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Commerce Commission
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Tēnā koutou,

Orion's customised price-quality path 2027: Process and Issues paper

Powerco welcomes the opportunity to comment on the Commission's process and issues paper on Orion New Zealand Limited's proposed customised price-quality path (**CPP**) for 2027 to 2032. Powerco is one of New Zealand's largest electricity and gas distributors, serving around 360,000 electricity connections across the North Island.

Our comments are limited to matters that turn on the design of the CPP framework and its application across the sector. We do not comment on the merits of Orion's specific investment proposal, its expenditure forecasts, or its consumer consultation.

Our summary observations include:

Opportunity for standardisation	• Orion’s CPP creates an opportunity to establish a common asset renewal methodology for electricity distribution businesses (**EDBs**). • Renewal timing is currently tested case by case without a shared basis for comparison across EDBs. • The UK moved every distributor onto a common methodology for this reason. The commission should consider this in its DPP5 work.
Utilisation-based staging for growth capex by network tier	• Utilisation differs materially between sub-transmission and low voltage. • A single network-wide measure would average across tiers with very different constraint profiles and risk misstating where the limit sits.
Innovation funding is just as important under a CPP	• Cross-EDB collaboration has been accelerated by the innovation and non-traditional solutions allowance (**INTSA**). • INTSA funding should remain available through a CPP for innovative projects and programmes not part of business and usual.

We set out our response in more detail in the attached and respond to the Commission's specific consultation questions in section 4.

We are always keen to meet with the Commission to discuss and develop the ideas in our submissions. In the meantime, if you have any questions or would like to talk further on the points we have raised, please contact Emma Wilson (Emma.Wilson@powerco.co.nz).

Nāku noa, nā,

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Powerco comments: Orion CPP process and issues paper

1. A common asset renewal methodology would let the Commission test renewal need consistently across EDBs

The paper asks whether Orion may be replacing some assets before the evidence justifies it, and separately whether the Commission should rely on the verifier's findings on that question.[1] Both questions turn on whether a network's condition and risk data supports the renewal timing it has chosen. Powerco has no view on Orion's specific situation but the questions point to the more general issue that New Zealand does not have a common methodology for assessing asset condition and renewal risk, so each EDB's evidence is tested on its own terms, and a renewal case relies on individual consideration and assessment rather than a comparison against an agreed standard and established set of principles.

The United Kingdom addressed the same problem by requiring every electricity distributor to adopt the Common Network Asset Indices Methodology (**CNAIM**) for the RIIO-ED price control, replacing a range of bespoke condition-based risk models.[2] CNAIM is not perfect, and Ofgem has revised it more than once. Its value is that it gives the regulator, and distributors, a shared basis for comparing renewal need and testing it consistently, which makes benchmarking across distributors possible.

Orion's CPP, and the Commission's parallel work on DPP5, are a natural point to start building the equivalent for New Zealand. We recommend the Commission use this process to scope a common methodology for asset condition and renewal risk, developed with the sector rather than tested afresh on one applicant at a time. Powerco would welcome the opportunity to contribute to that work.

2. Utilisation-based staging for growth capex should reflect network tier

The Commission has raised the idea of staging some growth-related expenditure allowances against evidence of observed network or asset utilisation, so that spare capacity is used before new investment is approved:[3]

> *Finally, we would like to ensure Orion makes the best use of its existing network capacity before committing to growth-related investments. We think there may be value in linking some growth-related expenditure to evidence of observed network or asset utilisation. Staging of expenditure allowances based on utilisation could help promote more efficient investment timing and provide greater confidence that opportunities to improve utilisation have been adequately explored. We are interested in stakeholder views on the benefits and workability of this as well as any alternative options we should consider.*

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[1] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 - Process & Issues paper" (5 August 2026), paras 2.28.1, 2.40.1 and 2.40.2.

[2] Ofgem "Decision on the distribution network operators' Common Network Asset Indices Methodology"; DNO Common Network Asset Indices Methodology v2.1 (1 April 2021), developed jointly by the GB distribution network operators under a shared licence condition.

[3] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 - Process & Issues paper" (5 August 2026), para 2.29.

Powerco supports the underlying goal of deferring growth capex until utilisation evidence justifies it keeps prices lower for longer, provided the constraint being measured is the one that limits capacity.

That constraint is different by network tier. Utilisation is typically highest, and most easily monitored, at a sub-transmission and zone substation level. Utilisation (and the ability to measure it) declines further down the network. That said, most large EDBs, including Powerco, now hold enough data to measure utilisation at every tier. A single network-wide figure would average across tiers with very different constraint profiles and this risks misstating where the limit sits.

We recommend the Commission define any utilisation-based staging test by network tier, not as a single network-wide measure, so it targets the tier where the constraint sits.

3. An innovation funding mechanism should remain available through a CPP period

The Commission has asked whether a mechanism similar to the DPP4 Innovation and Non-Traditional Solutions Allowance (INTSA) should be available to Orion during its CPP period, since Orion has indicated it does not intend to include INTSA-type projects in its upfront CPP expenditure.[4] Powerco has made a number of applications for INTSA funding under DPP4. We believe the INTSA is a valuable tool which should continue to apply and be available under a CPP. EDBs on a CPP don't have to use it, but should the situation arise over the 5 year period, the mechanism is accessible.

INTSA works because it lowers the friction of trialling a non-traditional solution relative to building a case for it inside an ordinary expenditure allowance, the uncertainty of an unproven approach does not have to be resolved before funding is available. That value does not disappear because a business moves onto a CPP. If anything, the case for it strengthens. A CPP applicant commits to a fixed five-year expenditure envelope, with less flexibility to reprioritise into a new idea that emerges mid-period than a DPP business retains through IRIS and reopeners.

We believe the INTSA is a great incentive for encouraging collaboration across EDBs. Powerco's INTSA-funded local flexibility market platform has since been joined by four further EDBs, Mainpower, Horizon, Unison and Vector, giving flexibility providers a single route to offer their services across three networks rather than negotiating separately with each. That outcome followed from funding placed on the table for a shared idea, not from a requirement to collaborate. A business responds to an incentive it can see a return from; it complies with a mandate at the lowest cost that satisfies it. We think that difference is worth the Commission's attention when it considers how to extend INTSA-type funding, including whether a larger share should go to projects more than one EDB is party to.

We support an INTSA-equivalent mechanism remaining available to businesses during a CPP period. Losing access to innovation funding when a business moves from a DPP to a CPP weakens the incentive INTSA creates.

[4] Commerce Commission "Orion New Zealand Limited Customised Price-Quality Path 2027 - Process & Issues paper" (5 August 2026), paras 2.39 and 2.40.4; Schedule 5.3 and paragraph (5) of Schedule 2.1 of the Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28.

4. Responses to the Commission's consultation questions

We have answered the questions below that turn on the design of the CPP framework generally. We have not commented on the merits of Orion's specific proposal.

Consultation question	Powerco's response
2.40.1. Whether stakeholders think Orion may be, on balance, prematurely replacing assets in the context of limited data supporting those replacement decisions.	No view.
2.40.2. Any areas of the verifier's report where you think it would not be appropriate to rely on the verifier's findings and the reasons for this.	No view.
2.40.3. The benefits and workability of staging of expenditure allowances to network or asset utilisation measures for growth-related investments, including ideas on other alternative options we should consider.	We welcome this in principle for the development of DPP5, but don't have a view on whether this should apply to Orion for the purposes of its CPP. A single utilisation measure is unlikely to be workable (or meaningful) and would need to be applied by network tier. See section 2.
2.40.4. Whether a mechanism similar to the DPP4 INTSA would incentivise Orion to continue to undertake innovative projects during the CPP period or whether there are other alternatives that may be more effective.	Yes. An INTSA-equivalent mechanism, should remain available through a CPP period. We believe the INTSA is a great tool for incentivising collaboration rather than a mandate, and recognises new approaches may arise during the period. See section 4.
3.23.1. Do you think that Orion's proposed reopener changes could provide benefits for consumers in terms of its ability to invest appropriately and meet consumer demand, despite the possibility of higher and more unpredictable consumer bill increases during the CPP period?	Yes, in principle. A reopener that lets a business invest once a need is confirmed, rather than committing consumers to the cost upfront, can keep lines charges affordable for longer without compromising service quality.
3.23.2. Do you think that Orion should be best placed to manage uncertainty within its overall CPP allowances? Do you have a view on the scope which might exist to accommodate uncertain projects within upfront allowances?	No view.

Consultation question	Powerco's response
3.23.3. What is your view on possible uncertainty mechanisms addressing deliverability of Orion's planned investment programme and/or for implementing possible captive insurance arrangements during the CPP period?	On the same basis as our answer to 3.23.1: an uncertainty mechanism is supported in principle, if it keeps lines charges affordable for longer without compromising service quality.
3.23.4. Are there any other factors that we should consider that are relevant to maintaining the policy position we adopted in the 2016 IM review or that are specific to Orion circumstances?	No view.
4.15 to 4.17. Whether consumer views are accurately represented in Orion's CPP proposal, whether consultation was adequate, and whether consumer views have changed since consultation was undertaken.	No view.
5.24 and 5.25. Views on the options for minimising price shocks for Orion's consumers through shaping the CPP revenue path, including whether real percentage changes per ICP or per unit of demand are an appropriate measure.	No view.
6.27.1. Whether maintaining the same (or similar) settings for quality standards and the quality incentive scheme as applied in DPP4 is appropriate.	No view on Orion specifically. In general, we support the Commission applying a consistent quality standard methodology across EDBs, which is a consideration for its wider work rather than this CPP alone.
6.27.2. The appropriateness of Orion's proposed suite of service reporting measures and whether there are other material aspects of service performance not appropriately addressed by existing and proposed disclosures.	No view.
7.18. Views on how Orion's progress against anticipated outcomes and benefits of its proposed CPP investment and work programme are best monitored.	No view

Consultation question	Powerco's response
7.19. Feedback on Orion's proposals for enhanced information disclosure requirements via ADR reporting, including whether ADR measures or outcomes should be linked to specific areas to improve on, and whether there are benefits to requiring development plans to also be prepared.	No view
7.20. Whether there are any other monitoring and reporting mechanisms we should consider.	No view