

Appendix A Submission format

Please send us your feedback by 5pm, 20 March 2026

Submitter	Orion
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Questions	Comments
<p>Proposed Code amendment relating to the use of the 65th percentile for WACC:</p> <p>6B.11 Connection charge reconciliation requirements</p> <p>...</p> <p>(4) ...</p> <p>(c) discounting the estimates under paragraph (b) to their present value using—</p> <p>(i) a duration from the beginning of the first full year of operation equal to the connection revenue life; and</p> <p>(ii) a discount rate, equal to the most recent available 65th percentile mid-point estimate of vanilla WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the EDB ID determination made under Part 4 of the Commerce Act 1986 less an adjustment to remove inflation consistent with inflation projections for the year ahead from the most recent Monetary Policy Statement published by the Reserve Bank of New Zealand <u>at the time of that</u> 65th percentile mid-point <u>estimate of vanilla WACC</u>; and</p> <p>...</p>	

Q1. Do you agree with the proposed change to the 65th percentile for the WACC to be used in the reconciliation of connection charges?

No. Orion supports the Authority further considering amending the WACC percentile for connection charge reconciliation based on Orion's submission on the initial proposal of using the mid-point estimate of vanilla WACC. The justification for suggesting that the 65th percentile estimate of vanilla WACC replace the mid-point estimate was to align with the WACC that applies to EDBs price quality path per the Commerce Commission's determination. To not do this replacement would risk "a misapplication of the Commerce Commission's economic framework, given the interplay between capital contributions and the regulated asset based (upon which EDB's revenues are based)."¹ This justification still stands however, the current wording of the proposed change does not provide for any adjustment to the determination. Rather than prescribe the use of the 65th percentile, the clause should simply use the WACC determined by the Commerce Commission for each EDB. This would avoid the need for the Authority to have to amend the Code if the Commerce Commission were to change its WACC determination.

Orion suggests the following wording:

6B.11 Connection charge reconciliation requirements

...

(4) ...

- (c) discounting the estimates under paragraph (b) to their present value using—
 - (i) a duration from the beginning of the first full year of operation equal to the **connection revenue life**; and
 - (ii) a discount rate, equal to the **WACC (being the weighted average cost of capital) made by the Commerce Commission in accordance with the prescribed price path for the EDB's ID determination made under Part 4 of the Commerce Act 1986**

¹ https://www.ea.govt.nz/documents/9092/Orion_Part_C.pdf