those assets.
			• Proposed amount is 60% higher than historical levels.
			• Our draft decision is to approve $43.8m of the proposed $45.1m, consistent with the verifier's findings. The only reduction to Orion's proposed amount is an opex efficiency adjustment of $1.3m.
			• Aside from the opex efficiency adjustment, we consider the draft allowance meets the expenditure objective. The base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice:
			  ○ The base opex year DY25 is considered appropriate with no non-recurring items identified, it is the second lowest year of expenditure since DY21 and deemed to reflect typical yearly expenditure.
			  ○ Step changes are supported and developed using a bottom-up assessment of work needed:
			  ▪ Step changes modelled which add $16.4m to the base forecast are due to expansion of maintenance procedures, elimination of inspection backlogs, new asset data and analytics, expanded inspections, and additional asset category initiatives like oil analysis.
			  ▪ We agree with the verifier that these step changes reflect the need to address historical underinvestment and to futureproof the network through enhanced data collection and modernised maintenance practices.

[143] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 12.5, GHD "Orion's CPP verification report" (31 March 2026), section 10.3, and Orion CPP CPP079 - Preventive Maintenance (POD91).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective
			▪ Cost estimates for the step changes use a volumetric forecasting approach of unit rates x activity volumes which is reasonable. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach for network scale growth, ie growth trend of 1.42% per annum to base, representing an expected increase in maintenance workload as the network grows. ○ Orion's approach has undergone considerable internal review and supported by benchmarking analysis it commissioned which suggests that its forecast is line with other major electricity distribution businesses (EDBs). ○ The verifier concluded that the proposed amount met the expenditure objective because Orion's proposal is structured, defensible, presents a forward-looking case for expenditure and is not seen to be excessive. ○ Having reviewed this opex programme, we agree with the verifier's conclusions.
Corrective maintenance[144] (reviewed by the verifier)	48.2	41.4 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• Orion has been expanding and improving its preventive maintenance activities. This is expected to increase the level of corrective maintenance required on assets. The increase in defects uncovered is expected to vary between 3% and 9% per year for the different asset portfolios. • Orion's Project Overview Document for this opex programme notes that in recent years due to budget constraints, Orion prioritised corrective maintenance on critical assets and deferred maintenance on other less critical asset categories - for example, postponing overhead line retightening and reducing upkeep of buildings and grounds. • The proposed amount for the customised price-quality path (CPP) period is significantly higher than historical levels. • The verifier did not accept the full proposed amount as it considered that some of the step changes proposed are not prudent. Orion's age-based forecast used to determine the volume of crossarms requiring retightening is not supported by data. The verifier suggested 50% of retightening work was likely unnecessary. Having reviewed this programme, we agree with the verifier's findings. • Hence, our draft decision is to approve a lower amount than proposed, ie $41.4 m instead of $48.2m. The reduction to Orion's proposed amount consists of a reduction of $5.3m due to the unapproved step change and an opex efficiency adjustment amount of $1.5m. • We consider the draft allowance meets the expenditure objective because the base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice: ○ The base opex year DY25 is considered appropriate with no non-recurring items identified. ○ Other than cross arm retightening, step changes are supported and developed using a bottom-up assessment of work needed, linked to the expected increase in corrective maintenance work required due to expanded inspections.

[144] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 12.6, GHD "Orion's CPP verification report" (31 March 2026), section 10.4, and Orion CPP CPP080 - Corrective Maintenance (POD92).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective
			▪ Cost estimates for the step changes use a volumetric forecasting approach of unit rates x activity volumes which is reasonable. The majority of unit rates used are based on Orion's own recent operating experience or supplier contracts. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach for network scale growth, ie growth trend of 1.42% per annum to base, representing an expected increase in maintenance workload as the network grows. ○ Orion's approach has undergone considerable internal review and supported by benchmarking analysis it commissioned.
Reactive maintenance[145] (not reviewed by the verifier)	65.8	62.8 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• This programme helps to maintain network reliability and safety by undertaking fault rectification activities to ensure Orion meets service standards and incident response times. • The proposed amount is consistent with historical levels. • Our draft decision is to approve $62.8m of the $65.8m amount proposed. The only reduction to Orion's proposed amount is an opex efficiency adjustment of $3.0m. • Aside from the opex efficiency adjustment, we consider the draft allowance meets the expenditure objective because: ○ The proposed amount is consistent with historical levels of reactive maintenance opex. ○ The base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice: ▪ The base opex year DY25 is considered appropriate with no non-recurring items identified. ▪ There was no step changes identified. ▪ Trend and trend modelling is reasonable and consistent with the DPP4 approach for network scale growth, ie growth trend of 1.42% per annum to base, representing an expected increase in maintenance workload as the network grows. • Increased opex on proactive maintenance categories like preventive maintenance, corrective maintenance and vegetation management should over time, reduce the need for reactive maintenance activity, which is often more costly because repairs need to be undertaken urgently and under outage conditions. This creates a trade-off between proactive maintenance opex and reactive maintenance opex. We have not sought to model this trade-off as doing so would require reliable fault rate data on Orion's assets and network which we are aware is currently limited. We are however interested in stakeholder views on whether reactive maintenance opex should be adjusted to reflect the expected benefits of increased proactive opex.

[145] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 12.4 and Orion CPP CPP081 - Reactive Maintenance (POD90).

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective

Vegetation management[146] (reviewed by the verifier)	48.7	38.3 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• This programme covers opex for scheduled vegetation management activities, ie, regular inspection, trimming, and removal of trees and vegetation near power lines.
			• Orion currently uses a cyclical cut strategy and considers locations where undergrounding may be more cost effective in the long-term.
			• Tree regulation amendments took effect in 2024 and 2026, extending obligations for lines owners including 'clear to sky' requirements[147] and a new requirement to assess and remove trees that pose a risk. There are staged key implementation dates that occur during the CPP period.
			• The proposed amount is a significant increase (84%) compared to historical levels and includes business as usual (BAU) expenditure levels supported by observed faults per 100km and the effects of changes to the tree regulations.
			• We tested Orion on whether resilience was a driver of some expenditure in this programme and if so, to provide analysis to demonstrate the economics of resilience improvement. Orion confirmed that resilience improvements did not drive the expenditure programme but were an outcome in many cases.
			• The verifier concluded that the proposed amount met the expenditure objective, subject only to its opex efficiency adjustment recommendation. It considered Orion's base step and trend assumptions to be reasonable and Orion's forecast to be structured, defensible, presenting a forward-looking case for increased expenditure and not seen to be excessive.
			• Our draft decision is to approve $38.3m of the $48.7m proposed. This reduction consists of a $9.3m adjustment due to step changes we did not accept (different to the verifier's findings) and an opex efficiency adjustment amount of $1.1m.
			• We consider the draft allowance meets the expenditure objective because the base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice:
			  ○ The base opex year DY25 is considered appropriate with no non-recurring items identified and the lowest year of expenditure since DY21.
			  ▪ Deliverability concerns have moderated Orion's original forecast volumes.
			  ○ Orion proposed a $24.5m step change, driven by the need to ensure compliance with updated tree regulations.
			  ▪ It is unclear whether Orion's forecasted volumes considered the extent and timing of compliance.
			  ▪ Our view is that not all step change components are reasonable. It is unclear whether Orion has assumed that, in the new regulations, moderate/high tree fall risk exposures affect all assets and not just lines above 33kV which the verifier noted was the original intent of the regulation change.

[146] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 12.7, GHD "Orion's CPP verification report" (31 March 2026), section 10.5, and Orion CPP CPP082 - Vegetation Management (POD93).

[147] The "clear-to-sky" clearance is now mandated above certain lines (33 kV and above, and some long spans of lower voltage) - any overhanging vegetation must now be removed to provide a clear space above the conductor: Electricity (Hazards from Trees) Regulations 2003

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective
			▪ While Orion has carried out light detecting and ranging (LIDAR) surveys to identify tree fall exposure volumes it has not overlaid this with risk-based prioritisation. The verifier noted that Orion should better develop its ability to define the "volume of moderate/high tree fall risks" as it progresses this work programme. ▪ We consider that the step change to cut trees that pose a moderate/high treefall risk is not prudent as cut volumes have not been prioritised and risk assessed and as such, Orion should not be making deterministic assumptions about cut volumes. ▪ At the time of verification, the verifier accepted the full step change amount as it did not expect Orion to have better near-term data for tree removal volumes required to meet the updated regulations. ▪ Following our review, we have: – Accepted the full step change amount for the 'clear to sky' requirements. – Accepted the full step change amounts for DY28 treefall hazard risk initial assessment and 25% for ongoing assessments from DY29 as we consider this needs to be prioritised based on a risk assessment. – Accepted 20% of what is proposed for cut volumes for moderate/high treefall risks from DY29 as we consider this needs to be prioritised based on a risk assessment. o Trend and trend modelling is reasonable and consistent with the DPP4 approach for network scale growth, representing an expected increase in vegetation management workload as the network grows. o Costs and unit rates are based on recent quotes received from vegetation service providers, scoped in alignment with the expected Tree Regulation changes.
Systems operation and network support (SONS)[148] (reviewed by the verifier)	113.3	107.2 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• The SONS programme supports the operation, control, design and growth of the electricity network, covering activities such as engineering design, network control operations, customer connections, network planning, asset management, health and safety, and land and legal services. • The proposed expenditure is a significant increase when compared with historical expenditure. Orion's proposed amount in the proposal was $113.3m. At the time of verification, the proposed amount was $111.2m, the verifier accepted $108.1m as verified, accepting half the step change amount for increase in headcount. • Our draft decision is to approve $107.2m of the $113.3m proposed. The reduction consists of the verifier recommended $3.1m adjustment which we agreed with and an opex efficiency adjustment amount of $3.0m. • We consider the draft allowance meets the expenditure objective because the base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice: o DY25 was appropriately chosen as the base opex year as this was deemed to be efficient costs for BAU activity, with no non-recurring items identified:

[148] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 13.4, GHD "Orion's CPP verification report" (31 March 2026), section 10.7, and Orion CPP CPP086 Systems Operations and Network Support POD. Step change and trend PODs also provide explanations.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective
			▪ Base opex contributes $96.7m, 85% of total proposed SONS. Orion is largely projecting a continuation of current practices, scaled for growth. ▪ Base opex was benchmarked by Farrier Swier for Orion and reviewed by the verifier. Orion compares favourably against other similarly sized EDBs. The verifier considered that the use of DY25 is a reflective base for this forecast. ○ Trend and trend modelling is reasonable and consistent with the DPP4 approach: ▪ An average growth trend of 1.9% was applied to reflect total network growth scaling (trend factors ranged from 4.28% in DY29 to -1.82% in DY32). ▪ Scale growth was compiled using an econometric model developed to forecast changes in drivers that affect growth in - customer numbers, line length and capex. ○ Orion identified step changes needed for the CPP period it considered not captured by normal trend growth - this was for increases in headcount of approximately 17 full-time equivalents (FTEs) by DY2028 to provide expertise in the relevant areas of SONS. ▪ The verifier concluded that the increase in FTEs proposed by the step change is overstated, as it considered these are provided for through trend growth. It accepted half the step change proposed. ▪ We reviewed Orion's response to the verifier's analysis and were not convinced that it had fully addressed the double counting concerns. We agreed with the verifier that only 50% of the step change is reasonable and that this would address the double counting concern.
Corporate support (CS) [149] (reviewed by the verifier)	170.4	160.8 (After 1% p.a. efficiency adjustment in DY28-30 and 2% p.a. in DY31-32)	• Corporate Support covers non-network operating costs, including management, finance, commercial, regulatory, HR, customer and stakeholder, insurance, governance and audit and property management functions. • The proposed expenditure is a significant increase when compared with historical expenditure. Orion's proposed amount in the proposal was $170.4m. The verifier partially verified the programme. The proposed amount at time of verification was $166.9m, the verifier accepted $161.9m as verified, accepting half the step change amount for increase in headcount. • Our draft decision is to approve $160.8m of the $170.4m proposed. The reduction consists of a verifier recommended $5.0m step change-related adjustment which we agreed with and an opex efficiency adjustment amount of $4.5m. • We consider the draft allowance meets the expenditure objective because the base step and trend approach and assumptions Orion has used to derive the forecast is reasonable and accepted industry practice: ○ DY25 was appropriately chosen as the base opex year as this was the most recent audited figure, reflective of BAU activity with no non-recurring items identified.

[149] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 13.5, GHD "Orion's CPP verification report" (31 March 2026), section 10.6, and Orion CPP CPP083 Corporate Support POD. Step change and trend PODs also provide explanations.

Project or programme	Proposed ($m)	Draft allowance ($m)	Our assessment of opex against the expenditure objective
			▪ Base opex was benchmarked by Farrier Swier for Orion and reviewed by the verifier. Orion compares favourably against other similarly sized EDBs. ▪ The verifier also considered DY25 an efficient base year. o The trend assumptions are consistent with the network growth model used in DPP4: ▪ An average growth trend of 1.9% was applied to reflect total network growth scaling (trend factors ranged from 4.28% in DY29 to -1.82% in DY32). ▪ Scale growth was compiled using an econometric model developed to forecast changes in drivers that affect growth in, customer numbers, line length and capex. o Orion identified a $10.0m step change, those step changes included an increase in headcount of 15 FTE. Orion identified indicative roles for each additional FTE requested under the step change. ▪ Similar to the SONS programme, the verifier expressed reservations about the size of the proposed step change. It considered the step change overstates resourcing requirements as it considered these are provided through trend growth. It also stated that historically, Orion's trend growth would have supported the increase, or creation of new or existing functions through trend growth alone. It accepted half the step change proposed. ▪ We reviewed Orion's response to the verifier's analysis and were not convinced that it had fully addressed the double counting concerns. We agreed with the verifier that only 50% of the step change is reasonable and that this would address the double counting concern.

Attachment H Our assessment of cross-cutting expenditure programmes

Purpose of this attachment

H1 Attachments C and E-G assess Orion's proposed capex and opex by expenditure category, project and programme. This attachment considers three matters that cut across those assessments: network transformation, information and communication technology (ICT) and the deliverability of Orion's overall customised price-quality path (CPP) work programme. Each involves expenditure across, or material interactions between, capex and opex and cannot be fully assessed by considering individual expenditure categories in isolation.

H2 Our assessment of whether the expenditure objective is met considers whether the combined expenditure in these areas is coherent, supports the capabilities and outcomes Orion expects to deliver, and can be delivered effectively alongside the wider CPP programme. It also explains how our proposed information disclosure requirements will provide stakeholders with visibility of Orion's delivery, capability development and resulting network outcomes.

Review of Orion's proposed network transformation work programmes

Our assessment of Orion's proposed network transformation expenditure

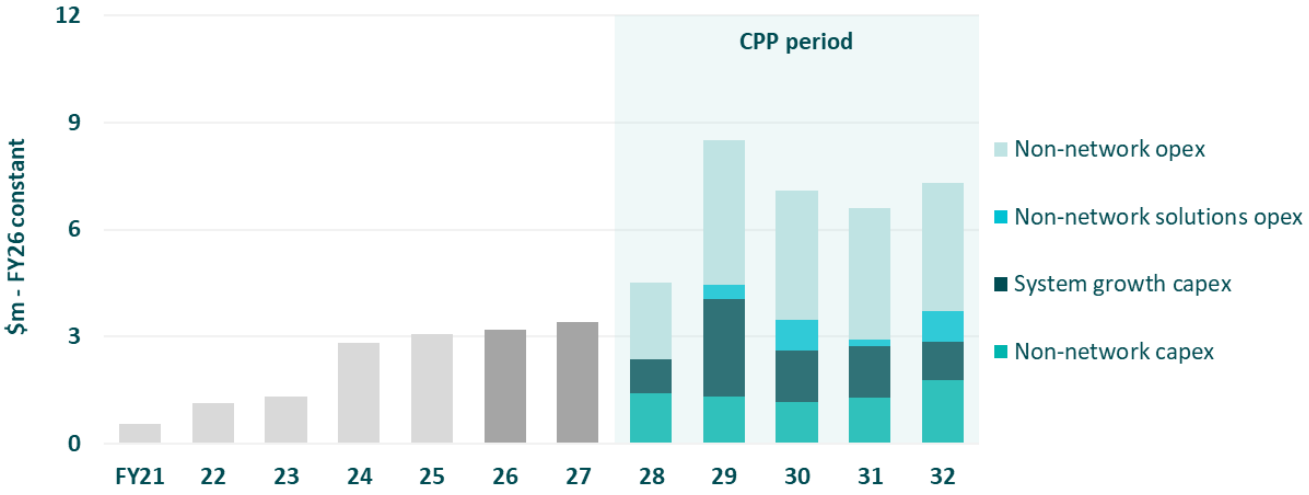
Orion's proposal

H3 Orion has proposed a work programme called network transformation – which is comprised of two programmes of work to position its network to meet the future needs of customers and the energy system. These complementary programmes are the network transformation programme and the flexibility and markets development programme. The planned expenditure over the CPP period totals $34m- $14.6m on capex and $19.4m of opex.[150]

H4 This ongoing work programme contains a range of network capex, non-network capex and opex investments. Figure H1 shows the work started ramping up from FY24.

[150] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, pp. 158-59.

Figure H1 Orion network transformation actual and forecast expenditure between FY21 and FY32 (Source: Orion)[151]



H5 Orion states that network transformation expenditure started in FY21, initially focusing on installing low voltage (LV) monitoring equipment. The network transformation programme and flexibility and markets development programme were formally established in FY23 with smart meter data acquisition beginning in FY24, and trials and analytics uplift following in FY25 and FY26. Orion now plans to move to the delivery phase over the CPP period.[152]

H6 The work programme's key links are to the system growth capex and ICT capex programmes. Orion states that network transformation initiatives provide a direct alternative to traditional system growth investment by enabling non-network solutions that manage peak demand and network constraints. They are expected to defer the timing of some major projects and reduce the volume of reinforcement required, with associated costs treated as opex within the network transformation portfolio.[153]

H7 Orion considers network transformation initiatives are enabled by, and in some cases depend on, planned ICT investment. Together, these interactions enhance the knowledge and management of network operation and planning.[154]

H8 As such, Orion expects the benefits of the planned network transformation expenditure to be:[155]

H8.1 maintaining safety and reliability as the uptake of distributed energy resources (DER) accelerates;

H8.2 unlocking capacity and optimising existing assets;

H8.3 supporting decarbonisation and customer choice;

[151] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, p.160.
[152] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, p.160.
[153] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, p.160.
[154] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, p.160-161.
[155] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10, p.170.

H8.4 strengthening data-driven decision-making;

H8.5 enhancing customer engagement and transparency; and

H8.6 future proofing the network.

Our focus on alternatives to traditional network investment

H9 We expect electricity distribution businesses (EDBs) to identify and pursue the most cost-effective means of meeting network needs. This includes making efficient use of existing network capacity and considering whether non-network solutions, such as network pricing, flexibility services, demand response, distributed generation and storage, could avoid or defer traditional network investment.

H10 In February 2026, the Commerce Commission, Electricity Authority and Energy Efficiency and Conservation Authority jointly set out three broad actions we expect distributors to take to make efficient use of non-network solutions:[156]

H10.1 consider network and non-network solutions on an equal footing in network planning, using objective, comparable and transparent assessment criteria;

H10.2 develop and refine network pricing signals that enable consumers and service providers to respond efficiently to network constraints; and

H10.3 engage transparently with the market so providers have a genuine opportunity to offer competitive non-network solutions.

H11 These broader expectations for efficient planning and use of non-network solutions, provide relevant context for assessing whether Orion's network transformation programme is likely to support least-cost outcomes for consumers.

Verifier's findings

H12 The verifier fully reviewed the network transformation programme and partially verified that expenditure. However, it could not agree that the $5.0m planned purchase of installation control point (ICP) data for network analytics met the expenditure objective.[157] The verifier considered the proposed expenditure levels were not entirely prudent as it potentially commits some expenditure ahead of when it would be beneficial.[158]

H13 The verifier's assessment of the network transformation programme is that it represents a forward-looking strategy to enhance network visibility, operational readiness and customer empowerment in anticipation of a more distributed, low-carbon future.[159]

[156] Ensuring consumers benefit from efficient investment in non-network solutions (24 February 2026)
[157] GHD "Orion's CPP verification report" (31 March 2026), section 11, p. 283, 285.
[158] GHD "Orion's CPP verification report" (31 March 2026), section 11, p. 298.
[159] GHD "Orion's CPP verification report" (31 March 2026), section 11.

H14 We chose to supplement this review with an additional review by Baringa Management Consulting (Baringa).[160] The aim of which was to ensure that Orion's proposed investments would equip it with the capabilities needed to operate a more flexible, data-driven network and make efficient use of non-network solutions, while delivering demonstrable benefits for consumers. Further detail on this is provided later in this attachment.

H15 On the data purchases, the verifier considered Orion's proposed purchases of three types of smart meter data: standard Network Operational Data Services (NODS) data, high-frequency NODS data, and outage management system (OMS) data. Orion currently purchases standard NODS data under a network-wide arrangement with its principal metering provider. The verifier supported continuing that arrangement and extending it to cover forecast new connections.

H16 The verifier did not support the full proposed volumes of high-frequency NODS and OMS data:[161]

H16.1 For high-frequency NODS data, Orion can select the ICPs for which it purchases the higher-frequency service. The verifier considered Orion should adopt a more targeted and staged approach, focusing initially on ICPs associated with DER, low-carbon technologies, power-quality issues and other identified network needs.

H16.2 For OMS data, Orion's initial proposal assumed that it could nominate a subset of meters. Orion subsequently advised the verifier that its provider's revised commercial offer required network-wide purchase of the OMS service. The verifier nevertheless remained unconvinced that purchasing OMS data at the resulting scale and timing was economically efficient or optimal, and supported expenditure based on lower data volumes.

H17 The verifier concluded that, while it considered the majority of the proposed network transformation expenditure programme was supported by good processes and business cases, the full amounts proposed for data purchase were not fully supported. The data purchase benefits to consumers were either not identified or were insufficiently compelling to conclude that full proposed amount met the expenditure objective.[162]

The Baringa review

H18 We engaged Baringa to carry out a targeted qualitative review of Orion's network transformation plan, and in particular, its strategy to do so. This review has been released alongside this draft decision publication package.

H19 Baringa carried out two focused assessments:[163]

H19.1 **Orion's wider network transformation work programme** - to assess Orion's current and target capability across five network transformation domains, review of the extent to which proposed investments support future network capability

[160] Baringa, Orion CPP – "Network Transformation Review" (5 October 2026).
[161] GHD "Orion's CPP verification report" (31 March 2026), section 11.
[162] GHD "Orion's CPP verification report" (31 March 2026), section 11.
[163] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 5.

requirements and consumer outcomes, and consider the maturity and alignment of Orion's capabilities with international experience in Australia and the UK; and

H19.2 **CPP expenditure consistency review** – to review whether selected CPP expenditure proposals are consistent with Orion's network transformation objectives, capability roadmap and stated consumer outcomes. Three capex programmes were assessed, specifically consumer connections, LV reinforcement and ICT expenditure programs to determine whether proposed investments are proportionate and identify areas of potential misalignment with the network transformation programme.

Baringa's network transformation programme assessment

H20 Baringa concluded that, overall, Orion has a clear and coherent plan to build the capabilities needed to manage the more electrified and distributed energy future in New Zealand. It noted that Orion is building on an already strong foundation with a history of innovative and scaled flexibility initiatives and targeted network investments that have supported growth in electrification, customer connections and DER while maintain efficient network outcomes.[164]

H21 Following its review of the network transformation programme, Baringa concluded that there were some evidence gaps in specific portfolios, specifically:[165]

H21.1 **Acquisition of third-party AMI data** ($10.7m total) – recommend that Orion provide further justification for an element of this expenditure. This was consistent with the verifier conclusions.

H21.2 **Battery Energy Storage System (BESS) investment** ($2.3m total) – Baringa considered that a network-owned BESS could be a credible alternative where market-based flexibility cannot meet an identified network need. However, Orion had not linked the proposed investment to a defined constraint, specified the site or asset size, or provided a cost-benefit comparison against traditional reinforcement and market-based flexibility. Baringa therefore considered that further evidence was required and suggested that, if the expenditure could not be supported by network benefits, the Commission consider whether it would be better treated outside the CPP.

H21.3 **Flexibility Market Development (FMD) program** ($2.3m total) – recommend that we support this expenditure subject to enhanced reporting requirements on Orion, to ensure benefits are shared across the wider sector.

Baringa's review of network transformation programme alignment with the wider capex programme

H22 In its CPP expenditure consistency review, Baringa assessed three capex programmes and their alignment with the two proposed network transformation work programme investments.[166]

[164] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 6.
[165] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 7-9.
[166] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 10.

Consumer connection capex

H23 For the consumer connection capex forecast, Baringa concluded that:[167]

H23.1 the forecast model does not show how the network transformation programme capabilities affect connection costs, types, processing efficiency or physical connection requirements to push down costs and processing times;

H23.2 it would expect the average connection costs to decline in the future - which currently is not reflected in the expenditure forecast. However, based on previous industry trends, these future capability programs take time to scale and for benefits to be fully realised; and

H23.3 Orion should demonstrate that network transformation benefits will result in an efficiency change and reduce future connection costs and processing times for connections.

LV network reinforcement

H24 For the LV network reinforcement capex forecast, Baringa concluded that:[168]

H24.1 while Orion has qualitatively described the benefits associated with the LV reinforcement program, there is limited analysis on the benefits unlocked by the network transformation programme investment;

H24.2 there is a risk that network transformation benefits are not fully reflected in the LV reinforcement forecast, or are double counted across both programs absent the above information; and

H24.3 Orion should quantify any forecast LV reinforcement projects that have been deferred, avoided or downsized due to improved visibility, analytics, forecasting or flexibility services.

ICT capex and opex

H25 Baringa noted that both ICT capex and opex is forecast to increase from historical average levels of approximately $12.1m per annum (FY21 – 26) to approximately $21.1m per annum during the CPP period. Baringa considered Orion has generally outlined the alignment of capabilities between the ICT program and the network transformation programme, but it should provide greater evidence that forecast ICT expenditure reflects the efficient level of investment required to deliver network transformation outcomes.[169]

H26 In addition, Baringa found Orion had not sufficiently linked the marginal network transformation benefit attributable to individual ICT investments or clearly separated business-as-usual ICT renewal benefits from network transformation specific benefits.[170]

[167] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 27.
[168] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 28.
[169] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 29.
[170] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 29: Baringa noted that the ICT investments that most directly enable the Network Transformation Programme are: ADMS, Data analytics platform, IAM, GIS and integration platform.

Our analysis and conclusions

H27 We agree with the verifier and Baringa that Orion's wider network transformation work programme is well directed and is expected to develop capabilities that will help Orion operate a more flexible, data-driven network. These capabilities should improve Orion's ability to understand network conditions, assess network and non-network options, and manage changing patterns of demand and generation. We have therefore included most of Orion's proposed network transformation expenditure in our draft allowances on the basis that it meets the expenditure objective.

H28 However, the verifier and Baringa identified areas where Orion had not sufficiently demonstrated the need, timing or expected consumer benefits of particular expenditure. We have considered those matters separately below.

We have reduced the allowance for third-party data purchases by $5.0m

H29 Orion proposes to purchase several types of third-party smart meter data.[171] The relevant commercial arrangements differ between those products:

H29.1 Orion currently purchases standard NODS data for all relevant meters under a network-wide arrangement;

H29.2 Orion can select the meters for which it purchases high-frequency NODS data; and

H29.3 Orion's metering service provider currently offers its OMS products to Orion only on a network-wide basis, rather than allowing Orion to purchase those services for selected meters.

H30 Orion has identified credible uses and potential consumer benefits from these products. These include improved LV network visibility, power-quality monitoring, capacity management, fault identification and restoration, operational safety, network automation, DER monitoring, and identification of opportunities to use non-network solutions instead of traditional network investment.

H31 We also recognise Orion's position that network-wide coverage can provide operational benefits that would not be available from a partial dataset, and that limiting the data available could lead Orion to default to traditional network solutions where lower-cost alternatives may exist. Orion has advised that the OMS commercial offer is subject to ongoing negotiation and it expects to advise further details in its submission on our draft decisions.

H32 However, the commercial terms available to Orion do not, by themselves, establish that purchasing the services on those terms represents the prudent and efficient response. Although Orion has identified what the additional data would enable, it has not sufficiently demonstrated that the incremental benefits justify the full volumes, timing and ongoing costs proposed.

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

H33 This is particularly important because the proposed purchases would create a significant and ongoing opex commitment. On the evidence currently available, we are not satisfied that the full proposed expenditure meets the expenditure objective. We have therefore not included $5.0m of proposed opex associated with the additional third-party data purchases

H34 The $5.0m adjustment does not represent the rejection of a particular data product or Orion's wider strategy for improving network visibility. The amount reflects the expenditure not supported through the verifier's assessment of Orion's proposed data volumes. Having considered Orion's subsequent clarification of the available commercial arrangements and expected benefits, we remain unconvinced that the evidence supports the full additional expenditure proposed.

We have included the proposed BESS expenditure in Orion's draft allowances

H35 We acknowledge Baringa's concerns about the current definition and timing of Orion's proposed $2.3m BESS investment. Orion has not yet linked the investment to a defined network constraint, identified a site or asset size, or completed a cost-benefit comparison with traditional reinforcement and market-based flexibility.

H36 We considered whether the proposed BESS investment would be better addressed through the Innovation and Non-Traditional Solutions Allowance (INTSA), given the remaining uncertainty about its specific application. The INTSA could provide a separate pathway for Orion to seek funding once it had further defined the project and its expected benefits.

H37 However, we consider the information available through the CPP process provides a sufficient basis to assess the expenditure now. Battery storage is a credible option for addressing some network constraints, and Orion is already considering BESS and solar as potential alternatives within its network planning, including for the Templeton Commercial Growth project. Developing this capability should improve Orion's ability to identify where battery storage could defer or avoid more costly traditional network investment and reduce costs for consumers.

H38 We have therefore included the proposed BESS expenditure in our draft allowance rather than requiring Orion to seek separate approval through the INTSA. Requiring a separate INTSA application would add a further approval step where we already have sufficient information to decide that developing and applying this capability is prudent.

H39 This decision does not mean that deploying a BESS will be efficient in every case, or that any particular deployment has already been justified. Orion will still need to assess the relevant network need and compare battery storage with traditional reinforcement, market-based flexibility and other credible options before proceeding. Our proposed information disclosure requirements will provide visibility of the capability developed, its application to network needs, and the resulting network outcomes.

We support the Flexibility Markets Development Programme, subject to enhanced monitoring

H40 We agree with Baringa that developing the ability to procure and use flexibility services is a prudent component of Orion's future network planning capability.[172] The flexibility and markets development programme should help Orion test whether flexibility can manage identified constraints more efficiently than traditional reinforcement and develop the commercial and operational arrangements needed to procure and use those services effectively.

H41 We have therefore included the proposed Flexibility and Markets Development expenditure in our draft allowance. Our proposed information disclosure requirements cover Orion's use of network and non-network solutions to manage constraints, its engagement with flexibility providers, the non-network capacity available and used, and its visibility and use of DER. This information will help stakeholders assess whether Orion is developing and using flexibility capabilities effectively and whether those capabilities are contributing to more efficient network outcomes.

The effects of the network transformation work programme on Orion's wider expenditure forecasts (consumer connection and LV reinforcement capex) cannot yet be reliably quantified

H42 We agree with Baringa that Orion should increasingly demonstrate how its network transformation capabilities affect its wider expenditure forecasts. Improved visibility, forecasting, analytics and access to flexibility should, over time, help Orion process connections more efficiently, identify latent capacity, right-size network reinforcement, and defer or avoid conventional investment where a lower-cost alternative exists.

H43 However, the evidence currently available does not enable us to quantify reliably the extent to which those capabilities will affect consumer connection or LV reinforcement expenditure during the CPP period. The timing and scale of any resulting efficiencies will depend on the maturity of Orion's capabilities, the network constraints that emerge, and the availability, cost and performance of credible non-network alternatives.

H44 Furthermore, the verifier did not accept the full $76.2m LV reinforcement programme included in Orion's draft plan.[173] Its assessment challenged Orion's demand and risk assumptions and encouraged greater consideration of operational and non-network alternatives before undertaking reinforcement. Orion responded by revising the programme to $59.3m, a reduction of $16.9m – which we have accepted as set out in Attachment E.

H45 Nonetheless, we consider the proposed network transformation expenditure supports the development of capabilities that are likely to promote more efficient network planning and investment. Our proposed information disclosure requirements will provide greater visibility of the capabilities developed and their effect on network planning and investment outcomes.

[172] Baringa, Orion CPP – "Network Transformation Review" (5 October 2026)., p. 9.

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

We have included the proposed ICT expenditure, subject to enhanced monitoring

H46 We agree with Baringa that ICT is a critical enabler of Orion's network transformation work programme.[174] Orion should provide greater clarity about which network transformation outcomes depend on particular ICT investments and how benefits are attributed across the ICT and network transformation programmes. This will help avoid counting the same benefits in support of both areas of expenditure.

H47 These concerns do not alter our conclusion that Orion's proposed ICT expenditure meets the expenditure objective. As discussed later in this attachment, the verifier found that Orion's principal ICT investments were supported by developed business cases and were required to renew core systems, manage operational risks and develop modern network management capabilities. We have therefore included Orion's proposed ICT expenditure in our draft allowances.

H48 Our proposed information disclosure requirements will provide greater visibility of the capabilities delivered through key ICT and network transformation investments and the resulting network outcomes. This will help stakeholders assess whether the expenditure is enabling the expected improvements in network planning and operation and delivering benefits for consumers. Chapter 4 and Attachment L of this paper contain further details.

[174] Baringa, Orion CPP – "Network Transformation Review" (5 October 2026)., p. 29.

Table H1 Key verifier views and our analysis that supports the draft decisions on network transformation expenditure

Project or programme	Proposed ($m)	CPP draft allowance ($m)	Key verifier views and our analysis that supports the draft decisions on network transformation expenditure

Network transformation [175]	**34.0**	**$29.0**	• Orion's network transformation work programme is intended to improve network visibility and develop Orion's ability to use flexibility and non-network solutions efficiently.
			• The verifier and Baringa supported the overall direction of the programme and most of the proposed expenditure.
			• We consider the programme is expected to improve network planning and deliver benefits for consumers. We have included most of the proposed expenditure in our draft allowances.
			• However, Orion has not sufficiently demonstrated that the incremental benefits of additional third-party smart meter data justify the full volumes, timing and ongoing costs proposed. We have therefore reduced the proposed opex allowance by $5.0m.
			• Reasons for draft decision include:
			  ○ The programme is supported by established governance and business cases;
			  ○ It should improve Orion's ability to identify efficient alternatives to traditional network investment;
			  ○ The $5.0m reduction addresses the specific evidential gap concerning additional data purchases; and
			  ○ Information disclosure will support transparency over delivery and the potential consumer benefits.

[175] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 10.5, GHD "Orion's CPP verification report" (31 March 2026), section 11.2, and Orion CPP CPP077 - Network Transformation POD. There is a range of business cases supporting individual projects and programmes.

Review of Orion's proposed ICT programme

Our assessment of Orion's proposed ICT expenditure

Orion's proposal

H49 Orion's planned ICT expenditure over the CPP period is $105.7m (7% of planned totex). Orion considers the planned increase in expenditure is to complete the transition to a modern, resilient and fit-for-purpose ICT environment over the CPP period, supported by a sustained increase in expenditure.[176]

H50 Orion considers that the proposed ICT expenditure will enable full access to and effective use of network data, and the deployment of innovative tools and solutions that are increasingly central to managing network demands and delivering efficient outcomes for customers. In its opinion, without the investment, it would be unable to realise these capabilities or meet evolving regulatory and customer expectations.

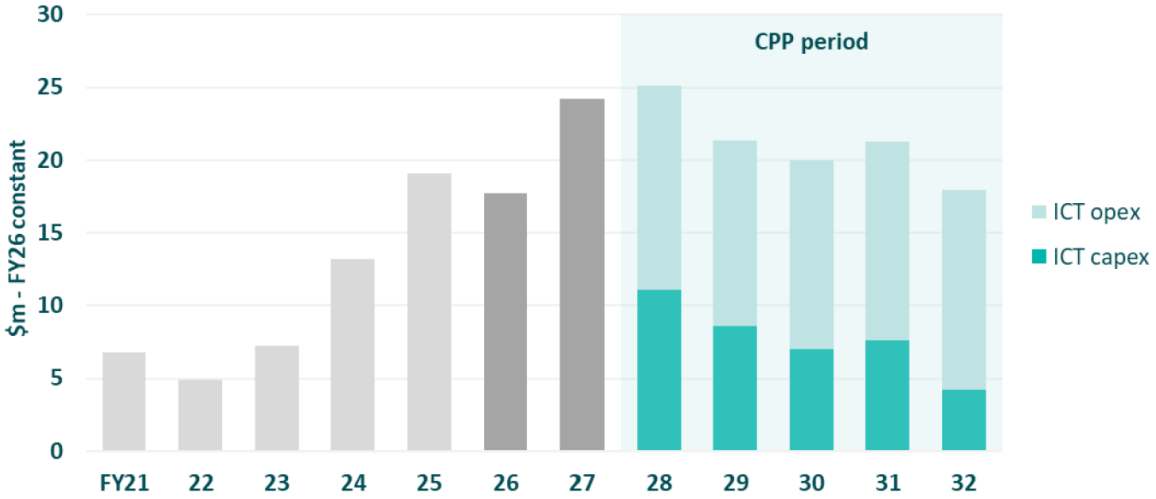
H51 The ICT work programme contains a range of network and non-network capex and opex investments. Orion notes that it deferred system upgrades and opportunities for business improvement through process automation in the years following the Christchurch earthquakes and during the COVID-19 pandemic.[177]

H52 Orion's proposal states that third-party reviews of key systems confirmed that, without significant renewal or replacement, many systems posed increasing risks of failure or performance constraints and would not support future business requirements or evolving customer and regulatory expectations. In addition, Orion's proposal states that it lacked many of the digital capabilities increasingly required for good practice network management and meeting evolving customer expectations.

H53 Orion considers that further deferral would not be prudent and expects to complete its previously deferred system upgrades and capability-building activities by FY31.[178] Actual and forecast expenditure between FY21 and FY32 is shown in Figure H2.

[176] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 11, p. 172-181.
[177] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 11, p. 173-174.
[178] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 11, p. 173-174.

Figure H2 Orion's ICT actual and forecast expenditure between FY21 and FY32 (Source: Orion)[179]



Verifier's findings

H54 The verifier accepted the proposed $35.7m capex and $57.5m opex. It reviewed all 16 ICT Project Investment Papers (85% of the proposed expenditure). It confirmed all 16 systems need to be replaced or updated to maintain network safety, reliability and resilience, and for meeting regulatory and community expectations. It assumed the remaining 15% of the proposed expenditure not reviewed – consisting of dozens of small projects – was appropriate.[180]

H55 The verifier did not identify concerns we should focus on as part of its review.[181]

Baringa findings on ICT

H56 As noted earlier in this attachment, we also engaged Baringa to test the links between the network transformation programme and the ICT programme.

H57 Baringa concluded that ICT is a critical enabler of the network transformation programme, but Orion has not demonstrated how increased ICT expenditure will translate into measurable efficiency improvements for the network transformation programme. Baringa recommended that Orion should identify the network transformation outcomes that depend on the ICT investments being delivered and describe how network transformation benefits are not counted twice across the network transformation and ICT expenditure programmes.[182]

[179] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 11, p.173.
[180] GHD "Orion's CPP verification report" (31 March 2026), section 11.3, p. 302.
[181] GHD "Orion's CPP verification report" (31 March 2026), section 11.3, p. 302.
[182] Baringa, Orion CPP – "Network Transformation Review", (5 October 2026), p. 29.

Our analysis and conclusions

H58 Our draft decision is to agree with the verifier's findings. Orion needs adequate planned ICT expenditure to support its operation of an increasingly complex network and meet required service standards.

H59 In our review of the CPP proposal, we queried the verifier on whether Orion's ICT programme was ambitious. The verifier considered that, while the ICT programme was justified, it was ambitious and deliverability over the 5-year CPP period may be challenging for Orion. See Table H2 for more details on the verifier views and our analysis.

H60 We consider Orion's proposed ICT capex and opex meets the expenditure objective. The proposed expenditure is supported by developed business cases, addresses identified system renewal and operational needs, and is expected to provide the ICT capabilities required to support Orion's wider CPP programme. We have therefore included the proposed ICT expenditure in our draft allowances.

H61 However, the scale and breadth of the ICT programme create a material delivery risk. Rather than reducing expenditure that we consider prudent and efficient, our proposed information disclosure requirements will provide stakeholders with visibility of Orion's progress in delivering the programme, developing the expected capabilities and achieving the intended outcomes within the CPP period. Chapter 4 and Attachment L of this paper contain further details.

Table H2 Key Verifier views and our analysis that supports the draft decisions on ICT expenditure

Project or programme	Proposed ($m)	Draft allowance ($m)	Key verifier views and our analysis that supports the draft decisions on ICT expenditure

ICT - totex[183]	31.4 capex
	
	58.4 opex
		31.4 capex
		
		58.4 opex
			• The verifier reviewed Orion's ICT programme and found that well-developed business cases underpinned the expenditure assessed. Orion's final proposal includes $4.3m less capex and $0.9m more opex than the amounts reviewed by the verifier.
			• Orion's ICT strategy links proposed investment to system renewal, operational efficiency, network management and customer service. Significant projects are supported by business cases, options analysis and established governance and procurement processes.
			• The proposed uplift addresses deferred system renewals and supports the transition to a modern, data-driven network. The increase in opex largely reflects the move to cloud-based services and vendor subscription and licensing models.
			• Orion benchmarked its proposed expenditure against other New Zealand and Australian electricity distributors, with results indicating that its forecast ICT costs were not out of step with comparable businesses.
			• The verifier also reviewed relevant external assessments and found that the proposed expenditure addressed the identified ICT issues and risks. Verifier concluded that proposed totex satisfies the expenditure objective. DY26 update suggests capex increase of $0.3m over CPP period but no explanation for this was provided.
			• Reasons for draft decision include:
			  ○ the proposed expenditure is supported by a mature ICT strategy, developed business cases and robust governance;
			  ○ business cases covering 85% of proposed ICT capex include options analysis and justification for the investment;
			  ○ the level and composition of expenditure are supported by industry benchmarking and the shift towards cloud-based services; and
			  ○ we are satisfied that the proposed and verified ICT capex and opex meet the expenditure objective.

ICT – other small totex	7.0 capex **8.9 opex**	7.0 capex **8.9 opex**	• Proposed amount not reviewed. DY26 update suggests capex increase of $0.3m over CPP period but no explanation for this increase was provided. • Based on well-developed business cases underpinning major ICT projects and programmatic work we have accepted that the smaller ICT totex ($7.0 capex and $8.9m opex) is likely to be prudent and efficient in meeting the expenditure objective.

[183] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 11, GHD "Orion's CPP verification report" (31 March 2026), section 11.3, and Orion CPP CPP076 - ICT POD. There is a range of business cases supporting individual projects and programmes.

Deliverability

Orion's proposal

H62 Orion's CPP proposal states that, to deliver the CPP plan, Orion must complete a substantial volume of work over the CPP period.[184] In some programme areas, projected workloads are materially higher than in the current (DY21-25) and assessment (DY26-27) periods, including the overhead network, underground network and substation programmes. However, in other areas – such as customer connections and reactive maintenance – workloads are expected to remain broadly consistent with these periods.

H63 Orion states in its proposal that it is confident that the plan is fully deliverable based on its strong track record, its established relationship with Service Delivery Providers (SDPs) and a structured, long-term approach to planning.[185]

Verifier's findings

H64 The verifier assessed the increase proposed for materials, equipment and logistics is manageable by Orion. It also concluded that, considering the increase in programmes and the national market for electrical trade skills, there is a low risk that all electrical trade skills will not be successfully sourced by Orion or its service providers. It thought the likely impact of this is that programmes may need to be rescheduled or reprioritised at various times, but it is not expected to materially hinder the CPP programmes or projects from being fully delivered.[186]

H65 The verifier suggested that we may wish to implement some form of annual reporting mechanism to explain what Orion planned to deliver and what was delivered. This reporting could include reporting on any issues that arise such as labour shortages, asset cost increases and asset procurement difficulties.[187]

Our analysis

H66 As we raised in our Process and Issues paper, to assess whether Orion's proposed expenditure is prudent and efficient includes considering whether that expenditure can realistically be delivered so consumers do not pay upfront for planned investments that are not delivered in the CPP period.[188]

[184] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 4, p. 32.
[185] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), section 4, p. 32.
[186] GHD "Orion's CPP verification report" (31 March 2026), section 14, p. 345.
[187] GHD "Orion's CPP verification report" (31 March 2026), section 14, p. 345, 353-354.
[188] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 22.

H67 We consider deliverability to be an issue given the widespread asset replacement and renewals work being planned and the need to increase network capacity to accommodate electrification. The work programme is larger in scale than what Orion has delivered previously.[189]

H68 We also note stakeholders raised concerns about deliverability in submissions on our Process and Issues paper and in our targeted stakeholder engagement (see Attachment M for more detail), particularly in relation to the availability and cost of workforce, contractor and plant resources in the Canterbury region.[190]

H69 Deliverability is relevant to both distribution networks and at a transmission level. For this reason, we considered whether to implement a deliverability mechanism in the Orion CPP determination that would make part of Orion's expenditure allowance contingent on its delivery performance over the CPP period.

H70 We considered whether a deliverability mechanism, similar to that determined in the Transpower RCP4 IPP, would be an appropriate tool to address the issue. However, we concluded that a deliverability incentive adjustment like that could be complex to implement for the Orion CPP unless it could be tied to the achievement of any of the outcome measures proposed in our Attachment L.

H71 We also looked at whether an expenditure adjustment tied to successful delivery of capex against the forecast capex could work but, on review, we concluded that this could impact the integrity of the existing incremental rolling incentive scheme (IRIS) incentive mechanism.

H72 Given the difficulty of being able to design a deliverability adjustment and associated mechanism that could be low cost and low effort with minimal regulatory intervention, our draft decision is to adopt the verifier's suggestion to instead require enhanced reporting from Orion on deliverability issues it is encountering in the delivery of its work programme.

H73 When Orion reports deliverability issues, we will require Orion to provide further information including:

H73.1 an explanation of any engagement Orion has undertaken with other EDBs to manage deliverability risks; and

H73.2 commentary on workforce capacity, contractor concentration, subcontractor use, procurement outcomes and use of regional crews.

H74 See Attachment L for our draft decision on Orion's enhanced reporting requirements under information disclosure regulation

[189] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026) p. 22.
[190] See Mainpower "Orion CPP process and issues paper submission" (26 August 2026).

Attachment I Revenue path and illustrative consumer price impacts

Purpose of this attachment

I1 This attachment sets out our draft decisions for shaping Orion's customised price-quality path (CPP) revenue path to make annual increases in network charges over the 5-year CPP period easier for consumers to manage. We also set out our decisions on certain CPP application costs that Orion can recover through its network charges, and requirements that allow us to monitor Orion's compliance with the CPP revenue limits we set. Lastly, we illustrate the prices for a typical residential customer of Orion over the course of the CPP.

Structure of this attachment

I2 In Table I1 we describe the structure of this attachment.

Table I1 Structure of this attachment

Title	Description of content
Summary of our draft decisions	• Summarises the CPP revenue path settings we consider are appropriate to reflect the particular circumstances of Orion and its consumers, to allow Orion to recover certain CPP application costs, and to allow us to monitor Orion's compliance with the revenue path
Shaping Orion's CPP revenue path to make price rises more manageable	• How we have reduced the potential for Orion's consumers to face bill shocks during the CPP period by applying a variable 'X-factor' to keep forecast annual revenue increases below 10% (in real terms)
Specified recoverable costs	• We specify the costs Orion will be permitted to recover via its network charges in relation to preparing its CPP application
Revenue path compliance requirements	• Describes requirements that allow us to monitor Orion's compliance with the maximum revenues permitted under the CPP, and also reduce volatility in the year-on-year changes in recoverable cost components that make up a portion of Orion's overall CPP revenues
Illustrative consumer price impact	• Illustrates forecast price impacts over the 5-year CPP period for a typical residential customer of Orion

Summary of our draft decisions

I3 Orion's expenditure allowances (and other building block costs) we approve for the CPP period will determine the level of revenues that Orion will be allowed to recover from consumers through its annual updates to the levels of its network lines charges.

I4 Consumers can have difficulty absorbing price increases that are unexpected or that occur too sharply. We have the ability to alter the timing of increases in Orion's annual allowed revenues across its CPP period to smooth the profile of revenue recoveries – reducing the potential for bill shocks and making it easier for consumers to budget to cover price rises, adapt their consumption if necessary, and manage their energy costs.

I5 Our draft decisions are to:

I5.1 **Smooth the CPP revenue path:** shape Orion's 5-year CPP revenue path using the 'CPI-X' format specified in the input methodologies (IMs):

I5.1.1 annual increases in Orion's forecast net allowable revenue (FNAR) are kept below 10% pa (in real terms) for the first three years of the CPP. The increases are at (or below) those that would have occurred under DPP4; and

I5.1.2 FNAR in the last two years of the CPP is then forecast to be flat (in real, per installation control point (ICP), terms).

I5.2 **Confirm Orion's CPP verification and audit costs are recoverable costs:** the costs related to Orion's preparation of its CPP application that we approve for recovery by Orion through its network charges are:

I5.2.1 verifier costs of $624,631; and

I5.2.2 audit costs of $385,552.

We note that the IMs specify that the CPP application fee ($20,000) paid by Orion, and our fee for evaluating its CPP proposal (estimated $1,625,000), are automatically eligible as recoverable costs for Orion via network charges.

I5.3 **Specify revenue path compliance requirements:** adopt DPP4-style revenue path compliance requirements for the CPP determination. These include:

I5.3.1 a 10% gross revenue smoothing limit to restrict annual aggregate revenue volatility affecting consumers, where these arise from year-on-year changes in recoverable cost components such as Orion's wash-up draw downs, incremental rolling incentive scheme (IRIS) incentive amounts and innovation and non-traditional solutions allowance (INTSA) allowances;

I5.3.2 a 90% undercharging limit to allow Orion sufficient flexibility to cater for emergent circumstances and the needs of its consumers, eg, by setting its lines charges at levels below allowable revenues or delaying wash-up draw downs; and

I5.3.3 annual reporting requirements to allow us to monitor Orion's compliance with the maximum revenues it is permitted to charge under the CPP and for the calculation of any revenue path wash-ups specified by the IMs.

Our approach to shaping the CPP revenue path

Why this aspect of Orion's CPP matters

I6 Consumers can have difficulty in absorbing price increases that are unexpected or occur too sharply. By adjusting the profile of Orion's forecast allowable revenues over the CPP period, we can reduce risks of bill shocks, and give consumers an opportunity to adapt their behaviour and consumption to better manage their energy costs.

I7 The main tool we rely on to reduce the risk of unmanageable price increases for consumers is shifting some of a regulated firm's overall allowable revenues between different years within a regulatory period to better suit a firm's and/or its consumers' circumstances. This typically results in a smoother profile of forecast revenues.

I8 For a 'CPI-X' revenue path specified by the IMs, we can avoid a step-up in allowable revenues occurring all in the initial year of a CPP period by specifying a level of allowable revenues in the first year of the CPP ('starting prices') and a real rate of change in revenues for the remaining years ('X-factors').[191] It is also possible to vary the X-factors between the remaining years to achieve an overall desired profile across the CPP.

I9 This reprofiling is done in a present value equivalent way, meaning that Orion is able to recover its total allowable revenues over time – including compensation with respect to its cost of capital. Consumers still pay the total required revenues over the regulatory period, plus an additional 'time value of money' charge if Orion's revenue recovery within the regulatory period is deferred as a result of the revenue smoothing.

What Orion proposed

I10 Orion proposed a smoothed (CPI-X) revenue path that allowed for:[192]

I10.1 a partial increase in its forecast net allowable revenues via starting prices at the start of the CPP, estimated at 16.8% (14.5% in DY26 constant dollars); and

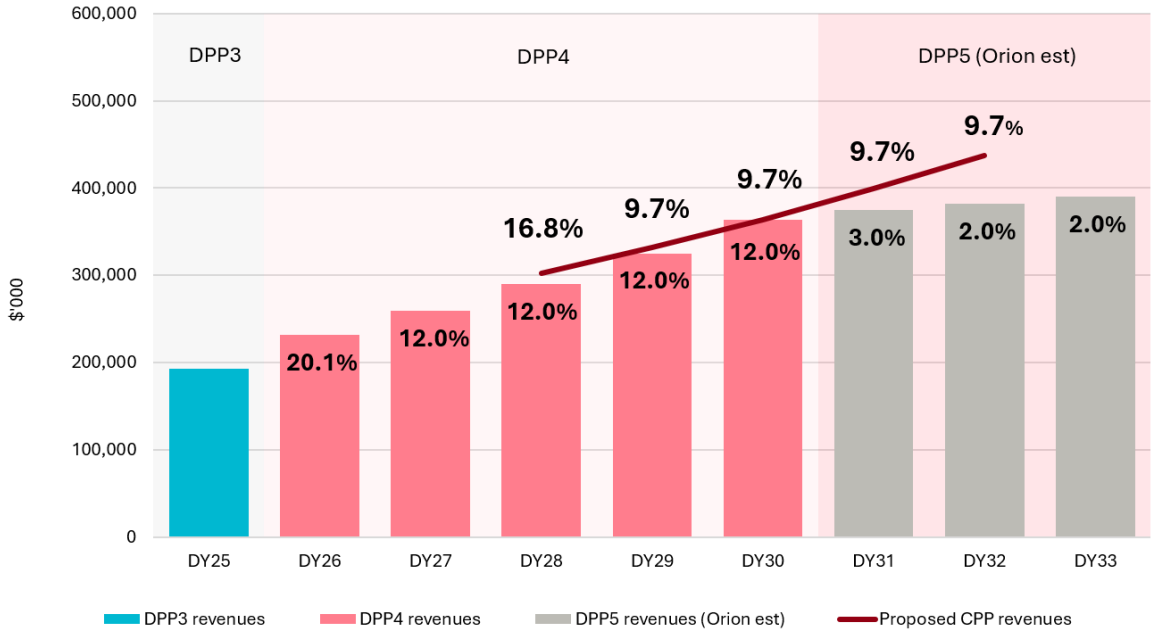
I10.2 further year-on-year increases in each of the 4 remaining CPP years (via X-factors) of 9.7% pa (7.5% pa in DY26 constant dollars).

I11 The revenue increases would follow on from increases in distribution revenues we already approved for Orion as part of the DPP4 reset for DY26 of 17.3% (13.9% in DY26 constant dollars) and for DY27 of 15.2% (10.9% in DY26 constant dollars).

[191] Alternative rates of change (calculated with reference to changes in CPI) may be needed to minimise price shocks for consumers when setting DPPs: Commerce Act 1986, s 53P. Section 53V of the Act allows for a DPP to be customised under a CPP.
[192] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), pp. 213-215.

I12 Orion's proposed smoothed CPP price path is shown in Figure I1, which also shows its estimate of comparable DPP revenues (and percentage annual revenue changes for both the CPP and default price-quality path (DPPs)) that Orion forecast would otherwise apply.[193]

Figure I1 Orion's proposed CPP revenue path profile relative to estimated DPPs



I13 In our Process and Issues paper, we signalled that Orion's proposal for a smoothed CPI-X price path reduced the potential for price shocks for consumers because it limited real increases in aggregate net allowable revenues to less than 10% per annum for four of the five years in the CPP regulatory period and only the aggregate change in revenue from DY27 to DY28 would exceed 10% real.[194] These estimates were based on inflation calculations Orion adopted at the time of its CPP proposal.

I14 Since the DPP4 reset however, inflation has exceeded previous forecasts, and estimates of total DY27 allowable revenues have changed. In addition, our draft decisions make a number of adjustments to Orion's proposed CPP expenditure allowances affecting CPP revenues for DY28-DY32. This means that the step-up from DY27 to DY28 using Orion's approach is now less than the 16.8% shown in Figure I1.

[193] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 37. The DPP5 revenue path in the chart was estimated by Orion, and assumes that the step-up in expenditure Orion proposed for its CPP (over DY28-DY30) does not occur, and that DPP5 is based on a similar expenditure forecasting methodology to that used for DPP4 (ie, the DPP revenue path would not accommodate the increased expenditure Orion proposed for its CPP). We have therefore not relied on Orion's estimates when considering the possibility of a material change in revenues on transition from the CPP to DPP5.

[194] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), p. 39. This 10% threshold can be seen as an approximate indication of whether changes in revenues, at an aggregate level, may cause consumers to experience a price shock. For DPP4, given the particular circumstances of that decision, we adopted a starting price change above 20% as a reference for potential price shocks. See Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment F.

I15 Despite the revenues increases now looking to be more manageable for consumers than presented in Orion's proposal, we consider it is still in consumers' interests for us to consider how best to smooth the profile of CPP revenues across the years of the CPP.

Our analysis

I16 In our Process and Issues paper we identified a number of factors relevant to revenue path smoothing that had not been discussed by Orion in its CPP proposal:

I16.1 applying different X-factors to the revenue path at the various points during the CPP period to achieve an appropriate profile;

I16.2 assessing annual revenue changes on a 'per ICP' or 'per unit of demand' basis. Orion's customer base is forecast to grow over the CPP period (by 9.2% over 5 years). This creates a greater, progressive, potential for consumers in aggregate to absorb network costs over the CPP period without experiencing bill shocks;

I16.3 assessing the cumulative impact on consumers of the recent increases in DPP4 allowable revenues. Since those increases were relatively large (reflecting the circumstances electricity distribution businesses (EDBs) faced at the DPP4 reset) we would consider limiting early increases in the CPP period, all else being equal, to benefit consumers; and

I16.4 considering more closely aligning CPP allowable revenues with those that might apply for Orion as part of DPP5 at the CPP 'step-off' point (ie, from DY33). Our view is that potentially material movements should be minimised if possible.[195]

I17 We also noted that our past experience with setting price-quality paths suggests we should generally not seek to spread recovery of Orion's approved expenditure or other revenue entitlements beyond the CPP regulatory period, unless there are compelling reasons to do so.[196]

What we heard from submitters and stakeholders

I18 Orion noted that the purpose of revenue path smoothing is to help manage price change volatility for the benefit of Orion's customers and "while the revenue path depends on the final approved expenditure, it is a consideration that is independent of expenditure assessment".[197] Orion indicated it would be happy to be guided by the Commission in the matter of revenue path smoothing and can support the Commission as needed.

[195] We note that the changes to adopt a five-year trailing average for estimating the risk-free rate used in calculating the regulated returns for electricity networks announced by the Commission on 23 September 2023, means we anticipate less period-to-period volatility in future. See: https://www.comcom.govt.nz/news-and-media/news-and-events/2026/commission-determines-new-approach-to-infrastructure-financing-costs/

[196] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment F.

[197] Orion "Orion CPP process and issues paper submission" (26 August 2026), para 102.

I19 We received support for our approach of assessing revenue impacts on a per ICP basis,[198] and Orion supported us assessing volatility in consumer bill impacts on a 'gross' basis (ie, including effects of pass-through and recoverable costs).[199] ERGANZ noted the difficulties with any deferral of revenue recovery beyond the CPP as it "pushes costs into the DPP5 period where it will compound with the next round of increases."[200]

I20 Several submitters highlighted affordability concerns for consumers.[201] As we note in Chapter 3, our assessment and draft decisions have sought to ensure expenditure allowances are kept at prudent and efficient levels to provide consumers with good value for money. We have also had regard to the impact of price increases on consumers when considering options for shaping Orion's CPP revenue path.

Our draft decision on smoothing the revenue path

We are setting Orion's CPP revenue increases in years 1 to 3 to not exceed 10% pa (in real terms) and be flat thereafter

I21 After considering the options available to us, our draft decision is to shape the revenue path for Orion's 5-year CPP using the 'CPI-X' format specified in the IMs, such that:

I21.1 Orion's forecast FNAR increases annually, in real terms, for the first 3 years of the CPP by no more than would have occurred under DPP4 (9.8% pa real); and

I21.2 Forecast FNAR changes in the last 2 years of the CPP are set to be 0% pa in real per ICP terms.

I22 This has the advantage of allowing Orion to expect full recovery of its CPP expenditure allowances and other revenue components within the CPP regulatory period, while:

I22.1 avoiding price shocks to consumers in any CPP year (based on a benchmark threshold for price shocks of 10% real per ICP change in aggregate revenues);

I22.2 reducing the possibility of a material 'step-up' or 'step-down' in Orion's allowable revenues (all else being equal) at the end of the CPP; and

I22.3 leaving headroom within the later years of the CPP for Orion to recoup additional revenue from consumers if needed, eg, if in-period reopeners were triggered.

[198] Foodstuffs South Island "Orion CPP process and issues paper submission" (26 August 2026), p. 3 and Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), p. 3.
[199] Orion "Orion CPP process and issues paper submission" (26 August 2026), para 100.
[200] ERGANZ "Orion CPP process and issues paper submission" (26 August 2026), p. 3.
[201] ERGANZ "Orion CPP process and issues paper submission" (26 August 2026), LETS "Orion CPP process and issues paper submission" (26 August 2026), Anonymous "Orion CPP process and issues paper submission" (26 August 2026).

I23 We are not aware of any pass-through or recoverable costs forecast for the CPP period that would result in materially higher rates of change than our 10% pa real per ICP benchmark if allowable revenues were to be considered at the 'gross' level.

I24 In any event, as we outline below, we have implemented a 10% pa (above CPI) gross revenue smoothing limit to restrict revenue volatility from annual changes in recoverable costs (which can be significant) affecting movements in gross revenues.

I25 Our view is that our draft decision is consistent with the Part 4 purpose because it allows Orion an expectation of full revenue recovery during the CPP period which supports Orion's incentives to innovate and invest under s 52A(1)(a) and does not detract from any other limb of the s 52A(1) purpose statement.

How we implemented our draft decision

I26 We have specified Orion's FNAR for year 1 of the CPP period in Schedule 1.1 of the draft CPP determination as $303.51m. This equals the FNAR that would have applied to Orion for year 3 of the DPP4 revenue path, and results in a real rate of change from Orion's transition from year 2 of DPP4, to year 1 of the CPP, of 9.8% pa real.

I27 To give effect to subsequent rates of change for revenues over years 2 to 5 of the CPP period, we have adjusted the formula in the CPP determination to use cumulative X-factors (rather than a single X-factor value) to achieve the desired revenue profile.[202]

I28 More particularly, we specified:

I28.1 a cumulative X-factor for DY29 to produce a year-on-year change in FNAR of 9.8%+CPI (the same rate of change as would have occurred under DPP4);

I28.2 a cumulative X-factor for DY30 calculated to allow total forecast CPP revenues for Orion to be recouped over the CPP period, assuming the change in FNAR per ICP for DY31 and DY32 was 0.0%+CPI. The required rate of change for DY30 was calculated as 3.7%+CPI; and

I28.3 cumulative X-factors for DY31 and DY32, such that the change in FNAR per ICP for these years is 0.0%+CPI.

I29 Table I2 sets out the annual rates of change and the corresponding cumulative X-factors required to generate the CPP revenue path under the CPP determination.

[202] Orion draft CPP determination, Schedule 1.2. The cumulative X-factors (Xc) are used to calculate forecast net allowable revenue (and actual net allowable revenue for wash-up purposes) for each of DY29-DY32.

Table I2 Cumulative X-factors (Xc) for Years 2 to 5 of the CPP

Year of the CPP period	Real annual rate of change	Formula for Xc[203]	Cumulative X-factor (Xc)
Y2 (DY29)	-9.8%	$Xc = (1-X_{y2})$	1.09800
Y3 (DY30)	-3.7%	$Xc = (1-X_{y2}) \times (1-X_{y3})$	1.13863
Y4 (DY31)	-1.8%	$Xc = (1-X_{y2}) \times (1-X_{y3}) \times (1-X_{y4})$	1.15912
Y5 (DY32)	-1.6%	$Xc = (1-X_{y2}) \times (1-X_{y3}) \times (1-X_{y4}) \times (1-X_{y5})$	1.17767

I30 The updated Orion CPP financial model released alongside this paper demonstrates that the present value of the FNARs produced from applying the cumulative X-factors is equivalent to the present value of the building block allowable revenues, plus the shifted revenue adjustment, for the CPP period.[204]

I31 If Orion's overall CPP revenue requirement (ie, present value of required FNARs) were to increase for our final decisions, our draft view is that we would maintain our draft decision rates of change for years 1 to 2 of the CPP period, and accommodate additional revenue recovery progressively in years 3, 4 and 5, if this were possible without exceeding our benchmark threshold for price shocks of 10% real per ICP in aggregate. However, we would need to more closely consider the circumstances at the time to ascertain the best revenue path to set.

I32 We are interested to hear stakeholder views on this approach and/or alternatives.

Other smoothing options we considered

I33 The main alternative we considered was implementing constant annual real percentage increases over the CPP period (such as Orion proposed in its CPP application for years 2 to years 5 of the CPP). We have calculated that an equivalent constant annual real increase (X-factor) would be 6.9% pa.[205]

I34 We consider our draft decision better mitigates the risk of potential bill shocks for consumers as it reduces the possibilities for a material change in revenues on transition from the CPP to DPP5, while leaving headroom for Orion's consumers to absorb future uncertainties such as in-period reopener events in years 3, 4 and 5 if needed.

[203] The formulas are included here so that interested persons may better understand the calculations. The formulas are not set out in the Orion draft CPP determination.
[204] Orion CPP Draft decision financial model suite. The shifted revenue adjustment is $54.2m (Orion "Financial and Modelling Information Report" (9 June 2026), p. 11) and ensures that the back-loaded DPP revenue recovery profile which occurred for Orion for DY26 and DY27 under DPP4 does not penalise Orion or reward consumers when Orion transitions to its CPP in DY28. See Commerce Commission, "Amendment to the input methodologies for electricity distribution businesses – accounting for shifted revenue" (19 May 2026).
[205] Applying a uniform real *per ICP* rate under the CPI-X format adopted in the draft CPP determination would involve setting a series of cumulative X-factors over the CPP period, which we have not calculated.

I35 We acknowledge there may be a case to be made for reducing the extent of rate increases occurring early in the CPP period to less than our draft decision (and therefore less than signalled for consumers under DPP4) given the increases already occurring for the first two years of DPP4. This would entail larger increases for later years of the CPP.

I36 On balance, given the circumstances, we consider the interests of consumers are better served by avoiding exposing them to 'time value of money' charges, relative to our draft decision, from spreading total increases out over the longer period. It would also create more of a risk of a material change in revenues occurring on transition to DPP5.

I37 Lastly, we considered whether a better proxy for demand growth, other than a 'per ICP' measure, was appropriate and readily available if this were to be needed. We concluded that no other available measure would provide a materially better outcome.

Effect of our draft decisions

I38 We have updated Orion's financial models submitted at the time of its CPP application to include our draft decisions on opex and capex allowances for the CPP period, and for our draft decision above on CPP revenue path smoothing.[206]

I39 The resulting FNAR for Orion for each year of the CPP period is set out in Table I3, compared with the equivalent value in Orion's CPP proposal. The present value difference between the draft decision FNARs and Orion's proposed FNARs is $53m.[207]

Table I3 Orion CPP forecast net allowable income ($000) – draft decision

	DY28	DY29	DY30	DY31	DY32	Total (PV 1 Apr 2027)
Orion CPP proposal	302,673	331,881	363,907	399,024	437,530	1,523,742
CPP draft decisions	303,512	339,921	359,548	373,340	386,900	1,471,092
CPP draft decisions with reliability risk reopener	303,500	339,908	363,695	377,647	391,363	1,481,162

I40 Table I3 also shows Orion's FNARs if the maximum amounts of additional asset replacement and renewal (ARR) capex available under the reliability risk reopener ($87.8m of capital expenditure in DY26 constant dollars, across DY29 – DY32) was approved by us in the first reopener application window (see Attachment C for further details of the reopener).

[206] The modelling for the draft revenue path set out in this attachment is presented in nominal dollars and updated for the effect of the latest forecast of inflation. The updated CPP models do not reflect actual financial information for building blocks costs that has become available for Orion for DY26 since it made its CPP application, eg, updated RAB values. See paragraphs 2.49-2.50.
[207] Present value calculated as at 1 April 2027, using an annual discount rate equal to the CPP WACC of 7.1%.

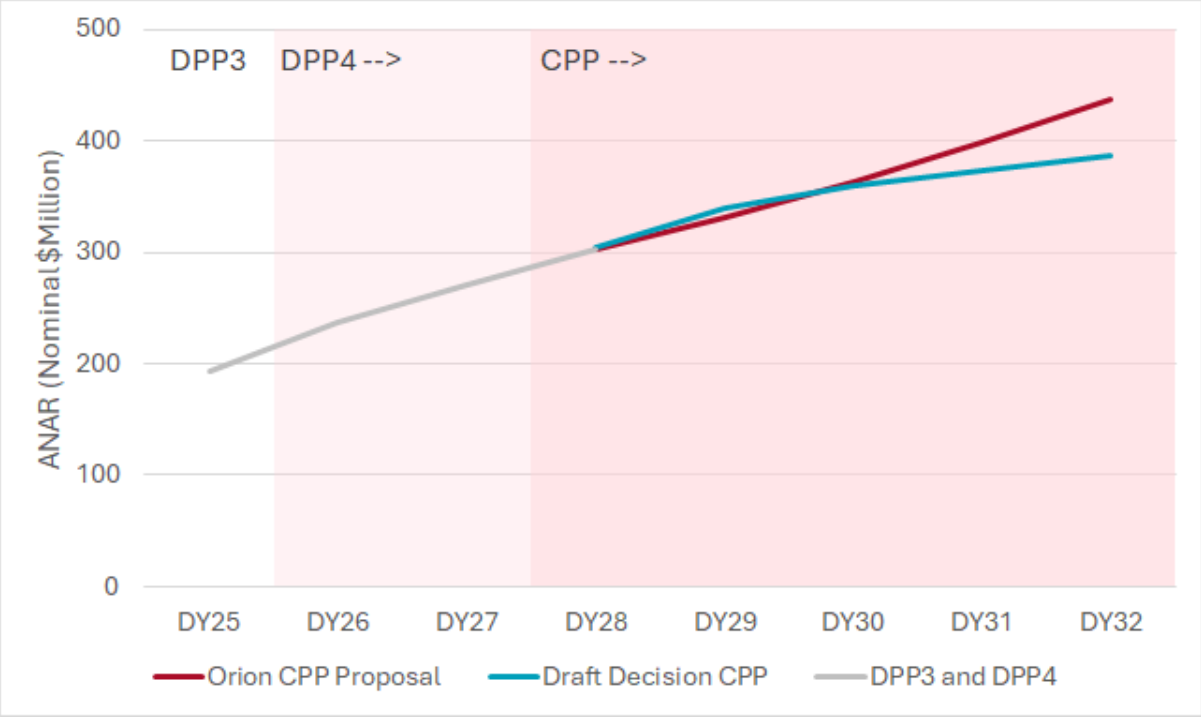
I41 We note that the difference between those FNARs and our draft decision is relatively small – equivalent to causing the rate of change for DY30 under our draft decision revenue path smoothing approach to increase from 3.7%+CPI to 4.9%+CPI (assuming we do not alter the rate of change in revenues for DY31 - DY32). This is primarily because:

I41.1 Orion has an existing regulatory asset base (RAB) of approximately $1.8b (DY26), which generates the majority of its revenues for the CPP, compared to the maximum amount of ARR capex we can approve under the reopener of $87.8m, which is approximately 4.9% of that existing RAB;[208] and

I41.2 the full effect of the additional ARR capex forecast is only seen across multiple future regulatory periods, due to associated higher depreciation and RAB returns being spread (as required by our building block cost IMs) across the typically long lifetimes of assets that result from the capex.

I42 Figure I2 illustrates the smoothed draft CPP revenue path for DY28-DY32, relative to that proposed by Orion in its CPP application (after prior actual/forecast DPP revenue path values are updated for inflation). We also present the prior DPP values for context.

Figure I2 Orion CPP revenue path ($m, ANAR, DY28-DY32) – draft decision[209]



I43 Key features are that:

[208] https://www.oriongroup.co.nz/assets/Our-story/Regulatory-disclosures/Orion-information-disclosures-FY26.pdf, Schedule 4.1.
[209] Actual net allowable income is a measure of maximum allowable revenues, and excludes pass-through and recoverable costs.

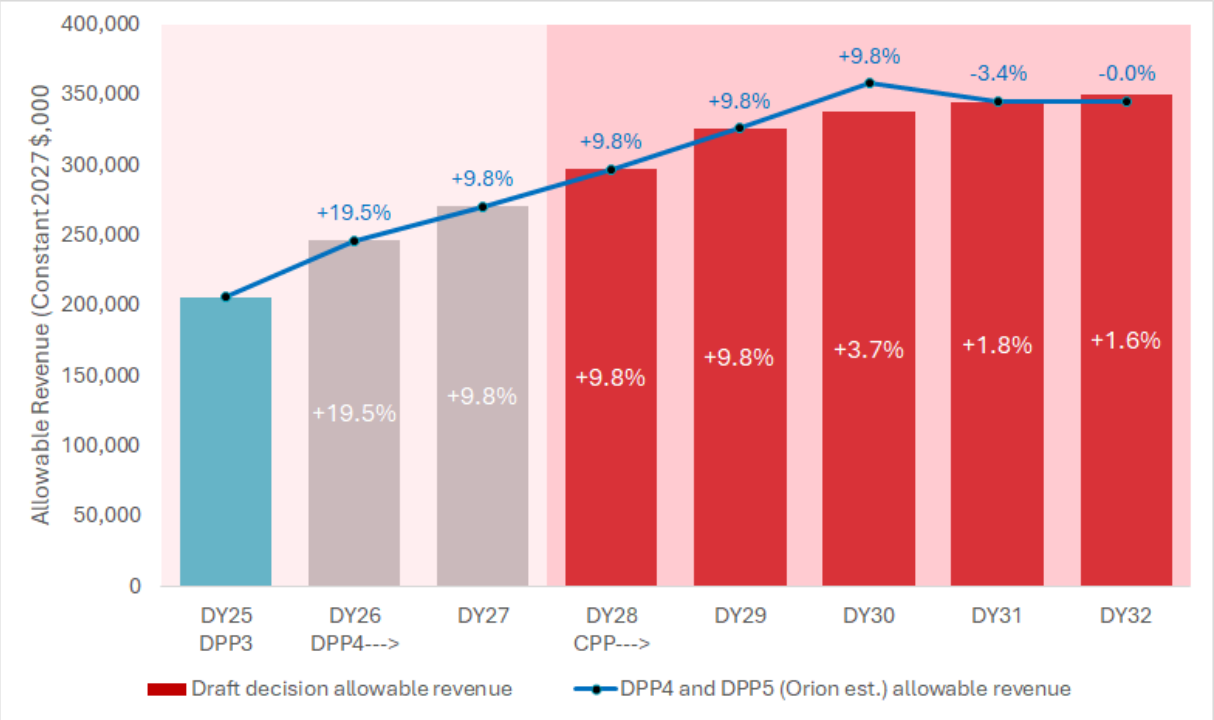
I43.1 for DY28-30, the draft decision CPP revenue path is materially similar to that Orion proposed; and

I43.2 for DY31-32, the draft decision CPP revenue path rises only by the equivalent of an estimate of ICP growth plus forecast inflation, whereas Orion's proposed path in the CPP application would have continued to rise by 7.5% pa real.

I44 We have not shown the draft decision CPP path if the additional ARR capex was approved under the reliability risk event reopener In Figure I2, as the difference between that and our draft decision CPP revenue path is relatively small (see paragraph I41).

I45 Figure I3 shows the draft decision CPP revenue path relative to Orion's estimates of the DPP4 and expected DPP5 revenues at the time it submitted its CPP application (updated for actual and forecast inflation).

Figure I3 Orion CPP comparison with Orion estimate of DPP (DY27 constant dollars) – draft decision



I46 We generally do not consider estimates of DPP revenues that would have applied during a CPP regulatory period to represent a baseline comparison for the CPP. This is because a DPP does not consider an EDB's individual circumstances, whereas the CPP revenue path is the result of detailed analysis by independent experts and us, so reflects an EDB's particular circumstances.

I47 In Orion's case however, we anticipate that some stakeholders may wish to understand why the CPP path appears to be approximately the same as Orion's estimated revenue path for DPP4/DPP5. The main factors contributing to this are:

I47.1 Orion's CPP proposal produced allowable revenues that were only marginally higher than its estimate of DPP levels for years 1 to 3 of the CPP period, with a more prominent uplift occurring against its estimates of DPP5 only in years 4 and 5 of the CPP period – see Figure I1. Our overall draft adjustments to Orion's expenditure allowances, which reduce Orion's proposed CPP revenues, result in the difference in years 4 and 5 (using Orion's estimates) being much narrower;

I47.2 the draft CPP opex and capex allowances are higher than those implied by Orion's DPP estimates, however, as noted in paragraph I41.2 above, the full impact of higher allowances for capex is not apparent in the CPP revenue path. This is because capex allowances typically affect allowable revenues across multiple future regulatory periods.[210] Different assumptions about timing of opex and capex incurred for the CPP period also contribute to differences; and

I47.3 Orion's estimate of DPP5 revenue assumed a single starting price adjustment (SPA) would occur in DY31 with a 0% real rate of change thereafter. This results in higher DPP revenues for DY31 and DY32 than produced by underlying DPP building block costs if a rate of change over the CPP period were to be applied.

Our draft decision on specified recoverable costs

Why this aspect of Orion's CPP matters

I48 In addition to the FNAR amounts that can be recovered by Orion from consumers, the IMs provide for costs associated with preparation and assessment of a CPP proposal to be included in the CPP revenue path as recoverable costs.

I49 These are:[211]

I49.1 the standard CPP application fee;

I49.2 the fee we charge Orion in respect of our assessment of the CPP proposal and determination of the CPP; and

I49.3 any fees paid by Orion to the verifier, an auditor, and/or an engineer (if an EDB proposes a different physical asset life for an asset or type of assets, compared to the standard physical asset life) as specified in the CPP determination.

What we heard from submitters

I50 No submitter on our Process and Issues paper provided feedback on this aspect of Orion's CPP.

[210] The present value of Orion's total revenues across all periods under the CPP will be higher by the present value of the difference in expenditure allowances between the CPP and Orion's estimates under DPPs, all else being equal.
[211] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 3.1.3(1).

Our draft decision on specified recoverable costs

I51 The CPP application fee ($20,000) and fees we charge for the CPP assessment (estimated at $1,625,000)[212] are automatically eligible for recovery by Orion. As the final amount of the assessment fees is not known until we have completed our assessment, we will notify Orion of the final amount once our CPP evaluation is complete.

I52 Our draft decision is to specify the following recoverable costs:

I52.1 The fee payable by Orion to the verifier. We have specified this amount at $624,631 (excluding GST), based on information Orion has provided to us.

I52.2 The audit cost incurred by Orion for the purpose of meeting the audit requirements for a CPP application. We have set this amount at $385,552 (excluding GST), based on information Orion has provided to us.

I53 We have specified the amounts of these two recoverable costs in Schedule 2.1 of Orion's draft CPP determination.

I54 Our draft decision does not include any fee payable by Orion to an engineer, as this does not apply in Orion's circumstances.

I55 In addition to the above, we have provided in the draft Orion CPP determination for two recoverable costs contemplated by the IMs that are subject to our approval. These are the extended reserves allowance, and a recoverable cost in relation to any transmission charges avoided as a result of Orion purchasing transmission assets from Transpower, eg, spur assets. We discuss our reasons for these recoverable costs in Attachment K.

I56 As the specification of the above recoverable costs meets the applicable criteria in the IMs, we consider them to be consistent with the purpose of Part 4 of the Act.

Revenue path compliance requirements

What do these requirements cover?

I57 Our decisions on revenue path compliance cover two main aspects:

I57.1 demonstrating that Orion's annual ex-ante price-setting complies with revenue path limits; and

I57.2 quantifying ex post out-turn to inform calculations of annual wash-up balances.

[212] Orion "Financial and Modelling Information Report" (9 June 2026), p. 38.

Ex-ante price-setting for the revenue path

I58 We have developed a standard form of compliance requirements for annual price-setting for DPP3 and DPP4 resets, and for the Aurora and Powerco CPPs, under s53N of the Act.[213] These provide for an EDB to set forward looking prices each year, based on forecast allowable revenues (including forecast recoverable costs and pass-through costs), forecast tariffs and quantities demanded, and expectations of inflation.

I59 Since recoverable costs—particularly wash-up drawdown and IRIS incentive amounts—can have a material impact on the total revenue an EDB is permitted to recover, and on the distribution prices for an EDB's consumers, the IMs also provide for mechanisms to limit potential revenue (and price) volatility that may arise in year-on-year changes:[214]

I59.1 the 'revenue smoothing limit', which limits annual increases in the recoverable cost portion of allowable revenues; and

I59.2 the 'undercharging limit', which effectively places a restriction on the amount of revenues that EDBs can choose to defer, without permanently forgoing recovery.

I60 For DPP4 we specified the revenue smoothing limit at 10%, and the undercharging limit at 90%.

What we heard from submitters

I61 No submitter on our Process and Issues paper commented on revenue path compliance requirements, other than Orion who supported retaining DPP4-style compliance provisions including the 10% revenue smoothing limit.[215]

Our analysis

Draft requirements for the CPP

I62 We have decided to adopt revenue path compliance requirements for Orion's price and quality paths under its CPP that are modelled on the provisions included in the DPP4 determination. These are reflected in the draft Orion CPP determination that we have published alongside this paper.

I63 In general, these requirements have proved workable and effective, and we consider them to be fit-for purpose for ensuring Orion's compliance with its CPP revenue path.

[213] See for example, Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment F, paras F134 to F220.
[214] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 3.1.1(1) and 3.1.4(7).
[215] Orion "Orion CPP process and issues paper submission" (26 August 2026), para 101.

I64 Orion had the flexibility under DPP4 to shape the in-period revenues it collects to respond to emergent circumstances and the needs of its consumers. For example, it can choose to set its lines charges at levels up to 10% below forecast allowable revenue or to delay wash-up draw downs.

I65 Our initial view was that this flexibility should be retained for the CPP.[216]

I66 Consistent with this, we set the revenue smoothing limit and undercharging limits at the same levels as provided for in DPP4, that is to set:

I66.1 the revenue smoothing limit at 10%, and

I66.2 the undercharging limit at 90% of forecast allowable revenue for a year (after the application of the revenue smoothing limit).

Compliance with first year pricing

I67 Given that retailers will require Orion to notify them of its distribution prices for the first year of the CPP period before our final decision on its CPP revenue path will be made, and while Orion is still subject to the provisions of the DPP4 determination, we anticipate that Orion will notify its prices for that year based on our draft decision of CPP FNAR. This value is consistent with the FNAR we specified for Orion for year 3 of DPP4 in the DPP4 determination, so would also satisfy DPP4 compliance requirements.

I68 To implement this, the draft CPP determination specifies that Orion's pricing for year 1 of the CPP will be compliant if based on our CPP draft decision year 1 FNAR of $303.51m (see paragraph I26 above). We propose not to change this amount specified for compliance purposes in the determination for our final decision. However, any difference between this value and the year 1 CPP FNAR specified for our final decision will be washed-up as described below.

Assessing ex post out-turn

I69 Under DPP4, EDBs are required to complete an annual compliance statement within 5 months after the end of an assessment period that includes:

I69.1 a declaration stating whether or not the EDB has complied with the revenue path and quality standards for that year;

I69.2 financial values reconciling the EDB's actual allowable revenue against the actual revenue collected;

I69.3 the final calculation of the "wash-up accrual amount" – the difference carried over due to under- or over-recovery of revenue;

[216] Commerce Commission "Prion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), para 5.23.

I69.4 a breakdown of permissible pass-through costs (such as local council rates or levies) and recoverable costs;

I69.5 confirmation stating whether or not the EDB entered into any agreements regarding mergers, amalgamations, major transactions, or asset transfers with another EDB or Transpower during the assessment period; and

I69.6 a formal certificate signed by the EDB's directors validating the completeness and accuracy of the disclosure.

I70 Our decision is to adopt these requirements for the Orion CPP, since they have proved workable and effective in practice.

I71 One modification that we have made to help avoid unintentional non-compliance with revenue path requirements, is to require Orion to calculate and disclose in its annual compliance statements, for each year of the CPP regulatory period, its wash-up account balance (as well as the wash-up accrual amount). We consider there are no substantial compliance costs to this change, as all the information necessary to calculate the wash-up account balance is available at the time of the annual compliance statement.

Illustrative price impact for a typical residential customer

Our analysis

I72 How the CPP smoothed revenue path translates into higher lines charges for individual customers depends on how Orion decides to recover its overall revenues from different consumer groups in any particular year and how much electricity a consumer uses.

I73 It is also important to note that electricity distribution lines charges are only one component of a consumer's overall electricity bill. The other components include the costs of electricity generation, transmission and retail costs, with Orion's distribution charges making up around a quarter of the average residential consumer's electricity bill.[217]

I74 The impact on retail bills can be difficult to predict accurately, as electricity retailers decide how to package and pass on costs from all aspects of power supply. The estimates we discuss below do not take into account any changes in those other components during the CPP period.[218]

[217] See Electricity Authority's website.
[218] Orion estimated the effect of its proposal on prices relative to its estimates of DPP4/estimated DPP5 prices that would otherwise apply: Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 212.

Illustrative price impact

I75 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 summarised in Table I4.[219]

Table I4 Forecast distribution network charge increases for an average residential consumer ($ per month, including GST, nominal, rounded)[220]

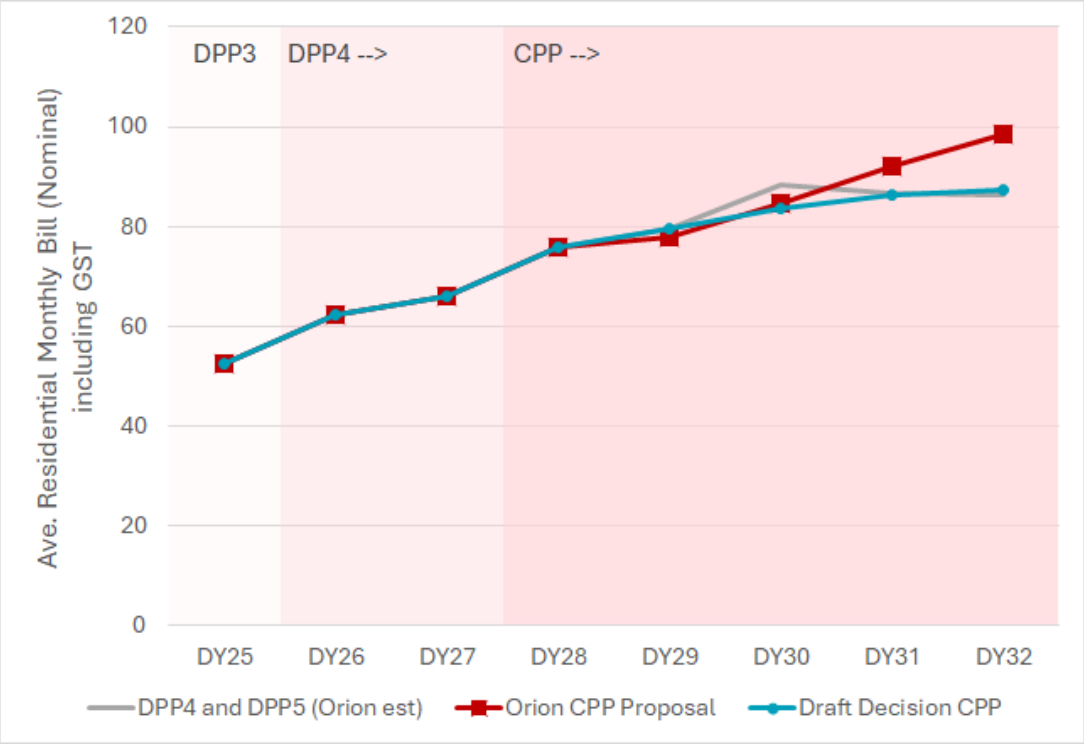
	DY28	DY29	DY30	DY31	DY32
Orion CPP proposal	$9.60	$2.10	$6.80	$7.50	$6.50
CPP draft decision	$9.80	$3.80	$3.90	$2.70	$1.00

I76 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.

I77 The overall level of monthly charges for an average residential consumer of Orion based on our draft decisions is set out in Figure I4.

[219] The calculation for an average residential consumer represents the weighted average distribution charge (fixed plus variable) of Residential low-user – controlled, Residential low-user – uncontrolled, Residential standard-user – controlled, Residential standard-user – uncontrolled, and Residential two-way power flow.
[220] 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.

Figure I4 Forecast distribution network charges for an average residential consumer ($ per month, including GST, nominal, rounded)[221]



I78 We also modelled the effects of the ARR capex reopener on consumer bills if the reopener were to be triggered in full for the CPP period. We found that the impact would be relatively modest, with an additional monthly increase of $1.00 in DY30 in Table I4. This increase would mean that our modelled bill impact in DY31 and DY32 would also be higher by that amount. We also note that allowable revenues (and therefore consumer bills) expected for subsequent regulatory periods would be higher as a result of the ARR capex entering Orion's RAB and increasing depreciation and asset returns.

I79 In submissions on our Process and Issues paper, Foodstuffs and Grid Share suggested we extend the consumer bill impact calculations to include price impacts on large commercial and industrial consumers.[222] We do not currently have the data available to allow us to model the impact of prices on those consumer groups.

[221] 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 out-turn and forecasts since Orion calculated the figures in its CPP proposal. Forecast values for these components may change for final decisions.

[222] Foodstuffs South Island "Orion CPP process and issues paper submission" (26 August 2026), pp. 2-3 and Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), p. 3.

Attachment J Quality of service

Purpose of this attachment

J1 This attachment sets out our draft decisions relating to the customised price-quality path (CPP) regulatory settings we consider are appropriate to incentivise Orion to provide services at a quality that reflects consumer demands consistent with the purpose of Part 4 of the Act.

J2 The proposed CPP quality settings consist of:

J2.1 quality standards that must be met by Orion during the CPP period;

J2.2 a quality incentive scheme (QIS) that creates a relationship between changes in network reliability, increased or lower revenue allowances and consumers' cost-quality preferences; and

J2.3 annual reporting requirements that Orion must meet to demonstrate its compliance with its quality standards and record its QIS outcomes.

Structure of this attachment

J3 In Table J1 we describe the structure of this attachment.

Table J1 Structure of this attachment

Title	Description of content
Summary of our draft decisions	• Summarises the CPP regulatory settings we consider are appropriate to incentivise Orion to provide services at a quality that reflects consumer demands consistent with the purpose of Part 4 of the Act
Context for Orion's CPP service quality settings	• Why quality settings matter for price-quality (PQ) paths, past approaches in setting quality standards for electricity distribution businesses (EDBs), what Orion proposed for its CPP, and key issues for Orion's quality settings we signalled in our Issues Paper
Applying the DPP4 quality approach to Orion's CPP	• Our reasons for proposing to re-apply the overall DPP4 quality framework and methodology to set the quality standards, QIS and compliance requirements for Orion's 5-year CPP period
Refreshing the quality standards for Orion's CPP	• How we calculated the quality standards Orion would need to meet during the CPP period, including how we updated Orion's historical reference datasets and the limits placed on inter-period movements
Retaining a DPP4-style QIS	• Why we propose retaining a DPP4-style QIS for the CPP period with adjusted target and cap/collar and other parameters in line with the refreshed CPP quality standards for Orion

Title	Description of content
Monitoring Orion's compliance with quality settings	• Our draft decision to adopt DPP4-style quality compliance requirements to monitor Orion's compliance with quality settings

Summary of our draft decisions

J4 Quality settings are a key feature of a PQ path and we are required to determine the quality settings for Orion's CPP. Orion did not propose a variation to its DPP4 quality settings in its CPP application, and the verifier was therefore not required to assess Orion's quality performance or the suitability of its DPP4 quality settings for the CPP.

J5 Our draft decision is to specify quality standards focused on measures of network reliability, an associated QIS, and annual quality compliance reporting requirements for Orion's 5-year CPP period (DY28-DY32), as summarised in Table J2.

Table J2 Summary of service quality setting for Orion CPP draft decision

Quality standards[223]				
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[224]
QIS parameters				
	Collar	**Target**	**Cap**	**Incentive rate**
Unplanned SAIDI	0	53.67	68.40	$71,720
Planned SAIDI	0	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				

[223] SAIDI (System Average Interruption Duration Index) is a measure of how long the average customer is without power, and SAIFI (System Average Interruption Frequency Index) is a measure of how often the average customer loses power.

[224] The extreme event standard is specified in SAIDI minute and CIM terms. CIM means customer interruption minutes, which is the sum of the total duration in minutes accumulated for each installation control point (ICP) for each interruption, with "m" representing millions.

J6 The quality standards we have proposed Orion must meet for its CPP period relate to its overall network reliability as determined by a statistical analysis of SAIDI and SAIFI. We have proposed retaining nearly all of the settings we adopted for DPP4, applied against a revised historical dataset (that includes DY25 and DY26) to reflect Orion's recent network performance.

J7 In reviewing the application of the historical dataset our draft decision is to:

J7.1 increase the inter-period movement permitted in respect of the unplanned quality standards and unplanned SAIDI target to ±15%. This effectively provides greater weight to the more recent data and removes the distortionary impact of the Christchurch earthquakes on the 10-year historical data series. We consider this better reflects the underlying performance of the Orion network; and

J7.2 retain the DPP4 settings (including the ±10% cap on inter-period movements) for the planned quality standard which is based on a 7-year historical data series. We consider the DPP4 methodology is an appropriate basis on which to set a planned standard. The standard balances the potential perverse incentive for EDBs to defer network investment or maintenance needs if the standard was set too restrictively, with ensuring there is still an expectation on EDBs to manage the impact of planned interruptions on consumers.

J8 Overall, 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 DPP4 standards. We consider the resulting standards to be more representative of Orion's expected performance over the CPP period, having regard to both its recent reliability outcomes and forecast work programme. We have left the extreme event standard the same as for DPP4 for Orion.

J9 Our view is that a more substantial departure from our DPP4 approach is not required for Orion's CPP, because Orion's proposed expenditure programmes for the CPP period are designed to maintain (rather than improve) its network reliability during the CPP period, and we found no evidence that Orion's consumers are willing to fund additional investment to improve network performance.

J10 Consistent with our draft decision to re-apply the overall approach for DPP4, our draft decision is to retain a DPP4-style QIS for the CPP, with its key parameters set in line with the CPP quality standards. The QIS incentivises Orion to make in-period decisions involving positive cost/quality trade-offs for consumers.

J11 Our draft decision is that annual monitoring and compliance requirements will mirror those implemented for DPP4, as we consider these to be workable and effective, and to appropriately meet the criteria in s 53N of the Act.

J12 Collectively, we consider these proposed CPP quality settings are consistent with the Part 4 purpose as they:

J12.1 incentivise Orion to continue to deliver services across the CPP period at a level of quality we understand reflects that which its consumers demand;

J12.2 incentivise Orion to make appropriate in-period decisions about the level of quality delivered consistent with the long-term benefit of its consumers;

J12.3 complement and support our draft decisions in other areas for Orion's CPP, such as the allowances we have proposed approving for expenditure;

J12.4 reflect the most up-to-date information and reflect trends in Orion's historical performance over our reference timeframes; and

J12.5 strike a reasonable balance between achieving our regulatory objectives in respect of Orion and minimising regulatory costs and complexity.

J13 Lastly, we note that Orion's proposal to make additional information available in its asset management plan (AMP) on a range of service measures (including reliability) has been considered as part of our Reporting and Monitoring draft decisions – see Chapter 4 and Attachment L.

Context for Orion's CPP service quality settings

Our approach to setting quality standards for non-exempt EDBs

J14 Quality standards are a mandatory feature of every PQ path we set for non-exempt EDBs, including for Orion's CPP.[225] Specifying quality standards and implementing a QIS helps counter any incentive for EDBs to underinvest in their networks, and gives incentives to provide services that reflect consumer demands.[226]

J15 Quality settings complement other aspects of a CPP, thereby supporting other Part 4 objectives. For instance, setting quality standards that are realistically achievable based on a CPP applicant's planned levels of expenditure promotes incentives to innovate, invest in replacement, upgraded and new assets, and improve efficiency.[227]

J16 For DPP4, we specified quality standards that must be achieved by EDBs, including Orion, during the DPP period, focused on the reliability of supply:

J16.1 limits for unplanned interruptions (SAIDI and SAIFI) assessed annually;

J16.2 limits for planned interruptions (SAIDI and SAIFI) assessed across the full 5-year regulatory period; and

J16.3 an extreme event standard.

[225] Commerce Act 1986, s 53M(1)(b), (2) and (3). There are no input methodologies that apply to quality for EDBs.
[226] Commerce Act 1986, s 52A(1)(b). See also Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), para E6.
[227] Commerce Act 1986, s 52A(1)(a) and (b).

J17 The SAIDI and SAIFI quality standards were calculated based on statistical analysis of each EDBs' historical performance, with a buffer added to reduce inherent risks due to random year-to-year volatility, and a cap on the movement in the average performance between regulatory periods. The extreme event standard was set at a fixed amount for all EDBs.

J18 A key concept that underpinned this relatively low-cost approach to setting quality standards was the principle of ensuring 'no material deterioration', meaning EDBs should at least maintain the levels of quality in network performance that they have provided historically, all else being equal.[228]

J19 In implementing this approach for DPP4, we also adopted a range of methodological decisions which were described in Attachment E of our DPP4 final reasons paper.[229] These included adopting historical reference periods of 10 years for unplanned standards and 7 years for planned standards, normalisation of historical data for major events, and de-weighting the impact of notified planned interruptions by 50% in the assessment of compliance with the SAIDI planned interruption standard.

J20 In DPP4, we also chose to apply a QIS for EDBs, based on that previously implemented in DPP3. The QIS is designed to reward or penalise non-exempt EDBs for their actual performance against average historical reliability (ie, targets measured in terms of planned and unplanned SAIDI).[230] This encourages EDBs to make appropriate in-period trade-offs about the level of quality they deliver with respect to customer preferences.[231]

J21 Lastly, for DPP4 we specified annual compliance requirements which involved EDBs publicly reporting on their actual reliability performance relative to the reliability standards we set, together with the outcome of the QIS. This information, together with additional reporting EDBs are required to make when quality standards are not met, allows us to monitor EDBs' compliance with quality settings.

What Orion proposed

Orion did not propose to vary its quality standards

J22 In its CPP proposal, Orion did not propose a quality standard variation (QSV).[232] As it did not request a QSV, it was not required to provide information in its CPP proposal about its realistically achievable performance over the CPP period, or the trade-offs that it considers could be made between levels of proposed expenditure and the standards of service quality that could be attained.

[228] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), p. 74.
[229] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment E.
[230] The maximum penalty or reward was capped at 2% of the EDB's allowable revenue.
[231] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), p. 84.
[232] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 221.

J23 However, as it noted in the CPP application, Orion does intend to make additional investment in its network to maintain reliability. It said that its operating environment is becoming more complex and customer expectations are changing, and that it also faces ongoing seismic risk and increasing exposure to severe weather events.[233] Without additional investment, Orion said it expects that over time:

J23.1 there would be a decline in reliability outcomes, leading to more frequent and longer unplanned outages, and safety risk to its service delivery partners and the public; and

J23.2 resilience would not improve, leaving the risk of prolonged and widespread outages during and after natural disasters, unmitigated.[234]

J24 Orion also outlined that forecasting unplanned reliability performance is a complex process and it considers it does not "currently have sufficiently robust, granular data to be confident that forecast modelling can accurately reflect reasonably achievable future performance."[235]

J25 Despite not requesting a QSV, Orion acknowledged that the Commission is required to set quality standards for the CPP period. It discussed some options (and signalled its preferred approach) for determining the CPP SAIDI and SAIFI limits. For instance, it discussed applying the DPP4 quality standards for the duration of its CPP or rolling forward historical reference periods to include actual performance in DY25/DY26.[236]

J26 Orion did not discuss the DPP4 QIS in its CPP proposal, nor comment on the DPP4 compliance reporting requirements.

Orion expects additional CPP expenditure to support network performance

J27 Orion's CPP expenditure proposal provides 47% ($710m) of totex for maintaining safety and reliability levels, and 5% ($78m) of totex for strengthening resilience.[237]

J28 Orion states that:

J28.1 the $710m will lift asset renewals to address ageing fleets and past deferrals, expand preventive and corrective maintenance and target local safety and supply quality risks. It maintains this will result in reliable supply with expected outages maintained at current levels and a reduced risk of major outages with improved reliability of supply in localised areas; and [238]

[233] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. ii.
[234] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 16.
[235] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 222.
[236] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), pp. 222-223.
[237] Orion's website. See also Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. xi.
[238] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026)Orion "Customised Price-Quality Path CPP Proposal" (9 June 2026), p. xi.

J28.2 the $78m will strengthen resilience and mean faster restoration following disruptions, reducing the risk of widespread outages and improving performance during extreme weather events.[239]

Proposed service measure reporting

J29 Lastly, Orion proposes to report in its annual AMP on twenty-six service measures which span "key service attributes, including reliability and resilience, safety, customer service, power quality, environmental impact, efficiency and network planning, and support for the energy transition. These comprise 13 established measures as well as 13 new measures that extend performance monitoring into areas of increasing importance to customers."[240]

J30 Orion did not propose that these would be quality standards, but rather would provide additional information about network performance under its CPP.

Applying the DPP4 quality approach to Orion's CPP

We are maintaining the overall DPP4 approach for Orion's CPP

J31 Our draft decision is to apply the overall DPP4 quality framework and methodologies to determine the quality standards, incentives and compliance reporting requirements for Orion's 5-year CPP period. In our view, this is consistent with the circumstances of Orion's CPP and promotes the Part 4 purpose for the long-term benefit of consumers.

Our analysis

J32 As noted above, Orion did not request a variation to its DPP4 quality settings in its CPP proposal, and the verifier was not required to assess Orion's quality settings. Service quality parameters are a mandatory part of setting a CPP however, and we are required to determine the quality-related settings that will apply to Orion's CPP period.

J33 There are no input methodologies that apply to quality for EDBs. It therefore falls to us to make appropriate decisions on Orion's CPP quality settings having regard to the Part 4 purpose and other relevant regulatory objectives.

J34 As we outlined in our Process and Issues paper, a main consideration is whether the quality standards and QIS settings we applied for DPP4 (either the methodology or specific settings) should be applied for the CPP period.[241] Broadly speaking, the options are to apply the same approach used to set quality standards and the QIS in DPP4, apply the same standards and QIS parameters as DPP4, or adopt a different approach.

[239] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. xi.
[240] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. ix. See also GHD "Orion's CPP verification report" (31 March 2026), pp. 335-344.
[241] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), para 6.17.

Orion's particular circumstances

J35 In Chapter 6 of our Process and Issues paper, we noted that:

J35.1 Orion has complied with its quality standards since the start of its first CPP in DY15-DY19 (which covered the Christchurch earthquake recovery period);[242]

J35.2 Orion has stated that its consumers are satisfied with current levels of quality and are unwilling to pay more for enhanced reliability;[243] and

J35.3 one of Orion's objectives for the CPP is to maintain overall service quality levels (not materially improve them).[244]

Evaluating the DPP4 approach in light of Orion's particular circumstances

J36 A high-level question we posed in the Issues Paper – given Orion has met its past quality standards, yet a large part of its planned CPP spend is directed at reliability ($710m) – was whether Orion had adequately explored whether appropriate trade-offs are being made between its CPP investment levels and the level of quality that consumers expect.

J37 Our view was that it was in consumers' interests to better understand whether incentive settings or the quality standards themselves should be set with an adjustment to reflect an improvement on the level of historical performance, ie, should be deliberately tightened relative to DPP4. Alternatively, as Orion said that its consumers identified *maintaining* the current levels of safety and reliability as a top priority, exploring these trade-offs may indicate that some part of the CPP spend is unnecessary to meet consumer expectations and reliability expenditure allowances should be reduced.

J38 One way we suggested for testing the appropriateness of the planned expenditure would be to consider the impact on Orion's consumers of potential interruptions (based on an estimate of the value of unserved energy) if some part of proposed reliability spend was not made. It was not clear from the CPP proposal whether Orion had modelled this. We said we would request more information from Orion on possible price/quality trade-offs, and would also consider the views of consumers on this issue.

J39 In submissions on the quality-related issues discussed in our Process and Issues paper:

J39.1 Orion did not provide any new information on possible price/quality trade-offs – other than referring to a counterfactual where it did not increase its asset renewal and maintenance activity – and therefore consumers would not derive

[242] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), para 6.18.
[243] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), paras 6.23 and 6.26.3.
[244] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), paras 6.26.1 and 6.26.2.

the benefits Orion had listed as its reasons for the CPP. It reiterated that its CPP investment proposal:[245]

> is based on growth and asset renewal decision-making aimed at maintaining reliability through a continuation of mostly historical practice, including maintaining asset health

J39.2 an anonymous submitter observed that Orion has managed to meet its quality standards under past default price-quality path (DPPs) while still delivering major network upgrades. The submitter queried whether Orion's CPP plan is justifiable by expected benefits;[246] and

J39.3 Grid Share recommended that we require Orion to report reliability and resilience measures on a geographically disaggregated basis for higher-risk parts of its network, eg, Banks Peninsula.[247]

J40 Our own targeted consumer consultation found that:[248]

J40.1 there is strong support for maintaining Orion's existing standards of service quality (ie, quality is generally satisfactory);

J40.2 some consumers want to know more about benefits of extra reliability spend or the downsides to not spending as much; and

J40.3 there was some interest in the broader service quality reporting measures proposed by Orion and what the extra investment delivers for certain groups.

Applying the DPP4 approach promotes the Part 4 purpose

J41 Our conclusions for our draft decisions, having regard to this information and our analysis undertaken for reliability-related expenditure in Orion's CPP proposal, are that:

J41.1 it is appropriate for Orion to target maintaining current levels of quality; we have seen no evidence that more stringent (or more lenient) quality standards are demanded by Orion's consumers; and

J41.2 expenditure allowances relating to Orion's objective of maintaining network reliability levels have been reduced to reflect our assessment of the expenditure objective based on currently available evidence from Orion.[249] We consider that the adjusted expenditure allowances in this draft CPP decision remain consistent with maintaining (not improving) Orion's network reliability performance.

[245] Orion "Orion CPP process and issues paper submission" (26 August 2026), p. 15, paragraph 104.3
[246] Anonymous "Orion CPP process and issues paper submission" (26 August 2026), p. 1
[247] Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), p. 2.
[248] See Attachment M.
[249] See Attachment B, where we explain the nature and range of adjustments made.

J42 Our view is that, setting CPP quality standards with respect to historical performance and on the basis of 'no material deterioration' will promote the purpose of Part 4, as it will maintain quality at a level Orion's consumers demand (s 52A(1)(b) of the Act).

J43 We also consider the DPP4 approach to be workable and appropriate in practice. SAIDI and SAIFI are internationally recognised and commonly-used for measuring reliability, and we have access to robust historical SAIDI and SAIFI data for Orion, measured at the aggregate network level.

J44 For completeness, we note that we have departed from the DPP approach to quality settings for past CPPs, but this was warranted by the circumstances of the CPP.

J44.1 In the Orion CPP (DY15-DY19) and Aurora CPP (DY22-D26) we considered that quality standards based on historical averaging would not be realistically achievable due to the state of the networks. We deliberately relaxed the quality standards for the period of the CPP while consumers funded those networks being fixed.

J44.2 A primary objective of the Powerco CPP (DY19-D23) was to address safety and reliability concerns due to deteriorating performance of its network assets. As a result, we set improving limits for unplanned interruptions over the CPP period.

J45 We explain below the adjustments to the specifics of a DPP4-style approach to setting quality standards and a QIS that we considered for Orion's CPP to better promote the Part 4 purpose.

Setting the quality standards for Orion's CPP

We will update Orion's DPP4 quality standards using the most recent and relevant quality performance data for Orion

J46 In applying the overall DPP approach to setting quality standards for Orion's CPP, our draft decision is to update Orion's DPP4 quality standards with respect to its most recent quality performance and apply the resulting standards for the duration of Orion's 5-year CPP period (DY28-DY32).

J47 To update the quality standards, our draft decision is to:

J47.1 roll forward the reference period used to calculate historical averages to include Orion's most recent quality performance data (for DY25 and DY26). The reference periods are 10 years (DY17-DY26) for unplanned standards, and 7 years (DY20-DY26) for planned standards;

J47.2 set the cap on inter-period movement from DPP4 to the CPP period at ±15% for the SAIDI and SAIFI unplanned limits; and

J47.3 retain the other methodological choices made to set standards in DPP4.

J48 The resulting annual CPP standards for unplanned outages have tightened, while the CPP standards for planned outages over the 5-year CPP period have increased, relative to those we specified for Orion at the DPP4 reset.

Our analysis

Options for setting quality standards that must be met by Orion during the CPP

J49 A 5-year CPP for Orion commencing in DY28 will cover the last three years of DPP4 (which we determined in November 2024), and the first two years of DPP5 (likely to be determined by us in late-2029).[250]

J50 In its CPP application Orion suggested three possible approaches for applying standards for a CPP period that spans two DPP periods.[251] Our assessment of those in summarised in Table J3.

Table J3 Options for applying quality standards to Orion's 5-year CPP – draft decision

Option	Key advantages	Key disadvantages
Option 1 'Maintain' • Apply DPP4 standards for 5-year CPP period	• Simple to implement (no recalculations required) • Broadly consistent with CPP objectives	• DPP4 standards remain unchanged for 7 years despite more recent performance data being available
Option 2 'Refresh' • Update DPP4 standards (using DY25/DY26 data) for CPP period	• Reflects Orion's most recent circumstances for the CPP • Predictability (fixed 2 yrs past DPP4)	• Application of latest data informing DPP5 standards deferred by 2 years
Option 3 'Follow' • Apply DPP4 standards, then DPP5 when available	• Incorporates sector-wide approach/priorities earlier	• Low-cost DPP may not provide Orion with tailored settings • Uncertainty over DPP5 settings

J51 Our view is that refreshing the DPP4 quality standards ahead of the CPP and applying those standards for the duration of the CPP period (ie, "**Option 2 'Refresh'**") would reflect the most up-to-date information relevant to Orion's particular circumstances and best promote the long-term interest of consumers.

J52 The main advantage of "**Option 2 'Refresh'**" is that it uses the most up-to-date information at the time the CPP is determined for Orion to set standards for the CPP, and hence the most representative view of Orion's quality performance based on historical trends. Orion notes this also reflects what should be realistically achievable for it for the CPP period.[252]

[250] Quality standards are required to be set for Orion as part of the DPP5 sector-wide EDB reset no later than 30 November 2029, however they will apply only to the years following the expiry of Orion's CPP (ie, the last three years of DPP5 – assuming DPP5 will be a 5-year regulatory period).
[251] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), paras 1048-1050.
[252] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 1050.

J53 We note that "**Option 2 'Refresh'**" was also preferred by Orion in its CPP proposal.[253]

J54 While specifying a gradual adjustment (eg, tightening) to some or all standards during the CPP period is an option that we implemented for past CPPs (see paragraph J44), our view is that does not accord with the circumstances and context for the CPP, specifically, Orion's overall quality objective on which the CPP proposal is based.

J55 No submitter on our Issues Paper commented on options for setting quality standards other than Orion, who submitted that "arbitrarily" tightening quality standards could cause potential compliance issues, which may divert funds from other investment priorities.[254]

Applying the DPP4 methodology to Orion's most recent performance data

J56 Consistent with the option "**Option 2 'Refresh'**", our draft decision is to roll forward the DPP4 reference periods used to calculate historical averages to reflect Orion's most recent quality performance data (for DY25 and DY26). These consist of:

J56.1 a 10-year reference period for unplanned standards (DY17-DY26); and

J56.2 a 7-year reference period for planned standards (DY20-DY26).

J57 We applied the DPP4 methodology using the updated reference datasets and considered whether the resulting quality standards remained appropriate given Orion's reliability performance and the particular circumstances of its CPP. In doing so, our view was that further consideration was required of the appropriateness of the limits placed on inter-period movements.

J58 After reviewing the available information, our draft decision is to:

J58.1 adopt a ±15% inter-period cap on movements in unplanned quality standards between DPP4 and the CPP period (we note that a ±5% inter-period cap applied for DPP4 to movements between DPP3 and DPP4); and

J58.2 retain the ±10% cap on movements in planned quality standards between DPP4 and the CPP period (we note that a ±10% inter-period cap applied for DPP4 to movements between DPP3 and DPP4).

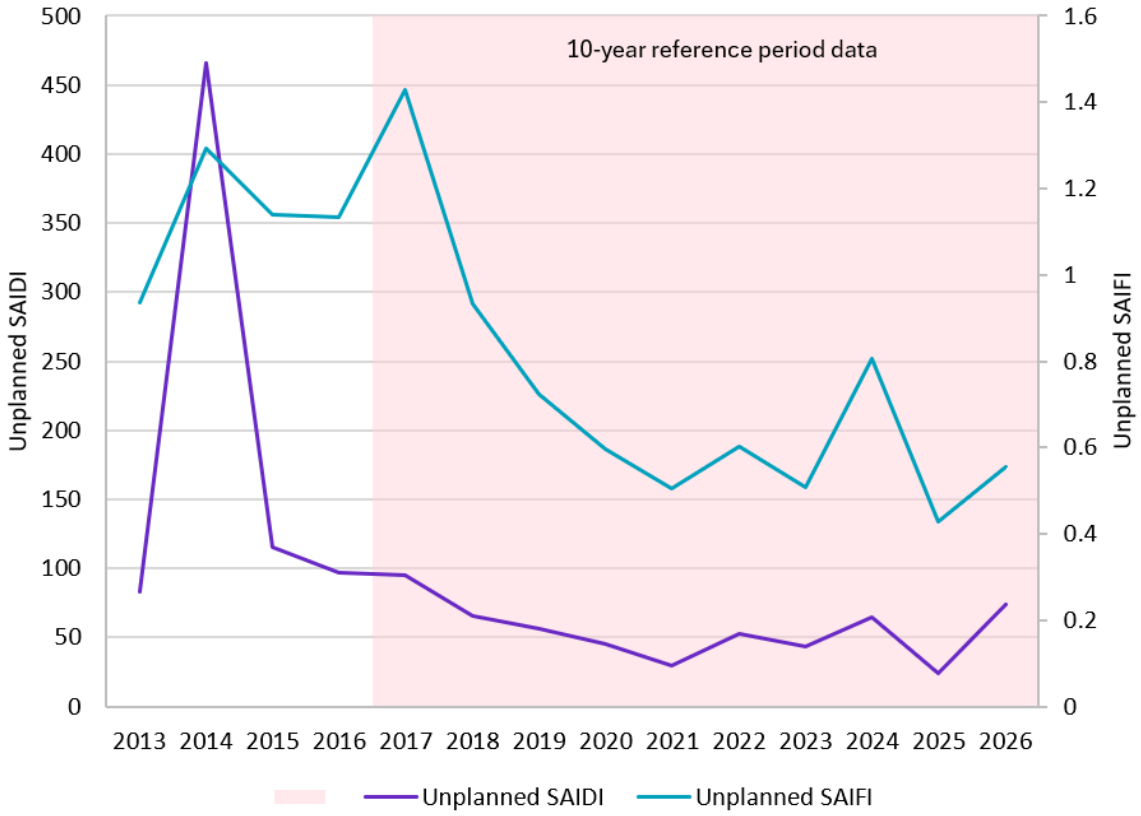
Adopt a ±15% inter-period cap on unplanned quality standards to better reflect recent performance

J59 The DPP4 ±5% inter-period cap for unplanned quality standards was applied to all EDBs, including Orion, as a generic quality parameter as part of the relatively low-cost DPP. We consider a larger ±15% cap would better reflect Orion's particular circumstances for the reasons outlined below.

[253] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), paras 1049-1050.
[254] Orion "Orion CPP process and issues paper submission" (26 August 2026).

J60 Figure J1 shows that unplanned raw interruptions (both SAIDI and SAIFI) decreased significantly over the post-Christchurch earthquake period. [255] Orion completed its earthquake recovery projects in 2018,[256] after which reliability performance appears to have settled into a more stable range.

Figure J1 Unplanned SAIDI and SAIFI for Orion (DY13-DY26)



Source: Orion annual ID data, Schedule 10 unnormalised data

J61 We note that Orion's 2026 AMP forecasts unplanned SAIDI of 51.81 minutes and SAIFI of 0.621 for the CPP period.[257] [258]

J62 In our view, retaining the ±5% inter-period limit applied for the default price paths would effectively result in excessive weighting of the earthquake-impacted data in Orion's unplanned interruptions standards, and would not adequately recognise Orion's more recent reliability performance and improving historical trend.

J63 As such, we considered a range of alternative inter-period caps – from 5% to 25%. We list those values below as part of our discussion of unplanned SAIDI and SAIFI.

[255] The Christchurch earthquakes were a one-off catastrophic sequence of events in 2010-2012 that affected the reliability of Orion's network. Reliability data is not available for Orion for DY11 and DY12, the regulatory years in which the earthquakes occurred.
[256] Orion "Asset Management Plan 2026" (9 June 2026), p. 99.
[257] Orion "2026 Asset Management Plan Information Disclosure Schedule 11a-13" (March 2026), Schedule 12d.
[258] DPP/CPP unplanned quality performance is set/assessed using a normalisation methodology. As a result, DPP/CPP unplanned SAIDI and SAIFI values are typically lower than the corresponding AMP forecast.

J64 Our draft decision is that adopting ±15% inter-period cap for both unplanned SAIDI and unplanned SAIFI would result in a quality standard that:

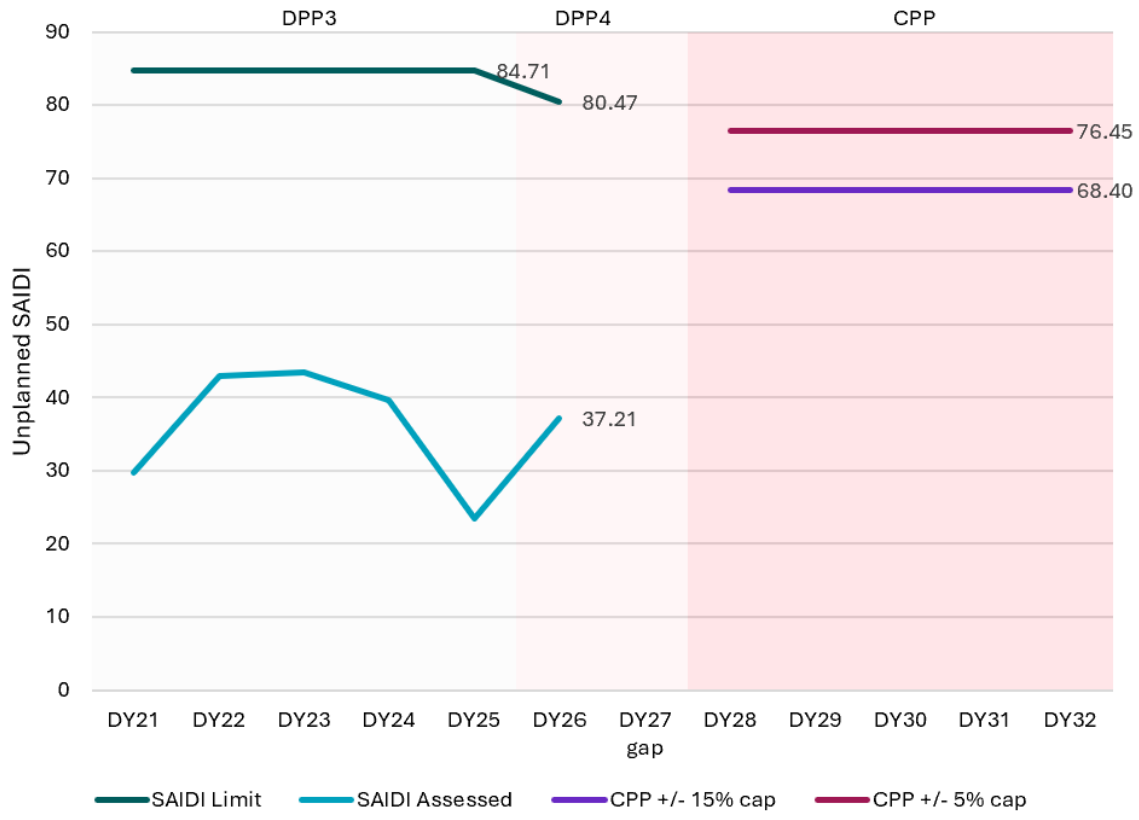
J64.1 sufficiently weights the datasets to more recent performance, leading to a baseline average that is more representative of Orion's business-as-usual performance; and

J64.2 provides an appropriate compliance buffer to allow for normal variability in reliability performance while maintaining incentives for Orion to deliver reliability outcomes consistent with consumer expectations.

J65 We have analysed Orion's recent compliance outcomes and compared these to alternative CPP SAIFI (normalised) unplanned quality standards. Our analysis at Figures J2 and J3 demonstrates the balance that a ±15% cap strikes between the factors above when considering the application of historical performance, consistent with the principle of no material deterioration.

J66 Figure J2 shows that Orion's assessed unplanned SAIDI has been consistently below the applicable DPP limit. While a ±5% inter-period cap would constrain the CPP limit to 76.45 SAIDI minutes, a ±15% cap would allow a greater, but still bounded, adjustment to 68.40 SAIDI minutes. As noted above, Orion's forecast of unplanned SAIDI in its 2026 AMP for the CPP period is 51.81 minutes.

Figure J2 Unplanned SAIDI performance and alternative CPP SAIDI standards



Source: Orion Annual Compliance Statements

J67 The unplanned SAIDI values we calculated for the range of alternative inter-period caps are set out in Table J4.

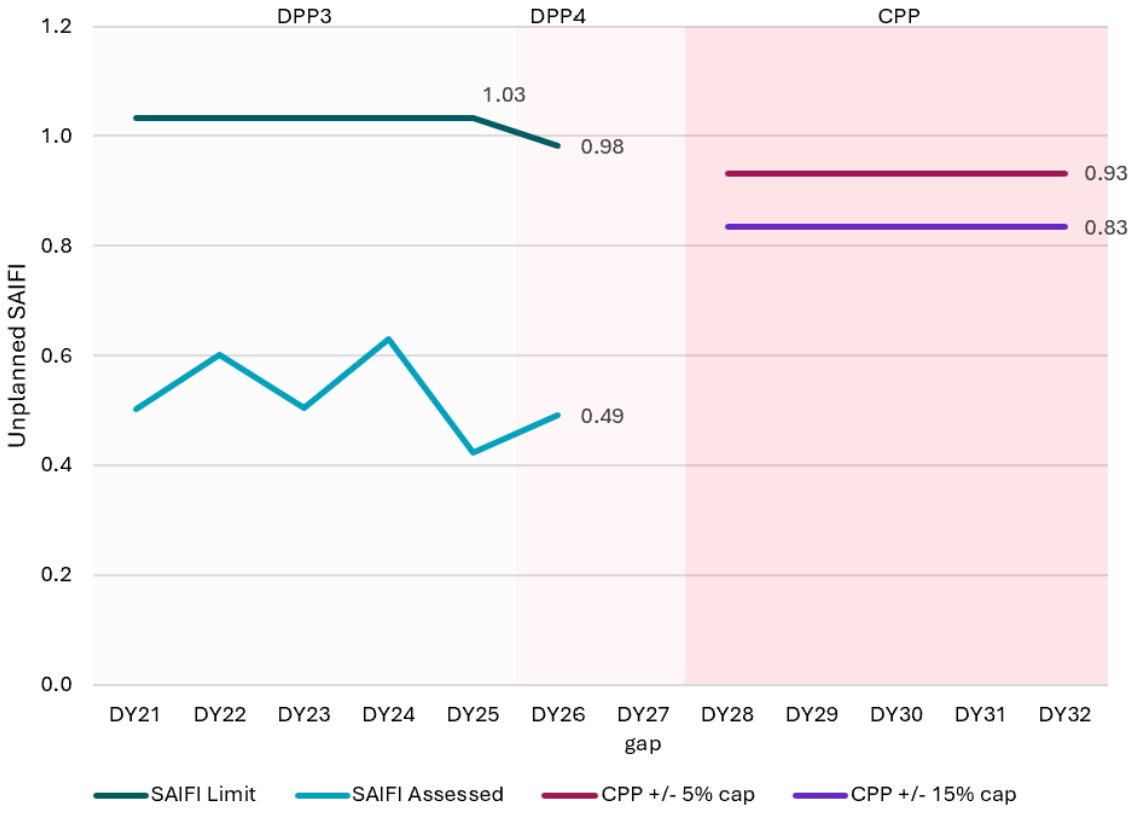
Table J4 Unplanned SAIDI values calculated for a range of inter-period caps

Inter-period cap	SAIDI value (minutes)
5%	76.45
10%	72.43
15%	68.40
20%	64.38
25%	60.36

J68 Figure J3 demonstrates a similar outcome for unplanned SAIFI. Assessed SAIFI has been materially below the applicable DPP limit. A ±15% cap would result in a SAIFI limit of 0.8346 that better reflects Orion's recent performance while continuing to constrain inter-period movements in quality standards. As noted above, Orion's forecast of unplanned SAIFI in its 2026 AMP for the CPP period is 0.621.[259]

[259] Orion "2026 Asset Management Plan Information Disclosure Schedule 11a-13" (March 2026), Schedule 12d. DPP/CPP unplanned quality performance is set/assessed using a normalisation methodology. As a result, DPP/CPP unplanned SAIDI and SAIFI values are typically lower than the corresponding AMP forecast.

Figure J3 Unplanned SAIFI performance and alternative CPP SAIFI standards



Source: Orion Annual Compliance Statements

J69 The unplanned SAIFI values we calculated for the range of alternative inter-period caps are set out in Table J5.

Table J5 Unplanned SAIFI values calculated for a range of inter-period caps

Inter-period cap (+/-)	SAIFI value
5%	0.9328
10%	0.8837
15%	0.8346
20%	0.7855
25%	0.7364

J70 We acknowledge that our choice of the ±15% cap involves a degree of regulatory judgement based on our view as to what best promotes the Part 4 purpose. Applying a higher cap would reflect average historical performance more closely. But it would also raise the risk of Orion breaching quality standard due to random (eg, weather-related) fluctuations in reliability outcomes. A lower cap would remove exposure to volatile events, but is less connected to past average performance.

J71 We welcome stakeholder views on our draft decision to adopt a ±15% inter-period cap for unplanned SAIDI and SAIFI, including whether a larger or smaller inter-period cap would better reflect Orion's business-as-usual performance while still resulting in quality standards that are realistically achievable over the CPP period.

Retain a ±10% inter-period cap for planned quality standards

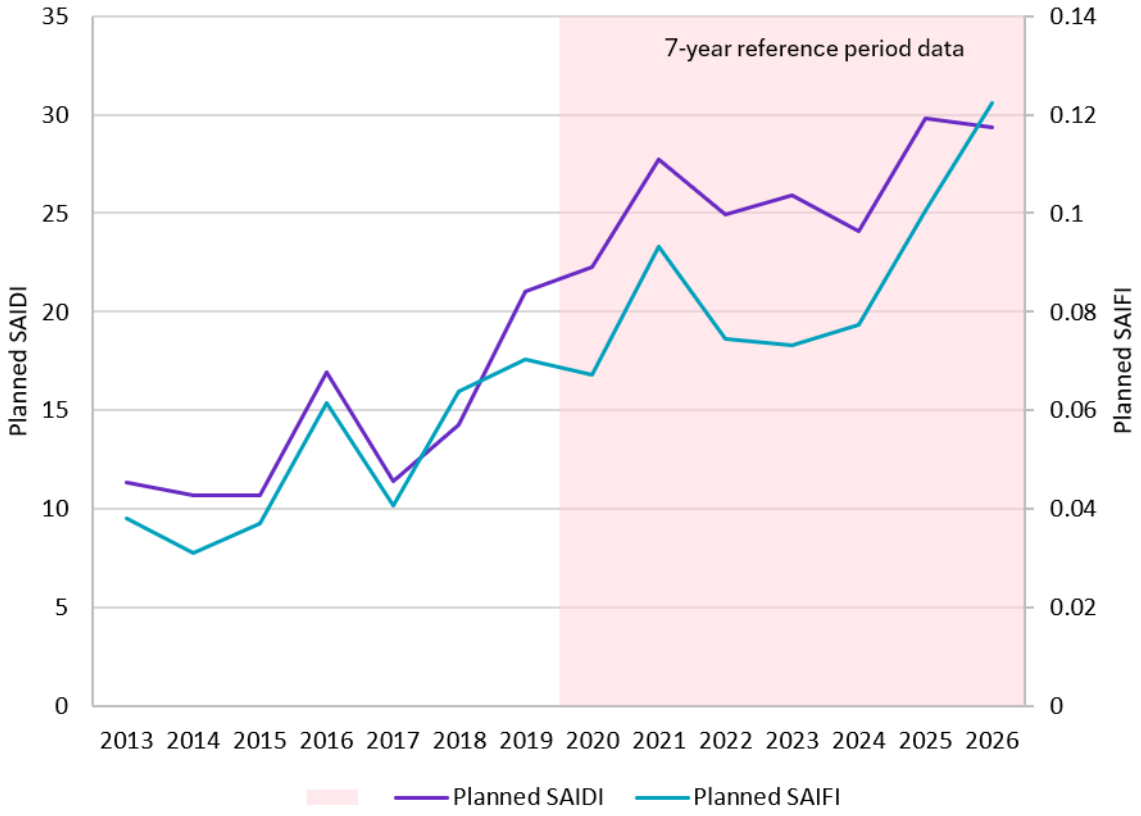
J72 Consistent with DPP4, we have placed greater weight on recent planned interruption performance and propose to retain the inter-period cap at ±10% for planned quality standards to reduce volatility.

J73 Figure J4 shows the 7-year reference period adopted for planned interruptions excludes more of the earthquake recovery period historic data than the 10-year reference period for unplanned outages. Unlike unplanned interruptions, Figure J4 shows planned interruptions have increased over the reference period.

J74 Orion's CPP application and 2026 AMP forecast significant ongoing expenditure on asset renewals, consumer connections and system growth over the CPP period.[260] Orion has indicated that the increased work programme will put upwards pressure on outage duration and frequency.[261] Orion's 2026 AMP forecasts SAIDI to be around 26.31 from DY28, consistent with 2026 levels. Forecast SAIFI settles at 0.087 from DY28, lower than 2026.[262] [263]

[260] Orion states that it needs a step change in investment: Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 14.
[261] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 1046.
[262] Orion "2026 Asset Management Plan Information Disclosure Schedule 11a-13" (March 2026), Schedule 12d
[263] DPP and CPP planned quality performance is assessed using a methodology that de-weights notified planned interruptions, meaning assessed planned SAIDI values are typically lower than the corresponding AMP forecasts.

Figure J4 Planned SAIDI and SAIFI for Orion (DY13-DY26)



Source: Orion annual ID data, Schedule 10 data

J75 Orion's trend of an increase in planned interruptions is consistent with the broader trend of other non-exempt EDBs, which in part reflects a change to planned interruption practices employed by EDBs coinciding with a safety-led (WorkSafe) move away from live lines work.

J76 We have not analysed the detailed underlying datasets to understand other potential drivers, but we consider the changes are likely to be a combination of increased planned work programmes reflecting increased investment, associated with network renewals of assets reaching end of physical lives and changes in operational procedures (eg, live lines).

J77 We note that a large proportion of planned interruptions by Orion are notified, reflecting that while the number and length is increasing Orion are managing the customer impact with improved notification processes. We note the QIS provides an incentive for Orion to manage the length of interruptions and setting a limit to address a perceived trend may create a risk that required planned work is not delivered in order to meet quality standard limits.

J78 Table J6 shows that Orion complied with its planned SAIDI and SAIFI limits during DPP3 and in the first year of DPP4. We consider the draft CPP planned standards to be appropriate, as they recognise the long-term benefits to consumers from network investment and maintenance activity while allowing for some flexibility in work practices.

Table J6 Planned SAIDI and SAIFI performance and comparison to draft CPP

	DPP3 (DY21-DY25)	DPP4 (DY26 only)	Draft CPP (DY28-32)
	SAIDI		
Limit	198.40	43.65	240.07
Assessed	107.59	17.34	
	SAIFI		
Limit	0.7481	0.1480	0.8139
Assessed	0.4180	0.1225	

Source: Orion ID data – Annual Compliance Statement

Resulting quality standards for the CPP draft decision

J79 As we set out in Table J7, our draft decisions have resulted in annual CPP standards for unplanned outages that have tightened, while the CPP standards for planned outages over the 5-year CPP period have increased, relative to those we specified for Orion at the DPP4 reset.

Table J7 Quality standards for the Orion CPP draft decision

Orion DPP4 (DY26-DY30)				
Unplanned SAIDI (1-year)	**Unplanned SAIFI (1-year)**	**Planned SAIDI (5-year)**	**Planned SAIFI (5-year)**	**Extreme outage (per event)**
80.47	0.9819	218.24	0.7399	Unplanned SAIDI of 120, or 6m CIM
Orion CPP (DY28-DY32) – draft decision				
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, or 6m CIM

J80 We consider this outcome to be appropriate as our view is that unplanned standards remain realistically achievable for Orion based on historical performance, with sufficient headroom available for Orion to not breach due to random volatility. As Orion noted in its submission on the Issues Paper:[264]

> where an EDB has recently been exhibiting better reliability performance than its historical average, as Orion has, the methodology applies a 'sinking lid' to the quality limits over the medium-term.

J81 For planned interruption limits, we note that Orion stated in its CPP proposal that:

> increased work volumes associated with our CPP programme are expected to place upward pressure on outage duration and frequency. However, we expect this to be mitigated through larger bundling of work programmes, and more effective outage notification processes.[265]

J82 In respect of the above comment from Orion, we note that we have retained rules from DPP4 whereby the impact of notified planned interruptions is reduced by 50% in the assessment of compliance with the SAIDI planned interruption standard, based upon certain notification requirements to consumers having been met.

Extreme events

J83 Our draft decision is to specify "extreme event" limits for DPP4 by reference to outages with either an unplanned SAIDI value of 120 minutes or 6 million customer interruption minutes.

J84 We consider it appropriate to retain this setting for DPP4 or Orion's CPP as it is intended to incentivise EDBs to take practicable steps to minimise the risk and impacts of high-impact, low-probability events that are within their control, as well as mitigate the extent of those events when they occur.[266]

Retaining a DPP4-style quality incentive scheme

QIS provides Orion with appropriate incentives to benefit consumers

J85 Our draft decision is to retain the DPP4 QIS for Orion's CPP period, with:

J85.1 QIS parameters in line with Orion's updated reference dataset;

J85.2 a ±15% inter-period cap on movements in the unplanned SAIDI target between DPP4 and the CPP period (a ±5% inter-period cap applied for DPP4 to movements between DPP3 and DPP4);

[264] Orion "Orion CPP process and issues paper submission" (26 August 2026), para 106.
[265] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 1046.
[266] In the absence of such a standard, the impacts of large interruption events may be substantially removed through the major event normalisation framework. This could result in the unplanned reliability standards not appropriately reflecting events of failing to apply good electricity industry practice or under-spending on network maintenance and investment. See Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment E, paras E131-E148

J85.3 incentive rates updated for the latest available information to more accurately represent the current value for consumers; and

J85.4 capped the revenue at risk of reward/penalty at 2% of actual net allowable revenue.

J86 Our view is that a QIS provides appropriate incentives for Orion to consider and make in-period cost/quality trade-offs to maintain or improve reliability for the benefit of its consumers, and reflects Orion's particular circumstances.

Our analysis

J87 The revenue-linked QIS for reliability is designed to provide EDBs with incentives to consider cost-quality trade-offs in their decision-making. In the absence of other adequate incentives, EDBs may be incentivised to reduce expenditure, at the expense of quality, to increase profitability.

J88 The QIS operates by rewarding or penalising EDBs for their actual reliability performance against annual planned and unplanned SAIDI targets. For DPP4 the targets were based on the historical average of an EDB's quality performance over the reference period.

J89 Incentives are broadly revenue-neutral at the target, and rewards and penalties are calculated with reference to an incentive rate per SAIDI minute above or below the target, but is capped at 2% of actual net allowable revenue.[267]

J90 We consider it appropriate to apply the revised ±15% inter-period cap consistently to both unplanned targets as well as limits. Both parameters are derived from the same underlying reliability data and together determine the operation of the QIS. Applying a common inter-period cap preserves the relationship between the incentive and compliance components of the regime while allowing the standards to better reflect Orion's updated reliability performance.

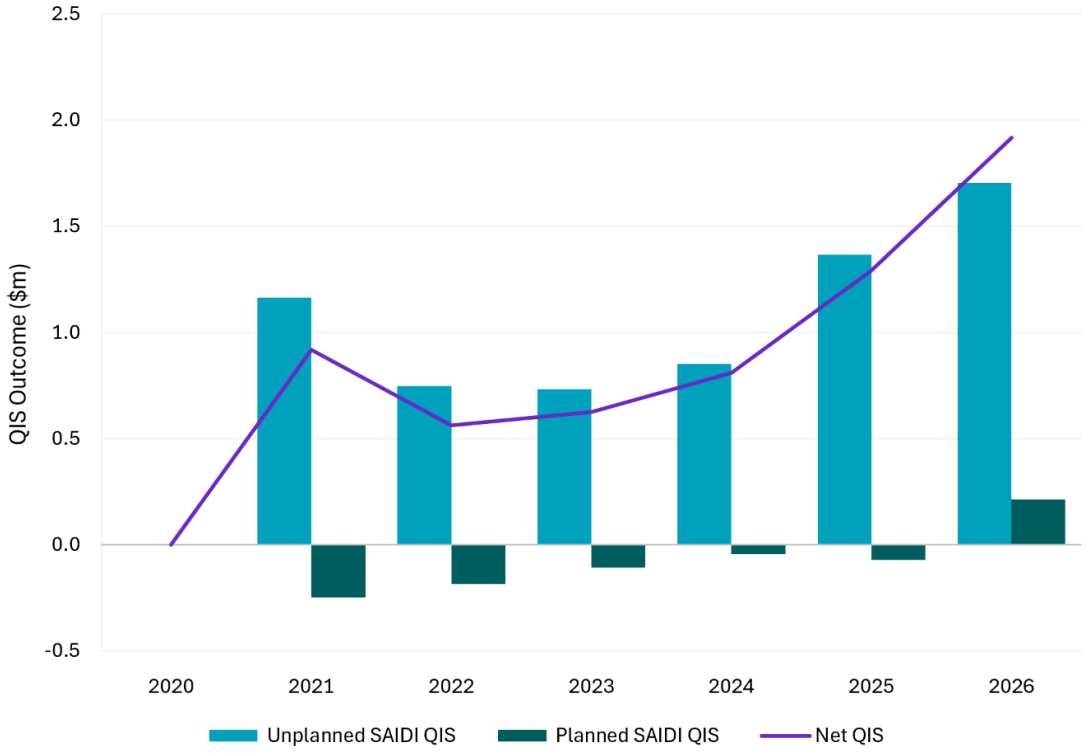
J91 No stakeholder commented on the QIS in submissions on our Issues Paper or as part of our targeted consultation.

Orion's recent QIS outcomes

J92 Figure J5 shows Orion's performance under the DPP QIS for the last six years, where it has achieved a net reward in each year. In the chart, negative values represent QIS penalties and positive values represent QIS rewards. Orion's revenue at risk was set to zero in 2020 as part of its transition from its CPP to DPP3, and so no QIS reward or penalty applied. [268]

[267] This cap would not bind for Orion under the draft decision CPP settings, as Orion's implied maximum annual penalty and reward (for performance at the respective caps and collars) are 0.51% and 1.37% of average CPP MAR, respectively.
[268] DPP Annual Compliance Statement FY20, p. 22, para 69.

Figure J5 Planned and unplanned SAIDI QIS outcomes and net QIS



Source: Orion Annual Compliance Statements

Note: Negative values represent QIS penalties and positive values represent QIS rewards.

J93 Our draft decision is to retain a DPP4-style QIS for the CPP period, with associated settings in line with Orion's refreshed CPP quality standards. The reasons for this are:

J93.1 we believe that the case is still compelling for a QIS for EDBs generally – and we have continued it in DPP4 for all non-exempt EDBs. We consider Orion has realistic opportunities to consider operational and investment decisions during its CPP that can involve net benefits for consumers, and should be incentivised to consider doing this during the CPP period; and

J93.2 adjusting the settings ensures the QIS parameters are based on the latest and most relevant information available and are better suited to Orion's particular circumstances. In addition, we would expect that the updated standards (which tighten unplanned SAIDI and increase planned SAIDI) would result in a more revenue-neutral outcome for Orion under the QIS by better aligning the quality standards with Orion's expected performance over the CPP period, all else being equal.[269]

[269] Planned incentive rates are reduced by 50% relative to the unplanned incentive rate, and planned 'notified' interruptions are reduced by 75% relative to unplanned in calculating the incentive, to reflect less inconvenience to consumers.

J94 Our view is that this draft decision suits Orion's particular circumstances and allows it to deliver services at a quality that consumers demand. We also consider that it ensures that regulatory complexity is not unnecessarily increased.

J95 We set out in Table J8, the draft QIS parameters for Orion's CPP period compared to those we set for Orion as part of DPP4.

Table J8 Summary of QIS parameters for Orion CPP – draft decision

Orion DPP4 (DY26-DY30)				
	Collar	**Target**	**Cap**	**Incentive rate**
SAIDI unplanned	0	63.14	80.47	$65,697
SAIDI planned	0	23.83	43.65	$65,697 (x 50%)
Orion CPP (DY28-DY32)				
	Collar	**Target**	**Cap**	**Incentive rate**
SAIDI unplanned	0	53.67	68.40	$71,720
SAIDI planned	0	27.31	48.01	$71,720 (x 50%)

Determining CPP incentive rates

J96 Our draft decision is to retain the DPP4 methodology for calculating incentive rates.[270] Incentive rates are derived from the value of lost load (VOLL), which provides an estimate of the value consumers place on reliability. We discount these rates to recognise that Orion already faces incentives to improve reliability through both the expenditure incentive regime (IRIS) and the QIS.

J97 We have updated the key inputs (VOLL, energy usage and number of installation control point (ICPs)) used to determine the draft CPP incentive rates.

J98 We consider it appropriate to adjust the VOLL estimate to reflect changes in consumer price index (CPI) and provide a more up-to-date estimate in current dollar terms over the CPP period.

J99 By adjusting for inflation using the CPI as at Q4 of each preceding year, we have estimated VOLL to be $37,053/MWh as at Q4 2029.

J99.1 We use a starting VOLL estimate of $20,000/MWh in 2004 prices, and adjust the estimate using historical and forecast CPI inflation to the midpoint of the CPP period (September 2029).

[270] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment E, paragraphs E251-E277.

J99.2 Historical CPI data was sourced from Statistics New Zealand (Stats NZ),[271] while forecast CPI inflation was sourced from the Reserve Bank of New Zealand (RBNZ).[272]

Determining maximum revenue at risk

J100 The total pool of incentives Orion may gain or lose is capped at 2% of actual net allowable revenue.[273] As Orion's actual net allowable revenue increases over the CPP period, the dollar value of the cap also increases. Based on average CPP actual net allowable revenue, a 2% cap is approximately $7.1m. However, the cap would not bind for Orion under the draft decision CPP settings, as Orion's implied maximum annual penalty and reward (for performance at the respective caps and collars) are 0.51% and 1.37% of average CPP MAR, respectively.

Monitoring Orion's compliance with quality settings

We are adopting DPP4-style compliance requirements

J101 Our draft decision is to adopt DPP4-style quality compliance requirements to monitor Orion's compliance with the CPP quality standards. We consider these requirements are appropriate for the type of quality settings we are implementing for Orion, meet the criteria in s 53N of the Act for Orion's CPP, and are workable and effective.

Our analysis

J102 For the purpose of monitoring compliance with an EDB's PQ path, s 53N of the Act allows us to require an EDB to provide:

J102.1 a written statement as to whether it has complied with the PQ path;

J102.2 an audit report;

J102.3 information to allow us to determine if the PQ path has been complied with; and

J102.4 director certification.

J103 For the DPP4 reset, we specified the compliance requirements in the DPP4 determination,[274] which included requiring EDBs to:

J103.1 include information and supporting calculations needed to demonstrate compliance with the quality standards in an annual compliance statement;

[271] We have applied historical CPI to Q4 2025: Stats NZ website: Consumers price index: June 2026 quarter, Table 1.
[272] We have applied forecast CPI from Q4 2026-2028: RBNZ "Monetary Policy Statement – September 2026", Table 6.1.
[273] Commerce Commission "Default Price Quality Paths for Electricity Distribution Businesses from 1 April 2025 Final decision: Reasons paper" (20 November 2024), Attachment E, paras E330-E342.
[274] Draft Orion CPP determination, cl 11 and 12.

J103.2 a description of the EDB's actions to mitigate any non-compliance and prevent non-compliance in the future;

J103.3 provide information on SAIDI and SAIFI major events occurring in the annual assessment period;

J103.4 provide a description of the EDB's policies and procedures for recording interruptions and for calculating SAIDI and SAIFI values; and

J103.5 make additional disclosure requirements, if an EDB is non-compliant with any of the quality standards, including reasons for its non-compliance.

J104 The compliance statement also contains details of the calculation of QIS annual adjustment amounts and makes allowance for the impact on quality for approved innovation and non-traditional solutions allowance (INTSA) projects. The annual compliance statement must be audited and certified by at least one director. Annual reporting of the compliance statement is required within 5 months after the end of an annual assessment period, and an EDB must make its compliance statement publicly available on its website.

J105 We did not signal quality compliance requirements as a key issue for Orion's CPP in our Process and Issues paper, and no stakeholder commented on CPP compliance requirements in submissions on that paper or as part of our targeted consultation.

J106 Our draft decision is that the quality compliance requirements specified for DPP4 are appropriate to adopt for monitoring Orion's compliance with the CPP as:

J106.1 they have been designed for the type of quality standards and the QIS we are implementing for Orion's CPP (ie, reliability standards modelled on DPP4);

J106.2 we consider there are no specific quality-related features of Orion's CPP that would require different, or additional, monitoring or compliance requirements;[275]

J106.3 they meet the criteria in s 53N of the Act in respect of monitoring compliance with quality standards for Orion's CPP; and

J106.4 they have proven workable and effective in practice for Orion, as well as a range of other EDBs, in current and past DPPs.

[275] Orion's proposal to make additional information available in its Asset Management Plan on a range of service measures (including reliability) has been considered under our Reporting and Monitoring workstream – see Attachment L.

Attachment K Mechanisms to address uncertainty over forecast expenditure

Purpose of this attachment

K1 This attachment sets out our draft decisions on variations we are seeking to the electricity distribution business (EDB) input methodologies (IMs) in respect of expenditure uncertainty mechanisms for Orion's 5-year customised price-quality path (CPP) period. These mechanisms allow Orion to request increases to its maximum CPP revenues part-way through the CPP period to fund the costs of projects or activities that were not sufficiently certain to include in the initial CPP expenditure allowances we approved.

Structure of this attachment

K2 In Table K1 we describe the structure of this attachment.

Table K1 Structure of this attachment

Title	Description of content
Summary of our draft decisions	• Summarises the proposed IM variations we consider are appropriate to address projects or programmes that are not sufficiently certain to include in upfront expenditure allowances
Context for addressing uncertainty over forecast expenditure and investment	• Why uncertainty mechanisms like reopeners matter for price-quality (PQ) paths, what IM variations involve, what Orion proposed for its CPP, and key issues we signalled in our Issues Paper

Our draft decisions on expenditure reopeners	• Our proposed variations to the existing IMs setting out the circumstances where the CPP can be reopened:
	  ○ including Orion's proposed 'Lower Selwyn Growth – stage 1' project as a contingent project
	  ○ introducing a capacity event reopener (prospective)
	  ○ introducing a reliability risk event reopener for additional asset replacement and renewal (ARR) capex allowances if net benefits to consumers can be demonstrated by Orion
	• We also set out reasons for not approving Orion's proposed listed project reopener and Orion's proposal for reducing the financial thresholds for contingent projects and unforeseen projects

Our draft decisions on allowing for ex post approval of expenditure	• Why we are not approving Orion's proposed capacity event reopener (responsive), or proposed changes to eligibility criteria for the urgent project allowance to recover CPP ramp up costs
Our draft decisions on a deliverability reopener and a captive insurer reopener	• Our reasons for not progressing reopeners to address CPP deliverability concerns or to allow Orion to consider and implement captive insurance arrangements

Title	Description of content
Our draft decisions on extended reserves allowance and avoided transmission charges recoverable costs	• We explain a technical variation to the EDB IMs to allow the extended reserves allowance recoverable cost and avoided transmission charges recoverable cost to apply to Orion's CPP

Summary of our draft decisions

K3 Orion proposed variations to the existing suite of reopener and recoverable cost provisions contained in the CPP IMs. The variations allow Orion to apply to us during the CPP period to increase its revenues to recover costs of projects that are uncertain in nature and are excluded from the CPP expenditure allowances we initially approve.

K4 We have assessed Orion's proposals, and have also identified a number of other variations we consider would provide Orion with appropriate incentives to invest and innovate for the long-term benefit of consumers. IM variations can only be implemented if Orion formally agrees with those prior to our final decisions.

K5 Our draft decision is to seek agreement with Orion to the following IM variations applying for the duration of its 5-year CPP period:

K5.1 specify that Orion's costs of undertaking the 'Lower Selwyn Growth – stage 1' project will be eligible for the existing CPP contingent project reopener (despite that project being less than the financial threshold in the existing CPP IMs);

K5.2 introduce a CPP capacity event reopener (prospective), with some modifications compared to Orion's proposal to streamline our assessment of Orion's in-period reopener applications and reduce regulatory costs. 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; and

K5.3 introduce a reliability risk event reopener for Orion's CPP, to provide Orion with access to additional 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 of the proposed expenditure.

K6 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. This is because the variations listed above adequately cover the projects which Orion has identified a reopener need for.

K7 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.

K8 Our draft decision is also 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 for Orion's CPP.

K9 Lastly, our draft decision is also to seek agreement with Orion to an IM variation to implement our original intention that the recoverable costs for the extended reserves allowance and avoided transmission charges are available to a firm subject to a CPP if needed. The IMs inadvertently exclude these costs for CPPs.

K10 A draft Deed of IM Variation has been published alongside this reasons paper, which would record our agreement with Orion as to the IM variations that will apply to it.

Context for addressing uncertainty over forecast expenditure and investment

Why this aspect of Orion's CPP matters

K11 Mechanisms such as reopeners and recoverable costs contained in the IMs for EDBs address situations where material uncertainty exists over the forecast need, scope, cost, timing or eligibility of certain projects or expenditure. These mechanisms specify the circumstances where a price-quality path may be adjusted in-period, including to cover costs where the uncertainty can be resolved – based on pre-specified criteria and/or further scrutiny of particular applications that we would carry out.

K12 In an incentives-based framework like ours, these mechanisms effectively operate to allocate risks between an EDB and its consumers, eg, by allowing the consequences for uncertain events relating to a regulatory period to be borne by consumers via increased revenue recoveries (rather than being funded by the EDB itself) if they eventuate.

K13 The IMs already provide for a suite of uncertainty mechanisms for CPPs. The key reopeners available for capital expenditure are the catastrophic event reopener, the contingent project reopener, and the unforeseen project reopener.[276]

[276] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl. 5.6.4, 5.6.10 and 5.6.11. Uncertainty mechanisms can also cover situations that involve opex costs or a mix of capex/opex.

K14 We reviewed uncertainty mechanisms for EDBs as part of the 2023 IM review.[277] The conclusion we reached in respect of CPP reopeners was that given the bespoke nature of a CPP it is appropriate for us to consider the need for specific CPP reopeners at the time a CPP application is evaluated. This enables us, with the agreement of the EDB, to vary the IMs that apply to its CPP, to tailor the available suite of reopeners to meet the particular needs of the EDB and its consumers.

What an IM variation involves

K15 The Act permits us, with Orion's agreement, to vary an input methodology that would otherwise apply for Orion's CPP.[278] We have done this in the past (eg, for Wellington Electricity (CPP 2018-2021), Powerco (CPP 2018-2023) and Aurora (CPP 2021-2026)).

K16 IM variations for a CPP are implemented through a Deed, recording the variations agreed between us and the EDB, and we attach this Deed to the CPP determination. We have published a draft Deed of IM Variation alongside this paper, and, subject to taking account of feedback received on our draft decisions, intend to seek Orion's agreement to the variations set out in the Deed before our final decisions.

K17 In considering IM variations, we have had regard to our decision-making framework for IMs, which incorporates three overarching objectives:[279]

K17.1 Promoting the purpose of Part 4 of the Act more effectively.[280] The purpose of Part 4 is to promote the long-term benefit of consumers, as set out in s 52A.

K17.2 Promoting the purpose of IMs more effectively (without detrimentally affecting the promotion of the Part 4 purpose). Section 52R sets out the purpose of input methodologies, which is to promote certainty for suppliers and consumers in relation to the rules, requirements, and processes applying to regulation under Part 4.[281]

K17.3 Reducing compliance costs, other regulatory costs, or complexity (without detrimentally affecting the promotion of the s 52A purpose).

K18 We have also had regard to relevant economic principles we generally apply under Part 4, in particular the allocation of risk principle. Under this principle, ideally, we allocate risks to suppliers or consumers depending on who is best placed to manage the risk, unless doing so would be inconsistent with s 52A.

[277] Commerce Commission "CPP and in-period adjustment mechanisms topic paper: Part 4 Input Methodologies Review 2023 – Final decision" (13 December 2023).
[278] Commerce Act 1986, s 53V(2)).
[279] Commerce Commission "Part 4 Input Methodologies Review 2023: Framework paper" (13 October 2022).
[280] Commerce Act 1986, s 52A.
[281] Commerce Act 1986, s 52R.

What Orion proposed

K19 We noted in our Process and Issues paper that Orion's CPP proposal highlighted some uncertainty around the need and/or timing for some of its expenditure for the CPP period. To manage this uncertainty, Orion suggested in its CPP proposal to leverage the existing suite of IM uncertainty mechanisms, with some modifications, as an alternative to including some/all of that spend in the upfront expenditure allowances we approve.

K20 The verifier is generally not required to comment on the use of uncertainty mechanisms within a price-quality path to address uncertainty of forecasts, but did comment on the existence of uncertainty over demand for Orion's services which may affect the levels of expenditure needed to respond to growth.

K21 In particular, the verifier highlighted the potential effect of the geopolitical conflict in the Middle East, noting that the effect on Orion is unpredictable.[282] The conflict might:

K21.1 increase the rate of uptake for electric vehicles, leading to higher demand growth; and/or

K21.2 increase input costs for equipment and construction which, combined with potential supply chain disruptions, may reduce the rate of housing development and of demand growth.

K22 The net impact remains uncertain. We have taken this into account in considering the package of uncertainty mechanisms that is appropriate for Orion's CPP.

K23 To address forecasting uncertainties, Orion proposed six IM variations. These cover five proposed variations to the existing suite of CPP price path reopeners, and one variation to the eligibility criteria for the urgent project allowance recoverable cost to allow Orion to recover some already-incurred expenditure above its DPP4 allowances.

K24 Table K2 summarises Orion's proposed IM variations.

[282] GHD "Orion's CPP verification report" (31 March 2026), pp. 356-357.

Table K2 Orion's proposed variations to input methodologies for CPP reopeners and recoverable cost allowances (Source: Orion)[283]

Issue	Relevant clause	Variation requested
Contingent projects	5.6.10	Reduction of the financial threshold for contingent projects
Unforeseen projects	5.6.11	Reduction of the financial threshold for unforeseen projects
Listed projects	5.6.10A (new)	Creation of a new, listed project reopener (prospective)
Capacity event	5.6.11A (new)	Creation of a new, capacity event reopener (prospective)
Capacity event	5.6.11A (new)	Creation of a new, capacity event reopener (responsive)
Urgent project allowance	3.1.3	A varied urgent project allowance to permit Orion's prudently incurred 'ramp-up' costs

Our view in the Process and Issues paper

K25 Our initial view in our Process and Issues paper on variations to uncertainty mechanisms was that, while reopeners can improve incentives for efficient investment and innovation, it is not appropriate for all uncertainties or circumstances to be covered by in-period uncertainty mechanisms.[284]

K25.1 Reopeners involve an implicit trade-off between keeping prices predictable for consumers and enabling businesses to respond to new information and changed circumstances.

K25.2 We expect EDBs to exercise diligence in forecasting efficient expenditure and to provide forecasts that are as accurate as reasonably possible. EDBs will be best placed in many cases to manage the risk of future uncertainties themselves through risk management and appropriate prioritisation of expenditure under the expenditure allowances and overall revenue envelope provided under a CPP or DPP.

K25.3 Some uncertainty mechanisms may provide limited benefit because the time and effort required by EDBs to prepare and consult on applications, and for us to assess these, can weigh against the value of the uncertain expenditure being addressed.

K26 We also signalled that we would evaluate the need and benefits of the uncertainty mechanisms Orion had proposed, as well as considering whether other uncertainty mechanisms additional to, or variations of, those would be appropriate for other areas of expenditure uncertainty identified during our evaluation. This included exploring:[285]

[283] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 24.
[284] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), paras 3.12-3.14.
[285] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), paras 3.16-3.18.

K26.1 the use of a regulatory mechanism to incentivise delivery of Orion's proposed programme of work; and

K26.2 a reopener mechanism to allow for implementation of captive insurance arrangements (if these were to benefit consumers).

K27 We expressed an initial view that the eligibility criteria for the urgent project allowance should not be varied for Orion to include Orion's CPP ramp up costs incurred during DPP4. We also noted that Orion had not demonstrated that its ramp up expenditure was incurred in responding to an "urgent project".[286]

What we heard from submitters and stakeholders

K28 ERGANZ submitted that it prefers upfront allowances with reprioritisation flexibility to an expanded suite of reopeners, as reopeners move forecasting risk onto consumers and introduce in-period bill volatility for a group with no ability to plan around it.[287]

K29 Grid Share stated a concern that the reopeners proposed by Orion would allow Orion to recover additional capital expenditure whenever a capacity trigger is reached, without first testing whether non-network solutions—community-owned generation, battery storage, or demand response—could meet the same need at lower cost. So that reopeners do not become a way to bypass non-network assessments, Grid Share recommended that, for any capacity event or listed project reopener, Orion be required to demonstrate that non-network alternatives were assessed for the relevant constraint before additional expenditure is recovered through the reopener.[288]

K30 Orion restated and expanded on the rationale set out in its application for reducing the financial threshold for contingent projects and unforeseen projects, and for proposed listed project and capacity event (prospective and responsive) reopeners.[289]

Our draft decisions on prospective expenditure reopeners

Our analysis

K31 In this section we provide our reasons for our draft decisions in relation to:

K31.1 altering the financial thresholds for the existing CPP contingent project and unforeseen project reopeners, including the eligibility of the Lower Selwyn Growth – stage 1 project as a contingent project;

K31.2 Orion's proposal for a CPP listed project reopener and a CPP capacity event reopener (prospective); and

[286] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), paras 3.19-3.21.
[287] ERGANZ "Orion CPP process and issues paper submission" (26 August 2026), p. 4.
[288] Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), pp. 2-3.
[289] Orion "Orion CPP process and issues paper submission" (26 August 2026), paras 70-81.

K31.3 the reliability risk event reopener proposed by us in respect of the unapproved ARR capex.

Financial thresholds for the contingent project and unforeseen project reopeners

K32 Orion proposed that we agree to reduce the financial eligibility thresholds for both the CPP contingent project reopener and the CPP unforeseen project reopener, to the lesser of 1% of Orion's forecast revenue for the regulatory period and $2.5m.

K33 Orion proposed one project be listed as a contingent project under the reduced threshold: the Lower Selwyn growth project – stage 1. Orion has prepared a business case for this project, and has estimated the costs of the project to be $3.6m (capex) and $0.5m (opex).[290] The verifier has verified these amounts.

K34 The current minimum financial thresholds set out in the IMs for projects to be eligible for the contingent project or unforeseen project reopeners is 10% of the value of an EDB's revenues for the most recently completed disclosure year (about $26m). This means:

K34.1 the Lower Selwyn Growth – stage 1 project would not be eligible for inclusion as a CPP contingent project;[291] and

K34.2 only projects for which forecast expenditure is greater than around $26m would be eligible for the CPP unforeseen project reopener.

K35 We consider enabling the Lower Selwyn growth project – stage 1 to progress within the CPP regulatory period, should an appropriately-specified trigger event occur, is consistent with the Part 4 purpose (including providing incentives to innovate and invest, and providing services at a quality that reflect consumer demands). We are satisfied that there is sufficient probability of the trigger event suggested by Orion happening for us to list the project as a contingent project in the CPP determination. We also consider that the forecast costs of the project would be likely, when forecast with reasonable certainty, to meet the expenditure objective.[292]

K36 As the Lower Selwyn growth project – stage 1 is the only project Orion has requested we list as a contingent project, we can provide for this by directly varying the IMs applying to Orion's CPP to include this contingent project under the relevant reopener provisions. The details of the project and associated maximum expenditure amounts have been included in the draft Deed of IM Variation, and the trigger is specified in the draft CPP determination. A change to the threshold for the contingent project reopener is therefore unnecessary.

[290] Orion "Customised Price-Quality Path Application" (9 June 2026), pp. 127-8. The opex amount is required only where a non-network solution is progressed by Orion as part of the project which provides a net benefit due to deferring the capex portion of the project by one year.
[291] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 84.
[292] We note that we would undertake an assessment of Orion's forecast project costs against the expenditure objective at the time the trigger occurred during the CPP period and Orion nominated the event for our consideration.

K37 We considered two alternatives to an IM variation to allow the Lower Selwyn growth project – stage 1 to be eligible for the contingent project reopener.

K37.1 The first is to decline to list the Lower Selwyn growth project – stage 1 as a contingent project, and instead rely on our draft decision to implement a capacity event reopener (prospective) to cover the Lower Selwyn project. However, relying on our draft decision to implement the capacity event reopener would involve additional costs to be incurred in meeting the relevant application criteria, which are unnecessary in this case, as Orion's business case and forecast costs have already been independently verified.

K37.2 The second alternative is to include the forecast expenditure within the upfront CPP expenditure allowances that we set, given that the cost – estimated as $3.6m capex and $0.5m opex, is small relative to Orion's total expenditure. However, as there is a distinct possibility that the project may not be required to be initiated in the CPP regulatory period, we consider this would not currently meet the expenditure objective which is the criteria we apply to ascertain the quantum of upfront allowances we approve.

K38 We have also considered Orion's request for an IM variation to the financial threshold for the unforeseen project reopener. We do not consider this is necessary, in light of our draft decision (see below) to agree to Orion's proposed new CPP capacity event reopener (prospective) – which is needed anyway for the reasons discussed below. This makes considering changes to the unforeseen project reopeners threshold redundant.[293]

Proposed listed project reopener and capacity event reopener (prospective)

K39 Orion proposed two new reopeners to provide for costs required to address investment needed for higher-than-expected demand growth:[294]

K39.1 a CPP listed project reopener; and

K39.2 a CPP capacity event reopener (prospective).

Listed project reopener

K40 The proposed CPP listed project reopener would provide for projects that are foreseeable, but for which the scope and cost of the project (as well as timing) are uncertain.[295]

[293] More specifically, the capacity event reopener (prospective) would allow us to increase allowable revenues—including for projects that are currently "unforeseen"—for investment required in relation to connection capex, system growth capex, asset relocation capex, or a combination of connection and system growth capex. The financial threshold for projects, under this proposed reopener, would be the same as the reduced threshold Orion proposed for unforeseen projects. We therefore see little benefit in changing the thresholds for the unforeseen project reopener.
[294] Orion "Customised Price-Quality Path Application" (9 June 2026), pp. 85-90.
[295] Orion "Customised Price-Quality Path Application" (9 June 2026), pp. 85-89.

K41 Orion's rationale is that there is a 'foreseeability gap', where existing CPP reopeners do not cover a project that is likely to be needed within the CPP regulatory period, but scope and cost are not sufficiently certain to meet requirements for contingent projects.

K42 Such projects are not "unforeseen" and so would not be eligible for the existing CPP unforeseen project reopener.

K43 Orion's proposal would allow for such projects to be listed upfront in the CPP determination. Orion could then apply for its CPP revenue path to be reopened to allow for additional expenditure when it has greater certainty regarding the timing and scope of the project, and would be required to provide an independent engineer's report and demonstrate that the forecast expenditure meets the expenditure objective specified in the IMs.

K44 Orion also requested that this mechanism include the option for Orion to apply in-period to reclassify a listed project as a contingent project.

K45 Orion proposed five system growth projects that could be listed under this mechanism, as set out in Table K3.

Table K3 Orion's identified 'listed' projects (Source: Orion)[296]

Network capex – system growth

Table 7.4 Orion's identified 'listed' projects capex ($m, FY26 constant)

Project	Potential investment range
Rolleston area growth	2 – 30
Region B subtransmission	10 – 20
Shands Rd zone substation upgrade	10 – 20
Darfield area growth	15 – 25
Malvern industrial growth – stage 2	8 – 12
All projects	**45 – 107**

K46 We agree with Orion that its proposed listed projects would not meet the requirements for the existing CPP reopeners, and that the Part 4 purpose would be promoted by us being able to reconsider the revenue path should they become required to meet demand during the CPP period.

K47 This is because growth-driven projects relate directly to the Part 4 objective of satisfying consumer demand and/or maintaining acceptable quality of services for affected consumers, therefore provide clear consumer benefits.[297] We would also expect that expenditure on the projects identified by Orion to accommodate system growth would be likely to satisfy the expenditure objective.

[296] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 128.
[297] Commerce Act 1986, s 52A(1)(b).

K48 However, our understanding is that all five proposed listed projects are for systems growth capex and are likely to meet the requirements for the proposed CPP capacity event reopener (prospective) – see below. It is therefore not necessary to consider a separate reopener to provide for the projects listed in Table K3.

Capacity event reopener (prospective)

K49 Orion's proposed capacity event reopener (prospective) was modelled on the capacity event reopener that was contained in the Aurora CPP.[298] Orion is seeking this reopener to manage the risk of unforeseen general demand growth, and potential impact on the provision of electricity distribution services to consumers.

K50 Orion requested that this reopener be available if the demand for consumer connection capex, system growth capex, asset relocations capex, or a combination of consumer connection capex and system growth capex requires Orion to undertake greater than $2.5m of additional investment. Orion considers that unforeseen general demand growth uncertainty could have a material impact on demand-driven expenditure categories, including consumer connection, 11kV reinforcement and low voltage (LV) reinforcement. Not being able to meet such demand could impact Orion's ability to ensure services can continue to be provided to consumers who need them.[299]

K51 Orion is facing uncertain demand growth, and it is possible that general demand growth, particularly in the latter part of the CPP period, might exceed current forecasts. Being able to reconsider the CPP settings where Orion can demonstrate that additional expenditure is required to meet demand growth, directly promotes the Part 4 objectives of satisfying consumer demand and/or maintaining acceptable quality of services for affected consumers.[300]

K52 Orion's proposed specifications for a capacity event reopener (prospective) can be seen in Table K4.

[298] Orion "Customised Price-Quality Path Application" (9 June 2026), pp. 89-90. See also Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021 [2021] NZCC 3 (Deed varying input methodologies that will apply to the customised price-quality path determination for Aurora Energy Limited, p. 3).
[299] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 89.
[300] Commerce Act 1986, s 52A(1)(b).

Table K4 Orion's proposed capacity event reopener (Source: Orion) [301]

5.6.11A	Capacity event
(1)	A 'capacity event' means an event for which an **EDB** demonstrates that—
	(a) the **EDB's network** needs additional capacity to provide **electricity distribution services**;
	(b) the additional capacity has the **primary driver** of meeting established or reasonably anticipated demand for—
	(i) **connection capex**;
	(ii) **system growth capex**;
	(iii) **asset relocation capex**;
	(iv) a combination of **connection capex** and **system growth capex**;
	(c) when the **CPP** was determined, the need for the additional capacity—
	(i) was not sufficiently certain; or
	(ii) could not reasonably have been foreseen by a prudent **EDB**; and
	(d) providing the additional capacity—
	(i) would require the **EDB** to incur costs of the lesser of 1% of the EDB's forecast net allowable revenue for the regulatory period and $2.5 million; and
	(ii) meets the **expenditure objective**.

K53 We consider four modifications to Orion's proposal will improve outcomes and are consistent with the purpose of Part 4 and the purpose of IMs:

K53.1 **'Batching' of project applications:** Providing that Orion may include more than one project or programme within an application and may only make one application under this reopener in each year of the regulatory period would help reduce the potential number of applications that need to be processed. We consider this appropriate to reduce regulatory burden on Orion, ourselves and for consumers and other stakeholders (who would be invited to provide feedback on any decision to approve a reopener application) and better manage the flow of applications.

K53.2 **Application of the financial threshold:** We agree with Orion's proposed financial threshold, but consider each project or programme covered by a capacity event reopener must meet it to be eligible. This is consistent with our final decision in the 2023 IM review to not allow cumulative application of lower financial thresholds, because reopeners are not intended to address an accumulation of minor unrelated events.[302]

K53.3 **Requirement for an engineer's report:** Requiring that Orion provide an engineer's report in respect of each project or programme covered by a reopener application. Orion included such a requirement as part of its proposal for a 'listed project' reopener, and we consider it could assist us in assessing and expediting reopener applications.

[301] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 89.
[302] Commerce Commission "CPP and in-period adjustment mechanisms topic paper: Part 4 Input Methodologies Review 2023 – Final decision (13 December 2023)", para 7.67.6.

K53.4 **Not permitting applications in Year 5 of the CPP:** Any application made in Year 5 would overlap with decisions on Orion's transition onto DPP5.

Non-network solutions

K54 In response to stakeholder concerns that the capacity event reopener could enable additional capex without adequate consideration of non-network solutions, we note that Orion must demonstrate that the expenditure sought meets the expenditure objective. This includes demonstrating that Orion has taken the steps a prudent and efficient EDB would reasonably take to identify and assess credible alternatives to traditional network investment.

K55 Depending on the nature of the constraint, this may include using efficient network pricing signals, assessing network and non-network options on a comparable basis, and transparently testing the market for flexibility services. The independent engineer's report must assess the adequacy of Orion's consideration of these matters and whether the proposed investment represents the prudent and efficient response to the identified capacity constraint.

K56 The joint open letter issued by the Commerce Commission, Electricity Authority and Energy Efficiency and Conservation Authority in February 2026 emphasised that EDBs should consider network and non-network solutions on an equal footing, provide pricing signals that support efficient responses to constraints, and enable the market to offer competitive non-network solutions. Where Orion seeks capacity from flexibility providers, we would expect its procurement process to provide sufficient information, time and opportunity for providers to participate, recognising that New Zealand's flexibility services market remains at an early stage of development.

K57 We expect Orion's reopener application to explain the steps it has taken, the network and non-network options considered, the outcomes of any market testing, and why the proposed expenditure represents the prudent and efficient response. The independent engineer's report should assess the adequacy of this evidence and Orion's conclusion.

Alternative options considered

K58 We considered two alternative options for addressing demand growth uncertainty over the CPP period:

K58.1 a new and/or modified CPP connections wash-up mechanism; and

K58.2 a 'use-it-or-lose-it'-style allowance to meet uncertain demand growth.

K59 In the 2023 IM review we introduced the option for us to specify a 'new connection wash-up mechanism' in a CPP determination, to wash-up for differences in the pre-specified assumed cost of actual versus forecast quantity of new connections. However, we understand that the way in which the new connection wash-up operates (essentially a 'P x Q' approach, where the difference between forecasts and the out-turn for the 'Q' component are washed up) is inconsistent with Orion's forecasting approach, and so would not be workable for Orion. We can avoid needing to design around this issue by employing the proposed capacity event reopener.

K60 The second alternative, a 'use-it-or-lose-it'-style allowance would provide an ability for Orion to access additional revenues for costs of a specified type of activity against a pre-established financial cap. The maximum amount and purpose of the allowance would be specified in the CPP determination. Orion would have the option of drawing the allowance down in-period provided certain specified conditions or triggers are met.

K61 We considered this approach in the 2023 IM review.[303] We decided this would not promote the Part 4 purpose more effectively than existing reopener mechanisms, would add unwarranted additional complexity, and would not significantly reduce compliance costs or other regulatory costs. For Orion's CPP, we do not consider that a "use-it-or lose-it" allowance offers any material net benefits, compared to the proposed capacity event reopener (prospective).

Introduction of a reliability risk event reopener for ARR capex

K62 Our draft decisions on expenditure allowances for Orion's CPP include reductions in the proposed ARR capex allowances proposed by Orion (thereby excluding that portion of proposed expenditure from the CPP allowances we have approved upfront).

K63 As described in Attachment C, we propose to agree with Orion an IM variation to include a reliability risk event reopener that provides Orion with the option of applying in-period for additional revenues (with evidential and analysis requirements) to fund the unapproved portion of ARR capex. Our reasons and further detail about how this reopener will operate are included in Attachment C.

Summary of our draft decisions on prospective expenditure reopeners

K64 Our draft decision is to seek agreement with Orion to the following IM variations for Orion's CPP period to:

K64.1 modify the contingent project reopener in clause 5.6.10 of the IMs to specify Orion's 'Lower Selwyn Growth - stage 1' project as a 'contingent project', despite not meeting the existing financial threshold;

[303] Commerce Commission "CPP and in-period adjustment mechanisms topic paper: Part 4 Input Methodologies Review 2023 – Final decision (13 December 2023), paras 9.96-9.132

K64.2 introduce a capacity event reopener (prospective) for Orion's CPP, with some modifications compared to Orion's proposal to streamline our assessment of Orion's reopener applications and reduce regulatory costs; and

K64.3 introduce a reliability risk event reopener for Orion's CPP, to provide access to additional ARR capex allowances, up to specified maximum limits, subject to specified evidential requirements.

K65 Our draft decision is not to agree with Orion's proposals for IM variations to:

K65.1 modify the financial thresholds for the contingent project reopener and the unforeseen project reopener; and

K65.2 introduce a listed project reopener.

K66 Our draft decision to list the Lower Selwyn growth project – stage 1 as a contingent project requires that we specify an associated trigger event. Based on Orion's CPP proposal,[304] and incorporating the verifier's recommendations on the proposed trigger event measures,[305] we propose to define the associated trigger event as follows:

> The trigger event for Lower Selwyn growth – stage 1 is met if one or more of the following occur:
>
> - Orion forecasts demand at Killinchy Zone Substation to exceed 10 MVA by 31 March 2032;
> - Orion forecasts aggregate demand for Killinchy, Hills Road and Brookside Zone Substations to exceed 30 MVA by 31 March 2032; or
> - Orion forecasts aggregate non-interruptible demand for Killinchy, Hills Road and Brookside Zone Substations to exceed 20 MVA by 31 March 2032.

Our draft decisions on allowing for ex post approval of expenditure

Our analysis

K67 In this section we discuss our reasons for declining Orion's request for two IM variations, both of which concern approval of expenditure after the expenditure has already been incurred (ie, 'ex post'). They are proposed variations to:

K67.1 include a CPP capacity event reopener (responsive) for Orion; and

K67.2 vary the criteria relating to the CPP urgent project allowance to allow costs incurred in DPP4, before the time of Orion's submission of its CPP proposal, to be eligible.

[304] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), para 667.
[305] GHD "Orion's CPP verification report" (31 March 2026), p. 332.

Capacity event reopener (responsive)

K68 Orion proposed a responsive version of the capacity event reopener on the basis that:[306]

> If a sustained, unforeseen demand for capacity occurs in the period FY28 to FY30, it may not be feasible to reopen the CPP without some form of responsive consideration.

K69 We have considered the circumstances under which ex post approval of expenditure promotes the purpose of Part 4 on a number of other occasions. The most recent was in 2025 when we amended the EDB IMs to clarify the circumstances in which we consider it is—and is not—appropriate for EDBs to recover costs incurred prior to a reopener application.[307]

K70 At that time, we distinguished between:

K70.1 'responsive' reopener events, where the reopener responds to an identifiable event that has already occurred (examples include catastrophic events, change events, error events); and

K70.2 'prospective' reopener events relating to anticipated or forecast events, where a supplier will have some notice or foresight for a need to invest (examples include contingent projects, unforeseen projects).

K71 Eligibility for cost recovery differs between these two event types. Under the IMs we may amend the price path:[308]

K71.1 for 'responsive' reopener events, to account for opex incurred or assets commissioned after the event date;[309] and

K71.2 for 'prospective' reopener events, only in respect of opex incurred or assets commissioned after the date on which the reopener event was nominated.[310]

K72 For a responsive reopener event, we may approve (and an EDB can apply for) opex incurred or the cost of assets commissioned earlier than 18 months before the start of the CPP regulatory period (ie, as far back as the date of the event).[311]

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[306] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 90.
[307] Commerce Commission "Amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters) – Draft decision: Reasons paper" (12 December 2024), paras 3.5-3.58 and Commerce Commission "Amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters): Final decision and reasons paper" (27 March 2025), paras 2.2-2.64. Our final decision on this topic confirmed views and reasons set out in our draft decision.
[308] For both responsive and prospective reopener events, recovery of capex is available in respect of *assets commissioned* after the relevant date, even where expenditure on those assets has been incurred prior to that date.
[309] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.6.13(4).
[310] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.6.13(3). The date on which the reopener event was nominated is the first date on which an EDB provides a complete reopener application, with the information required in the IMs (cl 5.6.2(3) in relation to CPP reopeners).
[311] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 5.6.1(2A)(a) and 5.6.13(4).

K73 As we discuss below, this distinction between 'responsive' and 'prospective' reopener events is based on the nature of different reopener events and the impact of that nature on incentives—and on promotion of the Part 4 purpose—should we allow for recovery of expenditure that has already been incurred.

K74 Our view is that, in general, the purpose of Part 4 (the long-term benefit of consumers) is best promoted where amendments to the price path are limited to costs not yet incurred, as suppliers have greater opportunities to earn a normal return on efficient investments (consistent with s 52A(1)(a) and (d)) and be rewarded for superior performance (consistent with s 52A(1)(b)). Efficiency gains can then be shared with consumers when the price path is reset (or via the incremental rolling incentive scheme (IRIS) mechanism), consistent with s 52A(1)(c).[312]

K75 We apply this approach when determining price paths at the start of a regulatory period, and in general it is the one that applies when reopening the price path.

K76 Our treatment of responsive reopener events in the IMs recognises that there are only limited exceptions where, given the nature of an event, the general approach described above does not promote the long-term benefit of consumers.

K77 Examples include catastrophic events, changes in regulations affecting the regulated service, or situations where it becomes apparent that information used to set the price path was incorrect or applied in error at the time the path was set (ie, error events or false and misleading information).

K78 For these limited exceptions (responsive reopener events), we consider allowing for ex post recovery of costs, from the event date, better promotes the Part 4 purpose, as:

K78.1 in emergent situations, such as catastrophic events, this strengthens the distributors' existing incentives to restore supply on its network;

K78.2 suppliers have limited ability to influence the impact on their costs of legislative or regulatory changes; we consider they should be compensated for the net financial impact prudently incurred as a result of such changes; and

K78.3 where the price path is based on information that is subsequently revealed to have been incorrect at the time or otherwise based on an error, mitigating the effect on the price path is consistent with s 52A(1)(a) and (d) of the Act.

[312] Commerce Commission "Amendments to input methodologies for electricity distribution businesses and Transpower (reopeners and other matters): Final decision and reasons paper" (27 March 2025), para 2.20.

K79 The nature, and drivers, of the capacity event reopener Orion has proposed is consistent with 'prospective' reopener events. That is, similar to a contingent project or unforeseen project reopener, the capacity event reopener relates to anticipated or forecast events where Orion will have some notice or foresight for a need to invest, such as changes in forecast demand. Orion will thus have some opportunity to consider options for responding to the event.

K80 In its reasons for requesting a 'responsive' capacity event reopener, Orion emphasised the impact of the IRIS if a sustained, unforeseen demand for capacity occurs during the CPP regulatory period, stating that:[313]

> If a sustained, unforeseen demand for capacity cannot be compensated, it would mean that the capex IRIS would penalise Orion for the forecast variance.

K81 The effect of IRIS is to share the risk of over-expenditure (above approved allowances) between Orion and its consumers. For over-expenditure during the CPP regulatory period, Orion would bear around 32% of the cost.[314] Most of the over-expenditure is already passed on to consumers, over time, under the current IMs.

K82 Varying the IMs to allow Orion to recover such over-expenditure, ahead of a reopener application, would place 100% of forecasting risk on consumers, who are less well placed to manage the risk than Orion. We also note that, should demand growth be lower than forecast during the regulatory period, Orion benefits and is not required to pass all of that benefit on to consumers.

K83 For these reasons our draft decision is to not seek agreement to vary the IMs to include a capacity event reopener (responsive), as Orion has proposed.

Varying eligibility for the 'urgent project allowance'

K84 The 'urgent project allowance' recoverable cost contained in the IMs allows EDBs on CPPs to recover costs associated with urgent and prudent works that are undertaken in the period between when a CPP application is submitted to us and its determination. It applies where the expenditure is not provided for in a previous default price-quality path (DPP) or CPP and is not otherwise recoverable.[315]

K85 Orion has requested that we vary the urgent project allowance to allow for recovery of costs of responding to an urgent project where those costs occurred "between the start of the DPP regulatory period in which the CPP application is made and determination of the resulting CPP determination by the Commission".[316]

[313] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 90.
[314] Based on the current WACC for the CPP used in calculating IRIS amounts.
[315] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended), cl 3.1.3(8).
[316] Orion "Customised Price-Quality Path Application" (9 June 2026), pp. 91-92 (Box 17).

K86 Orion's rationale for this proposed variation is that it is forecasting to exceed its DPP4 opex and commissioned assets allowances in the lead up to the CPP period, driven by a need to ramp up field work and ensure deliverability of the CPP investment programme, and that:[317]

> As deliverability is consistent with the long-term interests of consumers, and the drivers of the allowance exceedances are consistent with the drivers of Orion's CPP, we consider that it is inappropriate to incur penalties under the incremental rolling incentive scheme.

K87 The urgent project allowance was introduced in the 2016 IM Review to incentivise investment where urgent work is needed while CPP proposals are being assessed.[318] During that review, stakeholder submissions proposed extending the allowance to permit recovery of costs incurred up to 24 months before a CPP application is submitted. Our view at that time was that permitting such recovery for up to 24 months before a CPP application would weaken incentives for timely CPP proposals and increase the extent of expenditure approved retrospectively, which would be undesirable from a policy perspective having regard to the Part 4 regime.

K88 Our position on extending the timeframes for eligible costs for the urgent project allowance is unchanged from that adopted in the 2016 IM Review.

K89 As we discussed above, we consider that allowing ex post recovery of expenditure in relation to anticipated or forecast events, where a supplier has some notice or foresight for a need to invest, does not promote the long-term benefit of consumers. The policy reasons we gave in relation to Orion's proposed capacity event reopener (responsive) apply equally here.

K90 Under the DPP, Orion has flexibility within its expenditure allowances and overall revenue envelope to reprioritise expenditure where appropriate. Orion has provided no information (in its CPP application and supporting material or in its submission) to show that it has considered options for such reprioritisation. Nor has it provided any information on the magnitude of its ramp up costs, what the expenditure was for, or to demonstrate prudency or efficiency of the expenditure.

K91 In relation to Orion's view that it is inappropriate to incur penalties under IRIS for ramp up costs, even where Orion exceeds allowances, the effect of IRIS is to share the risk of that over-expenditure between Orion and its consumers, with consumers already bearing most of that risk.

K92 We also note that Orion has not provided (in its application or its submission on our Process and Issues paper) any evidence to show why its CPP ramp up costs should be considered as an "urgent project", which is a necessary criterion for availability of the urgent project allowance.

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[317] Orion "Customised Price-Quality Path Application" (9 June 2026), p. 91.
[318] Commerce Commission "Input methodologies review decisions – Topic paper 2: CPP requirements" (20 December 2016), paras 112-116.

What we heard from submitters

K93 ERGANZ supported the Commission's initial view that the eligibility criteria for the urgent project allowance should not be varied for Orion to include Orion's CPP 'ramp up' costs incurred during DPP4, noting that:[319]

> Retrospective recovery of expenditure incurred well before an application weakens the discipline the application process is meant to impose.

K94 Orion restated and expanded on the rationale set out in its application for proposed IM variations to the eligibility criteria for the urgent project allowance, so as to include Orion's CPP ramp up costs incurred during DPP4 prior to the CPP commencing as recoverable costs for the CPP, and for its proposed capacity event (responsive). Orion stated that: [320]

K94.1 a pre-determination ramp up maximises the utility of the CPP period and so the prudently incurred cost of ramping up should be recoverable; and

K94.2 the IRIS means that "if a sustained, unforeseen demand for capacity occurs in the period FY28 to FY30, it may not be feasible to reopen the CPP without some form of responsive consideration".

Our draft decision on allowing for ex post approval of expenditure in response to growth

K95 We have decided, in our draft decisions, not to progress Orion's proposals for IM variations to:

K95.1 introduce a new capacity event reopener (responsive); and

K95.2 vary the eligibility criteria for an urgent project allowance, so as to include Orion's CPP ramp up costs incurred during DPP4 prior to the CPP commencing as recoverable costs for the CPP.

K96 We have considered the points Orion made in its submission on both of these proposed IM variations. It provided no new information that would lead us to change our view on eligibility for ex post recovery of expenditure, or to lead us to change our initial view that the eligibility criteria for the urgent project allowance should not be varied to include Orion's CPP 'ramp up' costs incurred during DPP4.

Our draft decision on a deliverability reopener

K97 Our draft decision is not to include an uncertainty mechanism to incentivise delivery of Orion's overall CPP work programme, as the need can be met through our information disclosure regulation regime.

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[319] ERGANZ "Orion CPP process and issues paper submission" (26 August 2026), p. 4.
[320] Orion "Orion CPP process and issues paper submission" (26 August 2026), paras 82-86.

K98 We set out our analysis and reasons for this draft decision in Attachment H.

Our draft decision on implementation of a captive insurer reopener

Our analysis

K99 In our Process and Issues paper, we proposed a reopener mechanism to allow for implementation of captive insurance arrangements (if these were to benefit consumers) which could produce a more equitable allocation of large insurance event costs.[321]

K100 We noted that the IMs already provide for a catastrophic event reopener for EDBs, whereby if a catastrophic event, such as an earthquake or severe weather event occurs, Orion is enabled to apply for approval of additional revenues to cover its response and recovery costs. Under that approach, the costs fall to be recovered from consumers that exist at the time, through higher bills.

K101 An alternative is self-insurance through a captive insurance company to protect against the risk of significant events such as these.[322] This would allow Orion to access funds the captive had accumulated over time when a catastrophic event occurs, effectively spreading costs collected across consumers over a longer time frame such that the costs are shared more equitably between current and future consumers.

K102 We acknowledged in the Process and Issues paper that setting up a captive insurer can involve significant upfront and ongoing operating costs, including meeting regulatory and capital requirements. At the same time, as the availability and cost of insurance arrangements available to EDBs changes, we considered that consideration of captive insurers was desirable to avoid placing the cost burden of significant events wholly on consumers post event.

What we heard from submitters

K103 Orion's submission did not support our proposal for a CPP captive insurer reopener, noting that establishing a captive insurer:[323]

K103.1 involves significant complexity and can have significant upfront and ongoing operating costs;

K103.2 would operate as an alternative to the existing catastrophic event reopener, the difference being that a captive insurance facility can spread the recovery of catastrophic event costs over a longer period; and

[321] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 Process and Issues paper" (5 August 2026), para 3.18.
[322] A captive insurance company is a wholly owned subsidiary company created to insure its parent company's risks and exposures.
[323] Orion "Orion CPP process and issues paper submission" (26 August 2026), paras 88-89.

K103.3 is a broader policy question that is better answered outside of the narrow CPP assessment process – for example, as part of a substantive IM review.

K104 We received no other submissions on this matter.

Our draft decision on implementation of a captive insurer reopener

K105 Our draft decision is not to progress with arrangements for a CPP reopener mechanism to allow for implementation of captive insurance arrangements.

K106 Our key reasons are that a reopener of this nature will only deliver benefits for consumers if there is a likelihood that it will be used. Orion's submission indicates that it is unlikely to pursue such an arrangement, even if a reopener was available.

K107 We consider that the topic of alternative insurance models for the EDB sector should continue to be explored. We favour progressing this as part of broader policy for the wider EDB sector to harness benefits of scale. This, for example, could examine the potential for pooled or 'club' schemes that reduce implementation costs for individual EDBs while preserving benefits for consumers.

Our draft decisions on extended reserves allowance and avoided transmission charges recoverable costs

Our analysis

K108 The IMs provide for two recoverable costs that are subject to approval by the Commission. These are:

K108.1 a recoverable cost in relation to transmission charges an EDB has avoided liability to pay as a result of the EDB having purchased assets from Transpower (eg, spur assets);[324] and

K108.2 the "extended reserves allowance", which permits an EDB to recover payments or costs related to managing emergency electricity reserves if required by Transpower.[325]

K109 Both these recoverable costs are subject to our approval in accordance with an approval process specified in a price-quality determination, relating to the particular type of cost.[326] The IM provisions enabling us to specify such approval processes currently limits its application to only DPP determinations.

[324] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 3.1.3(1)(b).
[325] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 3.1.3(1)(j).
[326] Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended 1 September 2026), cl 3.1.3(2).

K110 This is not consistent with our original intention. For example, when we introduced the extended reserves allowance in 2014, we considered that the approval process could be specified for each regulatory period in either a DPP or CPP determination.[327]

K111 We see no general reason for different treatment between EDBs who are on a CPP compared to a DPP, in their ability to access these recoverable costs if needed.

K112 Our draft decision is to make the extended reserves allowance and avoided transmission recoverable cost available to Orion during the CPP period, subject to our approval in accordance with processes specified in the Orion CPP determination, by:

K112.1 seeking agreement with Orion to vary clause 3.1.3(2) of the IMs to extend the availability of the extended reserves allowance and avoided transmission charges recoverable cost to the CPP; and

K112.2 including approval processes for both of these recoverable costs in the draft Orion CPP determination, based on comparable requirements in DPP4, allowing Orion to access them should they be required.

K113 These recoverable costs recognise activities by an EDB that have the potential to benefit consumers and, in relation to the extended reserves allowance, recognises requirements on EDBs under the Electricity Industry Participation Code 2010 relating to extended reserves.[328]

K114 As access to, and the approved level of, these two recoverable costs is subject to our scrutiny, this variation gives some certainty to Orion without impacting on our ability to ensure that appropriate Part 4 incentives are maintained.

[327] Commerce Commission "Input methodology amendments for electricity distribution services: Default price-quality paths" (27 November 2014), para 9.3.
[328] https://www.ea.govt.nz/code-and-compliance/the-code-electricity-industry-participation-code-2010/

Attachment L Reporting requirements under information disclosure regulation

Purpose of this attachment

L1 Further to Chapter 4, this attachment explains the reporting requirements we are proposing for Orion under information disclosure (ID) regulation in relation to the delivery of its customised price-quality path (CPP) work programme, which will be specified in a draft ID determination.

L2 The draft ID determination will be published on 17 November 2026, with submissions on both the draft decisions in this paper in relation to ID and the draft ID determination due on 15 December 2026. Cross-submissions are due on 11 January 2027.

Structure of attachment

L3 This attachment is structured as follows.

Table L1 Structure of Attachment L

Section	Description
Proposed measures with targets	• Our reasons for the draft performance measures with targets that our draft ID decision specifies for inclusion in Orion's annual reporting
Proposed measures without targets	• Our reasons for the draft performance measures without targets that our draft ID decision specifies for inclusion in Orion's annual reporting
How stakeholder views informed the proposed measures	• Explains how the measures for annual ID reporting have been informed by stakeholder views on our Process and Issues Paper
How Orion's proposal informed the proposed measures	• Explains how the measures for annual ID reporting have been informed by the measures suggested by Orion in its proposal
Other features of our draft ID decision	• Explains the other key features of our draft ID decisions that will support stakeholders to assess whether the purpose of Part 4 is being met, including: Annual Plans, Annual Delivery Reports (ADRs), consumer-facing summaries of ADRs, disclosure of documentation aligned to good business practices, and the length of time the Orion-specific determination remains in force

Proposed measures with targets

L4 Table L2 provides our reasons for specifying the proposed performance measures with targets, and the corresponding draft ID requirements. The overall objective is to ensure Orion discloses sufficient information about its CPP work programme such that interested persons can assess whether the purpose of Part 4 is being met.

L5 In specifying these targets for Orion, our role is not to prescribe how Orion should manage its network or which methodologies it should use to make or implement its investment decisions. Rather, it is to ensure information is readily available to stakeholders to enable assessment of whether Orion is on track to deliver the benefits to consumers that were expected when we approved the expenditure allowances.

L6 In this sense, the specification of targets reflects the submission Orion made in relation to the scope for expenditure reprioritisation during the CPP period:[329]

> The prudence element of the expenditure objective (right solution at the right time) means that there is less scope to reprioritise expenditure without compromising the effectiveness of the overall work programme. For CPPs, reprioritisation is generally only feasible if more recent/accurate information (e.g., inspected condition versus forecast condition) has indicated that some work can be deferred.

L7 During the CPP period, the targets we have specified may prove more or less challenging than originally envisaged, due to the wide range of circumstances that lines companies would ordinarily expect to operate within.[330] Orion is generally best placed to bear these risks but in the event that circumstances fall outside this normal range, our draft ID decision could be amended to adjust the targets (ie, catastrophic event).

[329] Orion "Orion CPP process and issues paper submission" (26 August 2026), p. 10.
[330] The possibility of earning returns above or below normal owing to fluctuations in operating conditions is an inherent part of incentive-based price-quality regulation, just as it is a feature in competitive markets. For example, upon inspection assets may be in better or worse condition than Orion assumes, or demand growth may give rise to a greater or lesser number of constraints. While the cost of delivering targets will be affected the expected level of performance remains the same.

Table L2 Reasons for proposed performance measures with targets for Orion's CPP reporting

ID measure and target	Reasons for this performance measure and target	Existing information	ID requirement
1. Network asset risk value or score **<u>Target:</u> Network asset risk is maintained at or below the expectations implicit in asset health forecasts**[331]	• In Orion's CPP proposal, investment in renewals is justified on the basis of current and projected asset health profiles. Orion notes at paragraph 290 of its CPP proposal that "Over the CPP period we will evolve this methodology, with health scores transitioning to broader risk scores that account for the criticality (potential failure consequences) of the assets." • It is our expectation that when applying a more risk-based approach, network asset risk will be maintained at or below the level implicit in the asset health projections that were used by Orion to justify its expenditure. For some or all asset classes, particularly in the initial years of the CPP, Orion may not be able to calculate quantitative risk scores or monetised risk values. In these cases, our expectation is that the assumed asset health profiles will be delivered.	• Current health profiles by asset class (Schedule 12A: Report on asset condition) • Projected DY32 health profiles by asset fleet – Orion CPP proposal	• Annual updates to projected DY32 health profiles by asset class • Calculated risk scores and/or values • Asset replacements
2. Number of low voltage (LV) network constraints **<u>Target:</u> LV constraints are managed at or below the historic average number identified each year**	• Orion currently has a backlog of LV constraints that has accumulated through years of investment below the level required to resolve constraints as they arise. The draft CPP decision provides a significant increase in funding to resolve this existing backlog of LV constraints as well as those that are expected to emerge during the CPP period. • In its proposal, Orion suggested a measure of LV constraint resolution (existing and emerging) and we agree that this would be appropriate to monitor. The target we are proposing reflects the fact that Orion is expected to clear the backlog of LV constraints and enter a cycle of timely constraint resolution, including through the use of non-network solutions. • Orion is not expected to proactively remediate all constraints ahead of time and should instead undertake works in a balanced reactive and proactive fashion. The proposed target also reflects the fact that it may occasionally be economic for Orion to carry unresolved constraints and accept that short-term overload may result in a reduction in asset lives (without ignoring safety risks or statutory obligations), as noted by the independent verifier GHD.	N/A	• Total number of LV constraints • Number of new LV constraints identified • Number of LV constraints resolved

[331] For some or all asset categories, particularly in the first few years of the CPP, Orion may not be able to calculate a risk score or monetised risk value. In these cases, the measure is whether the assumed asset health profiles are delivered.

ID measure and target	Reasons for this performance measure and target	Existing information	ID requirement
3. Connection processing times **<u>Target:</u> Maintain or improve time taken to make initial connection offer, for offer codes with basic and non-standard offer types**	• In its CPP proposal, Orion notes that "planned expenditure enables timely connection of new customers and modification of existing connections" (p.143), including through consumer connection expenditure and the resolution of network constraints. On its website, Orion currently advises customers that "the current time frame for a contract manager to review your application is 65 days (45 working days). After this initial review the time it will take to approve your connection will depend on the complexity of the request." • In its proposed service measures, Orion included "Percentage of small generation (<10kW) connections) approved within 10 business days after receipt of completed applications" which will tell stakeholders little about changes in timeliness as it is already a requirement under the Electricity Industry Participation Code 2010. • The measure we are proposing is intended to provide a relatively straightforward way to demonstrate whether broader connection processing times are being maintained or improved during the regulatory period as a result of Orion's investments. We are also proposing that Orion discloses information about the number of applications accepted/rejected to assess whether an improvement in timeliness reflects an increase in the number of applications rejected. • The Electricity Authority specifies requirements in relation to timeliness for particular connection types and, as a result, the draft ID decision specifies that Orion is not required to re-disclose any metrics it is required to disclose under the Electricity Participation Code 2010.	N/A	• Percentage of connection applications for which Orion notified its initial decision on the application to the applicant within prescribed time frames (eg, Electricity Industry Participation Code 2010) for the most common connection types (with the target specific to offer codes that correspond to basic or standard connection offer types) • Number of connection applications accepted/rejected by offer code for the most common types

ID measure and target	Reasons for this performance measure and target	Existing information	ID requirement
4. Vegetation-related System Average Interruption Duration Index (SAIDI) **<u>Target:</u> Maintain or improve the average duration of outages (SAIDI) attributable to vegetation-related interruptions**	• In recent years, Orion's unplanned SAIDI caused by vegetation has been trending downwards. In 2026, unplanned SAIDI caused by vegetation was 18.4 minutes (made up of unplanned SAIDI caused by vegetation within the Growth Limit Zone of 0.3 minutes, and 18.0 minutes for unplanned SAIDI caused by vegetation outside the Growth Limit Zone). • In addition, in 2026, 21,349 overhead circuit sites were identified as being at high risk from vegetation damage. • Orion has proposed to nearly double its expenditure on vegetation management to scale up its existing programme and ensure compliance with Electricity (Hazards from Trees) Regulations 2003. • Although our draft CPP decision is that we will not accept Orion's proposal in full for vegetation expenditure, we still expect unplanned SAIDI attributable to vegetation-related causes to be maintained or reduced relative to performance in 2026, as a result of the expenditure we have accepted. We expect the reduction in unplanned SAIDI to be reflected in a reduction in overhead circuit sites assessed as being at high risk from vegetation damage.	• Schedule 6(b)(i) – Opex on vegetation-related service interruptions and emergencies, and opex on vegetation management • Schedule 9(c) – Number of overhead circuit sites at high risk from vegetation damage • Schedule 10(ii) – SAIDI caused by in-zone and out-of-zone vegetation	N/A
5. LV visibility **<u>Target:</u> Material reduction in low voltage issues first identified by consumer complaint**	• In its CPP proposal, Orion proposes expenditure on LV network monitoring, data, and analytics capabilities to improve visibility of emerging issues on its LV network and support the management of increasing electrification and distributed energy resources. • Historically, many LV network issues have only become visible to Orion after customers experience problems and lodge complaints. The independent verifier GHD notes in its report that Orion currently receives around 20 power quality complaints each year. • The number of LV issues that are first identified through customer complaints is intended to provide a relatively straightforward measure of whether Orion's investments are improving its visibility of LV network performance, and delivering associated benefits.	N/A	• Number of LV issues first identified by consumer complaint • Number of LV issues identified by consumer complaint

ID measure and target	Reasons for this performance measure and target	Existing information	ID requirement
	• We are also proposing to monitor the total number of LV issues identified by consumer complaints to help assess whether any improvements in visibility are translating into benefits for consumers.		
6. Workforce and contractor capacity **<u>Target:</u> Internal and external resourcing and supply chains are adequate to support delivery of CPP outputs and outcomes**	• Orion has provided assurances that its work programme can be delivered even though it is larger in scale than what it has delivered previously. The verifier notes that successful delivery will depend on effective implementation of Orion's planned actions around securing contractors, supply chains and workforce capacity and capability. • We are requiring Orion to disclose information about the impact of workforce and contractor capacity constraints on the delivery of its work programme. • For renewals and system growth investments, the target is that constraints do not have a material impact on the delivery of Orion's work programme over the CPP period (less than 1% of average annual expenditure for the relevant category). For information and communication technology (ICT) and network transformation the target is that no projects and programmes are completed after the end of the CPP period due to constraints on workforce or contractor capacity. • When Orion reports deliverability issues, it will be required to provide further information including: • explanation of any engagement Orion has undertaken with other local lines companies to manage deliverability risks; and • commentary and statistics about workforce capacity, contractor concentration, subcontractor use, procurement outcomes and use of regional crews.	N/A	• Value in dollars of renewal activity not delivered due to workforce or contractor capacity constraints • Value in dollars of system growth activity delayed more than one year due to workforce or contractor capacity constraints • Number of months added to the forecast achievement date for completing an ICT or network transformation project or programme when a completion date change was notified to Orion's board owing to workforce or contractor capacity

Proposed measures without targets

L8 As Orion delivers its investments, the benefits should result in a measurable change in the quality of information that informs its decision-making.[332] For this reason, our draft ID decision specifies that Orion will be required to disclose specific methodologies, reviews, and documentation that it prepares as part of its operations.[333]

L9 Table L3 identifies other areas in which Orion's investments will result in measurable changes. These are areas in which stakeholders may require additional measures to help interpret Orion's performance against its targets, or where it is not sensible to specify a target (as is the case for many ICT and network transformation investments).

L10 The requirements are targeted on the areas shown in Table L3 because of the comprehensive post-programme analysis and other documentation that Orion will be required to disclose. For example, we are not proposing to require Orion to disclose more detailed information about the volume of asset renewal interventions by type, percentage of installation control point (ICPs) covered by an LV model, reporting on individual safety risks or improvements in customer communication during outages.

Table L3 Reasons for ID measures without targets

Requirement	Reasons
1. Elapsed time to connect from first application to connection, by offer code, for the most common connection types	• This information, with a breakdown showing elapsed time from first application to initial offer, will enable stakeholders to understand the extent to which any changes in connection processing times are translating into faster connections, and the extent to which consumers are encountering problems related to their connection requests.
2. Customer complaints broken down by type, including connection-related complaints	• This information provides an indication of customer experience and helps provide a way of assessing the connection application process. • By disclosing the breakdown of connection complaints per 100 connections, Orion will enable stakeholders to interpret its performance in relation to measures of connection processing timeliness, and the value of its investments.

[332] 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.

[333] Disclosing information about Orion's risk methodology also enables stakeholders to assess the extent to which the methodology is appropriate for measuring Orion's progress relative to the target for network asset risk.

Requirement	Reasons
3. Volumes of activity relative to plan for key resilience programmes	• The measures with targets require Orion to report on the outcome of its investments in vegetation management. • Our draft ID decision specifies that Orion will report information about the volume of activity being undertaken relative to its CPP proposal for its key resilience programmes (adjusted as necessary in light of our final CPP decision), where the benefit of the proposed investment is harder to define. • The draft ID decision also specifies that Orion will report against customer preferred timeframes for its 66 kV oil-filled cable replacement programme, and we note that meeting these timeframes could be specified as a long-term target in our final ID decision. • Orion suggested reporting against the delivery of key resilience programmes and customer preferred timeframes in its proposed ADR measures.
4. Capacity added or released to resolve constraints by solution type	• Over time we expect to see Orion implement an increasing range of responses to resolve network constraints, including through non-network solutions and better network visibility. • Most immediately, we expect better network visibility to help Orion resolve some constraints by identifying when intervention may not be required. • Longer term, the information should help to show how the mix and scale of solutions being employed is changing over time (eg, network solutions; ripple control – industrial and commercial; ripple control – residential; distributed generation; batteries; other non-network solution). • It is impossible to say ahead of time whether those assessments should result in more or less non-network solutions being implemented than was assumed in Orion's proposal, but changes in the mix of interventions will help illustrate the practical impact of Orion's improved capabilities.
5. Notification to flex providers – number and timeliness	• In its proposal, Orion proposed a measure for its ADR of the timelines of its notifications to flex providers about constraints, which can be up to 3 years in advance. • The number of notifications and the timeliness of those notifications will provide a leading indicator of Orion's progress in relation to the use of flexibility.
6. Non-network capacity available and used, broken down by type	• This information provides the bigger picture for how much non-network capability exists across the network, and it will help show Orion's progress towards becoming a more flexible network, the types of flexibility being developed, and its readiness to address future constraints.
7. Distributed energy resources (DER) connected / visible / communicable / dispatchable / successfully dispatched	• Provides evidence of Orion's maturity managing DER as a result of its investments, with this hierarchy showing whether those investments are progressively increasing the network's ability to utilise DER as an alternative to conventional network reinforcement. • The hierarchy will also enable Orion to communicate its planned level of maturity over the regulatory period, and how its progress compares to those expectations (noting that good levels of visibility may itself be an achievement).

Requirement	Reasons
8. Peak demand durations and load duration curves for top ten most congested LV feeders, and 11kV feeders, and zone-substations with forecast constraints	• Peak duration information is useful for understanding the severity of forecast constraints and viability of non-network solutions. Load duration curves are useful for understanding overall utilisation and the economic justification for augmentation. • For example, the independent verifier's analysis of load duration curves from FY2024 and FY2025 for the top ten LV feeders that are congested or near congestion (thermal constraints and voltage regulation) indicates that LV network congestion does not exist for the vast majority of time. • In response to Orion's proposed service measures, the independent verifier also noted that the proposed average utilisation metric was subject to the risk of misinterpretation and considered it would be more meaningful if Orion also reported zone substation load duration curves and peak demand durations in these measures. • The verifier noted that this information would also supplement Orion's proposed 'notification of forecast constraints is shared with flexibility provider' service measure. We invite views on the information that would be most useful for Orion to include in these disclosures, including whether the requirement should be specified in terms of the 'top ten most congested feeders', a certain % of feeders, or some other method. • The information will also provide a useful cross-check on the completeness of any constraint analysis being undertaken and disclosed by Orion.
9. Asset inspections and fault rates	• The more immediate impacts of Orion's investments should include improved information about asset fleets, as a result of increased targeting inspections based on uncertainty, and improved understanding about fault rates. • By disclosing information about asset inspections and fault rates, Orion will be able to demonstrate the changes it is making through its investments, and shows the progress Orion is making in collecting the information to improve its modelling of the optimal time for replacement. Fault rates also show the amount of downtime of assets and how often they fail, and provide a cross-check on health profiles. • Information about the volume of asset inspections will also show where these are being targeted, relative to reported data accuracy, fault rates, and health profiles.

Requirement	Reasons
10. Impact of improved data accuracy on reported health profiles[334]	• As the regulatory period progresses, Orion's investments should also result in an improved understanding and modelling of the health profile of assets. • Disclosing information about the impact of improved data accuracy on health profiles enables stakeholders to see the practical effect of changes in data accuracy, compare the more accurate datasets to asset fault rates. • Disclosing these impacts also help stakeholders understand whether the network asset risk target is likely to be more or less challenging to achieve in practice than was originally envisaged (eg, due to asset being in better health than expected).
11. Percentage of customers restored within prescribed timeframes	• Orion indicated in its proposal that it will be able to restore power faster following disruption as a result of its investments to strengthen resilience, and investments in Integrated Asset Management. At present, stakeholders have access to very limited information about restoration times to assess the performance of local lines companies. • In its proposed ADR measures, Orion suggested a measure and target that is focused on the percentage of restoration times for planned high voltage (HV) outages are within the timeframes communicated to consumers. • Stakeholders would be better equipped to assess Orion's progress relative to its proposal if Orion disclosed information about the profile of restoration times and how it is changing over time, for both planned and unplanned outages. • For unplanned outages, our draft ID decision therefore proposes a requirement that Orion disclose a distribution showing the percentage of customers restored within 30 minutes, 1 hour, 2 hours, 3 hours, 6 hours, 12 hours, 24 hours, or more. • For planned outages, the measure is the % of customers restored on time, within 1 hour of the communicated timeframe, within 3 hours, or more.

How stakeholder views informed the proposed measures

L11 We received a variety of suggestions from stakeholders on ID and accountability measures in submissions on our Process and Issues Paper. We also spoke to a variety of consumers who generally supported the idea of requiring Orion to report progress delivering the intended goals and benefits it set out in its proposal.

[334] Under the existing information disclosure requirements, Orion is required to disclose its own self-assessment of data accuracy in relation to asset health profiles, and asset management maturity using a maturity assessment tool (AMMAT). In both cases, we expect to see improvements in scores during the CPP period. Stakeholders will be able to compare Orion's scores to the scores of other local lines companies, including Powerco, which is now ISO5001 certified. Any change in Orion's certification status would also be relevant. We invite views on whether Orion should be required to undertake an independent assessment using the AMMAT, rather than just relying on self-assessments.

L12 The measures with targets (Table L2) and measures without targets (Table L3) have been informed by stakeholder views that Orion should disclose information about: its consideration of non-network solutions;[335] the extent to which non-network solutions are being used to resolve constraints;[336] how much network investment has been deferred or avoided through non-network solutions;[337] and restoration times.[338]

L13 Our draft ID decision was also informed by Mainpower's submission in relation to deliverability risks, which recommended that Orion be required to report annually on workforce capacity, contractor concentration, subcontractor use, procurement outcomes, use of regional crews, and include comment on any material effects on local lines companies in neighbouring regions.[339]

L14 As shown in Table L2 we have included a measure of deliverability in our draft ID decision. When Orion reports deliverability issues, it will be required to provide further information including:

L14.1 explanation of any engagement Orion has undertaken with other electricity distribution businesses (EDBs) to manage deliverability risks; and

L14.2 commentary on workforce capacity, contractor concentration, subcontractor use, procurement outcomes and use of regional crews.

L15 We do not, however, consider Orion should report on the material effects of its work programme on other local lines companies because Orion is not best placed to do so.

Requests for requirements for Orion to engage with particular groups

L16 Some submitters requested that we require Orion to engage with specific groups.[340] However, under ID regulation, we cannot require Orion to engage with particular groups, except insofar as: the engagement relates to the manner in which information is to be disclosed (eg, public meeting); or the engagement is required as part of a methodology for preparing information to be disclosed. For that reason, we are not requiring Orion to engage with any specific groups.

[335] Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), pp. 2 and 4; LETS "Orion CPP process and issues paper submission" (26 August 2026), pp. 3-4.
[336] Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026), p. 4; LETS "Orion CPP process and issues paper submission" (26 August 2026), pp. 3-4.
[337] LETS "Orion CPP process and issues paper submission" (26 August 2026), pp. 3-4.
[338] One stakeholder we spoke to wanted to see Orion report on outages, how long, and how quickly they are resolved. The impact of different restoration times on consumers varies depending on consumer attributes like demographics.
[339] Mainpower "Orion CPP process and issues paper submission" (26 August 2026), p. 6.
[340] LETS suggested Orion should be required to engage with community energy groups; MainPower suggested Orion should be required to engage with other EDBs, to help manage deliverability risks across the South Island; GridShare recommended Orion should be required to engage with flexible-demand and non-network solution providers; and Foodstuff SI thought Orion should be required to develop a structured demand-response programme for large customers. LETS "Orion CPP process and issues paper submission" (26 August 2026); Mainpower "Orion CPP process and issues paper submission" (26 August 2026); Grid Share Ltd "Orion CPP process and issues paper submission" (26 August 2026); Foodstuffs South Island "Orion CPP process and issues paper submission" (26 August 2026).

How Orion's proposal informed the proposed measures

L17 In its CPP proposal, Orion recognised that we might choose to place similar ID requirements on it as those we applied to Powerco and Aurora. Orion proposed that a requirement to produce an ADR would provide a "clear and transparent account" of "progress in delivering CPP commitments".[341]

L18 Orion also suggested a range of "deliberately high level and outcome-focused" measures that it could report against in the ADR, to:[342]

L18.1 demonstrate delivery of the customer priorities and expectations; and

L18.2 demonstrate delivery of the strategic priorities underpinning its plan.

L19 The verifier is not required to comment on accountability and monitoring mechanisms, but it suggested that Orion report annually on how workforce needs are being met, the impact of labour shortfall on programme delivery and mitigation actions being taken to address issues, which is reflected in the proposed measures with targets).

L20 Here we summarise our consideration of Orion's proposed ADR measures before providing a brief overview of our consideration of the additional 26 service measures Orion proposed in its application.

Our consideration of Orion's proposed ADR measures

L21 Table L4 and Table L5 explains our consideration of Orion's proposed ADR measures.

Table L4 Our view on measures proposed by Orion for delivery of customer priorities

Proposed measure	Commission consideration
66 kV oil-filled cable replacement programme: delivery against customer preferred timeframes	• In Table L3 we explain that our draft ID decision specifies that Orion will report delivery against customer preferred timeframes. The information falls short of a headline target but we agree it would be useful information for Orion to disclose given the preferred timeframes were identified through customer engagement.
Non-network solutions: implementation outcomes, including targeted capex deferral	• In the analysis in this attachment, we explain that our draft ID decision specifies that Orion will disclose information about its analysis of non-network solutions to resolve constraints, as well as the reviews it is expected to undertake of its non-network solutions (including the extent of capex deferral). Table L3 also explains that Orion will be required to disclose information about its use of non-network solutions. We are not proposing to include the amount of capex deferred as a measure with a target, however, as we do not consider that capex deferral is appropriate for target setting.

[341] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 225.
[342] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. 225.

Proposed measure	Commission consideration
Network transformation programme: delivery of planned work, realised benefits, and key learnings	• In Chapter 4, we explain that our draft ID decision specifies that Orion will disclose its post-programme review analysis, which is consistent with the information suggested as a measure by Orion. However, rather than requiring disclosure of this information on an annual basis in the ADR, we are proposing that the information be disclosed at a suitable time consistent with Orion's internal business practices.

Table L5 Our view on measures proposed by Orion for delivery of strategic priorities

Proposed measure	Commission consideration
Maintain reliability: customer-facing summary of Asset Management Plan reliability performance reporting	• Reliability metrics such as SAIDI and System Average Interruption Frequency Index (SAIFI) are lagging measures of performance and as such are unlikely to be particularly useful for enabling stakeholders to understand annual progress.
Maintain safety: development of a network asset safety risk register and, once established, performance against asset safety targets	• We agree that disclosing its asset safety risk register, once developed, provides a straightforward way for Orion to demonstrate the benefits of its investments. Our draft ID decision specifies that Orion will disclose documentation such as asset safety registers to help demonstrate improving maturity. We do not consider that Orion needs to report against asset safety targets but Orion is not precluded from doing so either.
Support growth: resolution current and forecast LV network constraints	• We agree that resolution of current and forecast LV network constraints should be included as a measure with target.
Strengthen resilience: delivery of key programmes (66 kV cable replacement, fire risk poles, vegetation management and fuel storage)	• We agree that information about the delivery of key resilience programmes should be disclosed by Orion, in addition to the information already disclosed by Orion in relation to vegetation-related unplanned outages.
Prepare for future energy needs: integration of non-network solutions and delivery of network transformation initiatives	• We agree that Orion should disclose information about its use of non-network solutions, including non-network capacity added or released to resolve constraints, and the overall level of non-network capacity used and available. We have also set out the specific information that Orion should disclose to demonstrate the progress it is making in the delivery of network transformation initiatives, rather than requiring Orion to prepare a description of its progress.
Enhance efficiency and capability: delivery of identity and access management (IAM) programme	• Rather than requiring Orion to describe the progress it is making delivering IAM, we are proposing that Orion disclose information that should be readily available to it if it is realising the benefits of IAM.

Orion's additional suggestions for measures of service quality

L22 In addition to the ADR, Orion proposed twenty-six service quality measures that span "key service attributes, including: reliability and resilience, safety, customer service, power quality, environmental impact, efficiency and network planning, and support for the energy transition."[343] Orion has indicated that it would include these service quality measures in its Asset Management Plans (AMP) while subject to the CPP.

L23 Only a small number of the proposed service measures related to the setting or monitoring of technical CPP quality standards or the CPP quality incentive scheme. As such, we have considered the other proposed service measures as part of the requirements for the ADR, alongside the ADR reporting measures proposed by Orion.

Feedback from the independent verifier

L24 In relation to the service measures suggested by Orion, the independent verifier considered that Orion had proposed service measures relevant to a complete range of key service attributes that are meaningful and important to its consumers. The independent verifier did, however, suggest that Orion should report peak demand duration and load duration curves.[344]

Our consideration of Orion's proposed service measures

L25 The only area of overlap between the service measures proposed by Orion and the requirements specified in our draft ID decision is in relation to flexibility. We have included Orion's proposed measure of the number of forecast constraints that are notified to flexibility providers in line with particular timeframes. We are also requiring Orion to disclose its reviews (including outcome/learnings) of its engagement to support commercial and industrial customers to understand their flexible capability.

L26 As shown in Table L3, our draft ID decision has also been informed by the feedback from the independent verifier in relation to the usefulness of Orion disclosing peak demand durations and load duration curves.

L27 We welcome submissions on whether our final ID decision should require Orion to disclose information against its complete set of proposed service measures. Orion remains able to report on its service measures in its AMP as it has indicated it will do so.

Other features of our draft ID decision

Annual plans

L28 Around the start of each year, the Annual Plan will outline the activities and expenditure that Orion has planned for the remaining years of the CPP period. Table L6 provides an overview of each of the key features of the Annual Plans.

[343] Orion "Customised Price-Quality Path Main Proposal" (9 June 2026), p. ix.
[344] GHD "Orion's CPP verification report" (31 March 2026), p. 342.

Table L6 Key features of Annual plans

Feature	Overview

Timing of Annual Plan and potential for inclusion in the AMP	• Ideally, the Annual Plan would be disclosed at or before the start of the disclosure year, but we are giving Orion flexibility in how it manages its reporting obligations. In particular:
	  ○ we are requiring the disclosure of an Annual Plan by 1 October, provided it faithfully reflects the plan Orion had 'as at' the start of the disclosure year; and
	  ○ Orion has the option of including the information required in its Annual Plan as part of its AMP disclosures.
	• We are open to the possibility of making targeted changes to Orion's AMP requirements, through a separate amendment to the principal ID determination, if the existing AMP requirements are thought to create a barrier to including the Annual Plan in Orion's AMP disclosure.

Annual Plans to establish annual targets that reflect long-term targets	• For measures with long-term targets, each Annual Plan will outline the progress Orion plans to make each year towards its long-term target, as well as the associated levels of activity, for the remaining years of the CPP period. • The progress Orion plans for the year ahead is referred to as the 'annual target'. • In its ADR at the end of the year, Orion will be required to provide commentary when an annual target is not met and/or when a long-term target is not projected to be met. • Orion will be expected to demonstrate in its Annual Plan what it is doing to get performance back on track.
Annual Plans to reflect latest information about changes in circumstances (including changes consequential to the CPP determination)	• The Annual Plan should communicate any changes to Orion's plan in light of the latest information about changes in circumstances. • In its first Annual Plan, for example, Orion should provide an update on the planned level and sequencing of its activities and expenditure in response to the final CPP determination, for all years of the CPP period. • In subsequent Annual Plans, Orion should provide an update on the planned level and sequencing of its activities and expenditure in response to the latest information (such as the condition of its assets, and forecast demand), for all remaining years of the CPP period.
Annual Plans to explain how changes to plans have been informed by engagement with consumers and other stakeholders	• One of the feedback loops that may lead to changes in its plans is Orion's engagement with its consumers and other stakeholders. • As part of its Annual Plans, Orion will be required to provide information about the engagement it has undertaken with its stakeholders on its progress and plans, [345] and the nature of any feedback. • We invite views on whether there are particular stakeholder groups or types of engagement activities that Orion should be required to report on. Any suggestion should make clear why the specific requirement would better enable stakeholders assess whether the purpose of Part 4 of the Act is being met.

Annual delivery reports

L29 Around the end of each year, the ADR will provide an overview of the progress Orion is making in delivering the benefits of its investments under each strategic priority. Table L7 provides an overview of each of the key features of the ADR.

[345] For example, the format of any events, participation levels, and a summary of the key points raised.

Table L7 Key features of ADRs

Feature	Overview

Reporting measures and explaining reasons for performance	• A key development relative to past ADRs is that Orion will be responsible for explaining why targets are not being met under the CPP, and what is being done about it, rather than simply describing the activity that was undertaken.
	• For the investments sitting under each of its strategic priorities, the draft ID decision specifies that Orion will be required to:
	  ○ report against measures with targets, including progress against annual and long-term targets;
	  ○ provide commentary where the annual and long-term targets are not being met and/or not projected to be met; and
	  ○ report progress against other measures to enable stakeholders to interpret and assess Orion's progress.
	• The draft ID decision also specifies that Orion will report financial information for each strategic priority, with a break down for key projects and programmes, and commentary for material financial variances.

Exceptions-based commentary	• With the exception of an introduction from Orion's board, 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 contrasts with the requirements for previous ADRs, which required commentary about most of the matters in the report. • The approach is intended to focus Orion's effort and stakeholder attention on areas that warrant closer scrutiny when assessing whether the purpose of Part 4 is being met, while reducing reporting on matters that are progressing as expected. • This approach supports the incentives we are seeking under Part 4. In addition to reputational drivers to meet the targets, there is a reduction in the compliance burden if the targets are met, and an increase in the compliance burden when progress falls short.

Commentary when targets are not met	• Our draft ID decision specifies that Orion will provide commentary when an annual target has not been met and/or a long-term target is not projected to be met. The purpose of the commentary is to ensure Orion explains:
	  ○ in the case of an annual target, what it will do to get performance on track by the end of the regulatory period; and
	  ○ in the case of a long-term target, what it is that is preventing Orion from getting performance on track by the end of the CPP period.
	• If a long-term target is not going to be met, Orion is also required to state when it plans to deliver the benefits that were expected to be delivered by the end of the CPP. An estimate of the financial saving it has realised during the regulatory period as a result of under-delivery against the long-term target is also expected.

Feature	Overview

Commentary for financial variances supported by evidence	• Reporting financial performance alongside performance measures helps stakeholders understand whether outcomes were achieved at the expected level of cost.
	• Unlike the performance measures, however, the purpose of the expenditure allowance is not to establish a spending target, and spending more or less than the allowance is not – in itself – an indicator of better or worse performance.
	• A variety of factors that are outside management's control may influence Orion's spending relative to budgets, including demand growth, weather conditions, and input price inflation.
	• Our draft ID decision specifies that Orion will be required to comment on cumulative financial variances that are:
	  ○ greater than 5% for each strategic priority; and
	  ○ greater than 15% for individual projects or programmes.
	• When commentary is necessary, Orion will be required to provide high level information relative to CPP assumptions for demand growth and input price inflation, as well as any information necessary to evidence the impact of other external factors such as adverse weather.
	• The proposed materiality test is different to the 30% test proposed by Orion, in order to ensure stakeholders can understand the main drivers of Orion's financial performance.

Consumer-facing summaries of ADRs

L30 Around the end of each year, Orion will produce a consumer-facing summary of its ADR to make the content more accessible to a consumer audience. Table L8 provides an overview of each of the key features of the consumer-facing summary of the ADR.

Table L8 Key features of consumer-facing summaries of the ADRs

Feature	Overview
Information presented in an accessible format	• The consumer-facing summary should make clear how Orion is performing against each of the outcome measures, with an accessible visual summary of financial and non-financial performance consistent with the ADR requirements (eg, dashboard of performance on each measure). • Orion will have flexibility to decide how to present the supporting information in summary form, and may choose to highlight any areas that it considers may be of particular interest to its customers (eg, the consumer priorities Orion identified through engagement on its CPP).
Explaining role of measures and link to revenue	• The consumer-facing summary should support consumers to assess whether the purpose of Part 4 of the Act is being met, and a consequence should be that consumers are supported to hold Orion accountable for the benefits it is delivering in return for allowed funding. • With this in mind, our view is that a prominent statement should be included up-front to support consumers to understand the role of the document and how it relates to our approval of allowed revenue (ie, that the measures are intended to support consumers to assess whether the benefits that justified the allowed price increases are being delivered). • Our draft ID decision also specifies that Orion must provide consumers information about the size of the allowed revenue increases to help provide context for Orion's progress. For this reason we have proposed that Orion should be required to include information about changes in revenue per ICP in its consumer-facing ADR.

Feature	Overview
Reporting on engagement on previous year's ADR	• Each year, Orion will be required to publish its consumer-facing summary of its ADR on its website. Orion will report on the actions it took to supplement the release of its consumer-facing summary through stakeholder engagement and communication under its customer engagement programme. • We invite views on whether Orion should be required to notify each of its consumers via email about the release of its consumer-facing summary of the ADR.

Disclosure of documentation aligned to good commercial practices

L31 As noted in Chapter 4, 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 that we expect of mature infrastructure companies.

L32 In this context, for strategically significant investments (such as ICT and network transformation), Orion will disclose its comprehensive post-programme review analysis against approved business cases at a suitable time, eg, after the CPP period.

L33 In addition, our draft ID decision specifies that Orion will be required to disclose specific methodologies, reviews, and documentation that it is expected to be preparing as part of its operations.

L34 Table L9 explains the key features of the requirements relating to document disclosure.

Table L9 Key features of document disclosure requirements

Feature	Overview
Comprehensive post-programme reviews of investments against business cases, for investments to strengthen resilience and investments in ICT and network transformation	• The draft ID decision specifies that Orion will disclose its post-programme review analysis for investments to strengthen resilience and for ICT and network transformation investments. These are strategically significant investments that have relatively uncertain counterfactuals. • In some instances, it may be difficult to quantify effects and measure differences between the factual (what has been achieved with the investment) and counterfactuals (what may have occurred without the investment), but transparency is important in providing a discipline on coming up with reasonable bases for validating benefits. Case studies can be a useful tool in demonstrating before and after capability improvements. • For investments to strengthen resilience in relation to 66kV oil-filled cables and wildfire risk poles, Orion is required to disclose an assessment of the investment in line with our resilience principles within 5 months of the end of disclosure year 2027.[346] The comprehensive post-programme review of these resilience investments must include review of the investment against that assessment. • Under s 53ZD of the Act, we would be able to request further information on the basis for calculating costs and benefits over the preceding 7 years, including critical assumptions and their sources. In some cases, this may require Orion to ensure its review appropriately reflects the costs and benefits identified for each investment.[347] • If we were to specify guidance or requirements up-front, it may reduce the need for information gathering requests in future. We welcome views on whether up-front guidance or requirements would be helpful. We would consult on any material of this nature before finalising our ID decision (if specific requirements are deemed necessary).
Timeframes for disclosed post-programme review analysis	• In the Project Investment Papers Orion provided alongside its CPP proposal, Orion's investments in ICT and network transformation are appraised over a ten-year time-period as it is recognised that the investments will take time to deliver results. • Our draft ID decision specifies that Orion would be required to disclose its post-programme analysis before the last date on which the determination remains in force (currently specified as 31 March 2035). • The proposed timeframe is intended to allow Orion sufficient time to understand the likely scale of benefits and undertake its assessment, while also ensuring the analysis is completed in a timely manner. • We invite submissions on whether the proposed timeframes are sufficient, noting that the length of time that the determination remains in force could be extended if necessary.

[346] An assessment of this nature is not required for: vegetation management, as the programme is primarily predicated on legislative compliance; or fuel storage, owing to the small scale ($0.6m).

[347] For example, the Project Investment Paper (PIP) for Integrated Asset Management states the net NPV of the investment is expected to be $1.9m owing to estimated benefits of $13.5m. Although the PIP identifies a range of expected benefits, the positive expected NPV is solely attributable to the $12.5m value ascribed to the reduction in the expected number of deaths avoided each year (relative to the 'do nothing' scenario). Notably, on page 6 of the PIP, a range of differences in the benefits for each investment option are identified, but the NPV assessment notes that "typically, for those benefits not quantified, there would be little to no difference between the options considered".

Feature	Overview
Reviews of resilience investments including cyber-security	• Our draft ID decision specifies that resilience investments should be evaluated against approved business cases and our resilience principles, once finalised, that we consulted on recently.[348] This requirement applies to investments to improve cyber-resilience as well as physical resilience. • In the case of investments in cyber-security, our expectation is that Orion would disclose to us an assessment undertaken by an independent reviewer. This is because of the highly specialised nature of the investments, the reliance on independent maturity frameworks, and the reliance on evidence that cannot be publicly disclosed without revealing vulnerabilities.
Other documentation that reflects good business practices	• As Orion delivers its investments, 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 specifies that Orion will disclose methodologies, reviews, and documentation that it is expected to complete on an annual basis, such as: ○ documented analysis of constraints showing consideration of non-network solutions; ○ documented case studies of pricing changes identified in its pricing methodology; ○ documented reviews of flexibility trials; ○ probabilistic risk assessments showing net present value (NPV) of significant renewal deferrals; ○ documented risk methodology including asset attribute data and categories of quantified risk; ○ documented outcomes and learnings from engagement with commercial and industrial customers to support them to understand their flexible capability; and ○ documented asset safety register. • We note that in its proposed ADR and service quality measures, Orion indicated that it should report in many of these areas. Any commercially sensitive information would be redacted in public disclosures. • We are not proposing to specify requirements, but we invite submissions on whether this would be useful, eg, expected content of case studies, economic assessment of non-network solutions, etc.
Disclosure of network asset risk methodology	• The disclosure of information about Orion's network asset risk methodology should also enable stakeholders to assess the extent to which the methodology is appropriate for measuring Orion's progress relative to the target for network asset risk. • We invite views on whether specific guidance should be provided in relation to this methodology, or whether we should rely on its powers under section 53ZD of the Act to request further information if it is considered necessary in due course. • We would also welcome Orion's view on the information it could provide to satisfy the requirement to provide information about its methodology in a cost-effective manner.

[348] Commerce Commission "Resilience Principles: Decision-making framework for critical infrastructure providers – Draft guidance document" (3 July 2026).

L35 Lastly, we have designed the enhanced ID requirements so that they minimise duplication with the existing ID requirements for Orion, or reporting required by other regulators.[349] In particular, 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.

Length of time new ID determination to remain in force

L36 As noted in Chapter 4, we are proposing that the determination would remain in force until 31 March 2035 (end of DY35). We are proposing this timeframe so that:

L36.1 Orion is able to complete comprehensive post-programme reviews of key investments against business cases at a suitable time; and

L36.2 Orion is required to continue disclosing information for each measure with a target until the target has been achieved, where it makes sense to do so.

L37 This flexibility will enable stakeholders to assess whether Orion's progress is consistent with the Part 4 purpose, including the time it takes to deliver on particular targets.

L38 To the extent that having to continue to disclose information imposes a small additional cost on Orion, the potential to avoid that cost by meeting targets will create an added incentive, albeit small, to ensure continued focus on delivery.

L39 We recognise that it will not be possible to retain some measures beyond the end of the regulatory period owing to the way in which the measure is defined (eg, network asset risk). Orion will stop reporting on these measures at the end of the CPP period whether or not the commitment has been delivered.

Orion's submission on timeframes for enhanced reporting

L40 In its submission on our Process and Issues Paper, Orion recommended making the enhanced reporting requirements strictly bound to the duration of its CPP, noting that targeted ID could be imposed, for as long as necessary, by notice given by us under section 53ZD of the Act, if we held any residual concerns at the end of Orion's CPP.

L41 Orion indicated that its view was that a requirement for enhanced reporting beyond the duration of the CPP would only be justified if there was a material non-delivery issue that needed to be addressed post-CPP.[350]

L42 As noted above, we consider the determination should remain in force beyond the end of the CPP period to enable Orion to complete comprehensive post-programme reviews at a suitable time. In addition, consistent with Orion's suggestion, the requirements for annual disclosure will persist beyond the end of the CPP period where a target is not achieved (ie, non-delivery issue).

[349] Orion "Orion CPP process and issues paper submission" (26 August 2026), para 112.
[350] Orion "Orion CPP process and issues paper submission" (26 August 2026) p. 17.

L43 In terms of how the reporting obligations are specified, Orion's view was that specifying bespoke, enhanced reporting for businesses subject to a CPP within the principal ID determination is likely to produce an unnecessarily complex document over time, especially if catering to multiple CPPs. Orion considered a more appropriate approach would be to specify the enhanced reporting requirements within the CPP determination or, if time does not allow for that, within a notice issued under section 53ZD of the Act.

L44 We consider our approach of specifying the requirements in a time-bound, company-specific determination addresses Orion's concern that the principal ID determination may become too complex over time.

Attachment M Summary of targeted stakeholder engagement

Purpose of this attachment

M1 This document summarises discussions held with targeted stakeholders regarding Orion's Customised Price-Path (CPP) proposal.

Who we heard from

M2 To assess the extent that Orion had consulted on its CPP proposal and the extent that consumers support Orion's CPP proposal, we met a range of organisations including consumer and advocacy groups, member and not-for-profit organisations, and two independent consumers. These included:

- Business Canterbury (customer advisory panel (CAP) member);
- Community Energy Action (CAP member);
- Federated Farmers;
- Ōtautahi Community Housing Trust;
- Age Concern Canterbury (CAP member);
- Major Electricity Users' Group (MEUG); and
- two independent consumers (CAP members).

Assessment of Orion's consumer consultation

Extent to which Orion consulted with consumers

M3 Most stakeholders who participated in Orion's consultation activities considered the process comprehensive, transparent and well-run. However, some stakeholders could not recall being consulted or were unaware of the CPP proposal prior to engagement with the Commission. This was particularly evident among stakeholders outside of its CAP.

M4 CAP participants felt listened to and reported having opportunities to provide input, challenge assumptions and engage in robust discussion. Some stakeholders spoke of changes to expenditure levels and price increases as examples of their feedback influencing the proposal. However, a few CAP participants felt that some outcomes were pre-determined and some of their feedback was not incorporated in the final proposal.

Extent to which consumers supported the proposal

M5 Many stakeholders expressed support for the proposal and the need for additional investment.

M6 Stakeholders' support for the proposal was linked to maintaining service quality and reliability, supporting resilience, enabling future growth and avoiding larger costs in the future. Many stakeholders saw the benefit of getting ahead of potential risks and investing now rather than waiting to invest later.

M7 A few stakeholders sought stronger evidence regarding key drivers to invest in the network when service quality was already acceptable. One stakeholder considered Orion should have upgraded assets post-earthquake.

M8 Many stakeholders raised concerns about affordability and the impact of future price increases to consumers but accepted the need for the proposed investment. Others thought affordability challenges are not for Orion to solve and should instead be addressed through broader social and government mechanisms.

M9 A few thought Orion could have better explored ways to manage potentially increasing costs and one stakeholder also mentioned their concern about cost-efficiency and whether Orion spending money on tree-trimming is a good way to spend money. A few others were concerned that Orion will still not be fit for the future from a network transformation perspective.

Key themes from stakeholder views

Expenditure

M10 A few stakeholders sought stronger evidence regarding whether the proposed expenditure will deliver benefits that justify the extra cost to consumers. One stakeholder questioned why, if the proposal says investing today will lead to a more efficient, cheaper system to run tomorrow, the prices at the end of the CPP period are forecast to be more expensive than if Orion had stayed on the DPP.

M11 Many stakeholders encouraged and supported the growing need for investment in network transformation and non-network solutions and considered the investment was sufficient. A few raised concerns on Orion's investment in network transformation, including one stakeholder who thought the allocations are likely too small to transform the network and the $34m allocated will likely get evaporated quickly.

M12 Many stakeholders said they were confident Orion will deliver the proposed work programme despite it being a larger work programme than Orion has delivered in the past. However, one stakeholder identified contractor and workforce capacity as a potential deliverability risk based on their experience and knowledge of contractors in the region.

Shaping the CPP revenue path

M13 Most stakeholders preferred price increases to be consistent and spread evenly across the CPP period. Reasons for this included better business planning and budgeting certainty as well as it being more manageable for consumers, especially vulnerable and low-income consumers.

M14 Views were mixed on whether consumers would be willing to pay for smoothing price increases. Some stakeholders indicated consumers may be willing to pay modestly more for smoother price increases. However, many stakeholders emphasised the benefit of minimising overall price increases especially for vulnerable and low-income consumers.

Service quality levels

M15 The majority of stakeholders considered current network quality levels and reliability are strong.

M16 However, there were mixed views on whether additional investment is required. Some stakeholders thought the network service quality level was adequate and did not require additional investment. One stakeholder thought, "the levels of reliability are greater than ever and lines are in good order so the increase isn't justified".

M17 On the other hand, many stakeholders supported maintaining existing service quality levels with additional investment. One stakeholder noted that, in order to maintain performance over time, continued investment and improvement is required. Other stakeholders highlighted the importance of reliability of the network for businesses, communities and vulnerable consumers, particularly during major outage events.

M18 Some stakeholders requested a clearer explanation of how additional expenditure and compliance cost implications associated with increased quality requirements, would translate into consumer benefits. One stakeholder encouraged a greater focus on customer-focused quality measures, stating that SAIDI and SAIFI are incomplete indicators of consumer outcomes.

Monitoring and reporting

M19 The majority of stakeholders supported reporting requirements that would demonstrate whether the CPP is delivering outcomes that Orion has proposed to achieve, including reliability, safety, resilience, service quality, enabling future growth and progress on innovation.

M20 Many stakeholders wanted expenditure reporting linked to approved budgets, investment plans and specific projects to demonstrate funding has been spent as intended. One stakeholder suggested that Orion should provide monthly expenditure reports, in line with a normal budgetary process. Another stakeholder saw value in reporting on the spend and state of the reliability of the network.

M21 A few stakeholders recommended that Orion maintain ongoing connection with the current CAP members to help to monitor Orion's progress as CAP members have more context than the average typical consumer and can tell if Orion is delivering what they said they would.

Attachment N Requests for information

Purpose of this attachment

N1 This attachment sets out what questions we issued to Orion where we sought further information, analysis or clarifications for making our draft decisions. These requests for information (RFI) followed a structured process agreed between us and Orion.

Table N1 List of RFIs

RFI Number	RFI title
RFI 001	Expenditure – Proposed vs verifier reviewed project and programmes
RFI 002	Modelling of forecast pass-through and recoverable costs, allowable revenue and revenue wash-up amounts
RFI 003	Forecast vs actuals 2025/26 Cable replacement
RFI 004	Forecast vs actuals 2025/26 Vegetation management
RFI 005	Forecast vs actuals 2025/26 Asset replacement and renewals overhead structures - poles
RFI 006	Forecast vs actuals 2025/26 CPP vs DPP4 expenditure settings
RFI 007	Forecast vs actuals 2025/26 Other capex and opex data
RFI 008	Forecast CPP price path information
RFI 009	Network transformation roadmap
RFI 010	Expenditure vs reliability – LV networks
RFI 011	Expenditure vs reliability – asset health decline
RFI 012	Expenditure vs reliability – forecast asset age profile
RFI 013	Verifier list of issues for the Commission - impacts of the war in the Middle East
RFI 014	Customer connection capex differences between proposal and RY26 update
RFI 015	Update of base year to 2026 actuals – review for non-recurring step amounts in 2026 actuals
RFI 016	Forecast cost of unreliability – expected unserved energy cost
RFI 017	Confirmation of specified CPP recoverable cost – auditor fees
RFI 018	Determination: calculation of actual maximum allowable revenue for year 1.
RFI 019	Financial model clarifications and questions
RFI 020	Forecast interest rate for interest during construction

Glossary

Term or abbreviation	Description
ACSR	Aluminium Conductor Steel Reinforced
Act	Commerce Act 1986
ADR	Annual delivery report
AER	Australian Energy Regulator
AMI data	Advanced metering infrastructure data
AMMAT	Asset management maturity using a maturity assessment tool
AMP	Asset management plan
ANAR	Actual net allowable revenue
ARR	Asset replacement and renewal
Aurora	Aurora Energy Limited
Baringa	Baringa Management Consulting
BAU	Business as usual
BESS	Battery energy storage system
BST	Base-step-trend
Capex	Capital expenditure
CBA	Cost benefit analysis
CB	Circuit breaker
CEF	Cost estimation framework
CIM	Customer interruption minutes
CNAIM	Common network asset indices methodology
Commerce Act	Commerce Act 1986
Commission	The Commerce Commission/Te Komihana Tauhokohoko
CPI	Consumer price index
CPP	Customised price-quality path
DC supplies	Direct Current power supplies
DER	Distributed energy resources
DSO	Distribution service operator
DPP	Default price-quality path
DPP4	DPP that will apply from 1 April 2025 to 31 March 2030
DPP5	DPP that will apply from 1 April 2030
DY20xx	Disclosure year 20xx
EA	Electricity Authority
EDB	Non-exempt regulated electricity distribution business
EDB IMs	Input Methodologies for electricity distribution businesses
EDGS	Electricity Demand and Generation Scenarios
ERGANZ	Electricity Retailers' and Generators' Association of New Zealand
EUE	Expected unserved energy
FMD	Flexibility market development
FNAR	Forecast net allowable revenue
FoodStuffs	Grocery retail and distribution cooperative
FTE	Full time equivalent
FY	Financial year
GHD Limited	Engineering and advisory firm acts as an independent verifier for electricity distribution businesses
Grid Share	Grid Share Limited
GST	Goods and Services Tax

GXP	Grid exit point
HV	High voltage
IAM programme	Integrated asset management
ICP	Installation control point
ICT	Information and communication technology
ID	Information disclosure
IMs	Input methodologies
IM Review	Statutory input methodologies review
IM Variation	A formal, legally binding modification to the established regulatory rules determined by the New Zealand Commerce Commission
INTSA	Innovation and non-traditional solutions allowance
IPP	Individual price-quality path
IRIS	Incremental rolling incentive scheme
ISO	International Organisation for Standardisation
LETS	Lyttelton Energy Transition Society
LIDAR	Light Detection and Ranging
LV	Low voltage
MBIE	Ministry of Business, Innovation and Employment
MainPower	MainPower New Zealand Limited
MAR	Maximum allowable revenue
MV	Medium voltage
NODS	Network operating data services
NPV	Net present value
Ofgem	Office of Gas and Electricity Markets
OMS	Outage management system
Opex	Operating expenditure
Orion	Orion New Zealand Limited
OD	Outdoor
Part 4	Part 4 of the Commerce Act 1986
PAT	Performance accessibility tool
PIP	Project investment paper
POD	Project overview document
Powerco	Powerco Limited
PQ	Price-quality
PV	Present value
QIS	Quality incentive scheme
QSV	Quality standard variation
RAB	Regulatory asset base
RCP4	Regulatory Control Period 4 for Transpower's individual price-quality path from 1 April 2025 to 31 March 2030
Repex	Replacement expenditure
RFI	Request for information between the Commission and Orion may contain confidential information
RIIO-ED	Revenue = Incentives + Innovation + Outputs for Electricity Distribution
RSE	Reliability, safety and environment
RY	Regulatory Year
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SDP	Service delivery provider

SONS	System operations and network support
Sapere Research Group	Independent economic, forensic accounting, valuation, and public policy consulting firm
Totex	Total expenditure
Transpower	State-owned enterprise responsible for owning, operating, and maintaining New Zealand's high-voltage electricity transmission network (the National Grid) and acting as the real-time electricity System Operator.
UIOLI	Use-It-Or-Lose-It
Vector Limited	Electricity distribution business
Verifier	Independent expert appointed to evaluate and challenge the expenditure forecasts and planning proposals of regulated monopolies
VOLL	Value of lost load
WACC	Weighted average cost of capital
Wellington Electricity	Wellington Electricity Lines Limited
X-factor	The rate of change in prices. If prices are increasing, then the value of x will be negative when applying a CPI-X approach
XLPE	Cross-linked polyethylene
WorkSafe	WorkSafe New Zealand workplace health and safety Crown agency and regulator
ZS	Zone substation