

**Central Otago District Council submission
to the Commerce Commission on draft Customised Price Path**

A. Background

This submission has been prepared by the Mayor and endorsed by the Councillors of the Central Otago District Council. It has not been informed by any official Council consultation process nor informed by staff advice but is influenced by attendance at the Commission public sessions in both Alexandra and Cromwell as well as the Alexandra stakeholder sessions in both the initial and draft document stage of the Commissions process.

More relevantly; the submission is based on Councillors own experiences as consumers and their close connection with the people and businesses of the community affected by Aurora's application.

This submission does not endeavour to delve into the technical depths of the Commissions initial assessment of Aurora's investment plan, as we do not have the expertise to do so. We put our faith in the expertise of the Commissioners and the process put in place by the Commission and trust that this will result in the best outcome for our people from the very poor situation that we find ourselves in.

It must be stated however that the increases in charges being suggested in the draft decision remain unacceptable to our community and we recognise and acknowledge the deep sense of hurt that our people and businesses feel about the current situation. We recognise and acknowledge many in our community hold deep seated resentment toward Aurora, Dunedin City Holdings and the Dunedin City Council for past failures. However; we also recognise that looking back at those failings achieves little and that we are restricted to finding the best way forward.

It must also be noted that through the CPP process, "Central Otago" refers to the area of the Central Otago District (excluding approximately the Maniototo Ward) plus Wanaka whereas in this submission, we do not endeavour to speak for Aurora consumers in Wanaka as they do not come under our jurisdiction.

B. The Commissions role moving forward

We note that, during public meetings in Central Otago, the Commission expressed regret as to the quality of oversight provided during the time period where Aurora failed to invest adequately in the maintenance and required growth of its network. We further recognise and acknowledge the considerable concern expressed by many members of our public at this failing by the Commission.

We note further the near-complete lack of trust felt by the Central Otago community toward Aurora; a lack of trust that we believe will not be remedied for many years, if not decades to come.

We also emphasise the obvious fact that our community is caught in a monopoly situation. A significant role of the Commerce Commission is to protect consumers who could become victims of a monopoly. We submit however that the people caught in the lines company monopoly in the Central Otago pricing area require greater protection due to the circumstances within the overall area that Aurora covers. The company is ultimately owned by the people of Dunedin; one part of the network. The Queenstown part of the network does not suffer from a monopoly as there is a competitor company operating in that area. Only Central Otago stands exposed to the full threat of

monopoly behaviour. It can't help but be noted at this point that, although the Commission identifies that the average user across the whole network between 2009-2019 paid approximately \$360 less in annual line charges than the New Zealand average, Central Otago users paid approximately the New Zealand average. Simple mathematics dictate therefore that Dunedin and Queenstown customers paid significantly less than the \$360 average for the whole network. We acknowledge and recognise many in our community that view this as being evidence of unfavourable monopoly behaviour toward Central Otago consumers having already occurred.

With those factors in mind; our submission to the Commission must start by stating our expectation that, **for the length of this and any consequent CPP, the Commission takes the role of a watchdog not sitting in its kennel but straining at the end of its leash ensuring the company fulfils its obligations to its customers; especially those in Central Otago.**

FEEDBACK ON DESIGNATED KEY ISSUES

C. Revenue Smoothing

The question being asked in relation to revenue smoothing is the Devil's alternative between significantly higher costs now or greater costs later.

Again, we emphasise that consultation has not been undertaken with our community. However, we are cognisant of the fact that the effect of the pandemic has caused significant economic damage to some parts of our society. November 2020 figures showed the Central Otago District had the third highest rise in Jobseeker numbers in New Zealand this year (we note Queenstown-Lakes was the highest). Many in our community have expressed concerns for the immediate future financially and economically. For that reason, we feel scenario two, whereby the overall cost is higher but the pain is spread over the length of the plan instead of being higher in the immediate future is the lesser of two evils in this case for our district.

D. Monitoring Aurora's delivery

The new measures proposed by the Commission at page 21 of the Summary document do not, in our view, go anywhere close to addressing accountability issues created by Aurora's past and recent performance.

It cannot be emphasised enough the distrust felt toward Aurora in the Central Otago community; a distrust which in our view has been created through not just the long-term mismanagement that has led to the CPP application, but through more recent poor communication. We believe that this distrust has the potential to last decades more under the current ownership and pricing structure and that stringent reporting and accountability measures will be required to enable consumers caught in a monopoly situation to gain a modicum of faith in not just the company, but the entire CPP process.

The concept of reporting to the community through an Annual Delivery Report has some limited merit, but we submit that what is proposed is nowhere near strong enough to achieve the stated goals for the following reasons:

1. We believe annual reporting is not adequate to stop problems before they become entrenched. It is our strong belief that reporting on those items found in both bullet-points one and two on page 21 needs to be undertaken quarterly for the length of the CPP.
2. The power distribution industry is extraordinarily complex and there is very limited ability for the average consumer to understand it to any significant level. When that fact is coupled with a history of mistrust and poor communication, the concept of Aurora simply reporting to its customers every year is totally inadequate. The power imbalance created by the complexity of the situation puts the consumer in an invidious situation. In short; Aurora could say whatever it wants at reporting time to its customers because the customer is not equipped to respond. There are many voices in our community now that will proclaim their genuine belief that Aurora is already well versed at this game. Any reporting needs to include measures to address this knowledge-based power imbalance.
3. It is unclear in the Summary document what the Commission means when it refers to “present it (ADR) to customers” and “disclose information to customers” in the same two bullet points previously mentioned. We ask that the Commission pays particular attention to how this process would operate at a practical level. For example; a page on the Aurora website, created and managed by Aurora would be unacceptable to us whilst we recognise that quarterly face-to-face reporting across the three regions in, for example, town-hall meetings, is not realistic.

We therefore suggest for consideration by the Commission that it facilitates a committee in each region to receive three of the quarterly reports, with the fourth (annual) report to be directly reported with the public in each region.

Regardless of how the reporting is to be undertaken, it is crucial in our view that the Commission takes an active role in both testing the reliability of any reporting made and in assisting the committee with understanding what is being presented. Included in that would be agreement between the committee and the Commission as to the means by which Aurora presents its reports.

Consideration needs also to be given as to what measures the Commission could take should reporting be late or found unreliable.

Once again, we reiterate that the community needs the Commission’s knowledge and power to be standing alongside it in some real and present manner during the length of the CPP; including in ensuring that regular reporting occurs in a timely, accurate and understandable manner.

E. Network Outages

For our community, any unplanned outages are too many. We realise however, that any system is subject to failure and that unplanned outages will occur, especially on a network that has been allowed to become run down and unreliable.

We will rely on the Commission’s assessment that the best we can hope for is a level of unplanned outages that mirror what has been suffered in recent years but gradually improving.

While we are pleased to read that the Commission has noted at C12.3 a requirement for “efficient management and restoration of unplanned outages”, we draw the Commission’s attention to the need to closely monitor future failings by Aurora in this regard. This concern is demonstrated by the outage that occurred in Clyde and Earnsclough on 14 June 2020 which, we are told, stemmed from failure to maintain an oil sight-gauge leading to low oil levels which in turn led to tripping. The

resulting outage (on a day that started at -10C and barely made it above zero) took 9 hours to resolve. The seriousness of the situation on the day cannot be understated; suffice to say that a state of Civil Defence emergency declaration was being considered as a result not just of the outage but of inadequate communication from Aurora regarding resolution.

Once again, this is neither an historic nor isolated incident. The community has no ability to challenge Aurora's reasons for why resolution of problems takes so long on occasions. The Commission needs to take that role on our behalf.

We wish to note here that we do not aim these comments to on-the-ground employees and contractors who are working often in unsociable and unpleasant conditions resolving faults. We applaud and thank them for their efforts.

F. Capital Spending

Again, we rely on the Commissions expertise in this regard but ask that the Commission consider carefully any other measures that could reduce this spending. We do not submit against this proposal nor any that would reduce the cost impact on our community.

G. Operating Spending

As at F above

ADDITIONAL MATTERS

H. Individual MAR issue

It has always been our belief that the Commission had no ability to change Aurora's system of having three separate pricing structures. However, following the consultation meetings held in Central Otago in November, our understanding is that it may be within the Commissions power to order three separate maximum allowable revenue amounts (MAR) for the three areas Aurora deems to make up its network.

If that is the case; we ask the Commission to consider reviewing its decision not to impose individual MAR for the three areas.

We approach this part of the submission with caution as we do not have the detailed knowledge to understand whether a separate MAR would put Central Otago users in a better or worse position. However, at a basic level an individual cap for each of the three areas could potentially balance the precarious position Central Otago finds itself in being caught between one area covering Aurora's owners and the other having active competition as already described.

I. Aurora's Pricing Approach

We recognise that it is not within the Commissions jurisdiction to control Aurora's decision to break charging up into three separate areas. However, we note at X52 of the draft decision that the Commission states "We do consider that Aurora should be required to explain its pricing approach

and regional calculations to its customers in different parts of its network through our information disclosure requirements". Again, we ask that the Commission be active in assisting the community through that process in order to counter the power imbalance and mistrust issues previously noted.

J. Cancelled planned outages issue

There is another aspect of current poor performance by Aurora that we draw to the Commissions attention and that is announced planned outages that do not eventuate. This is a regular occurrence that causes a significant problem for consumers including significant cost. Businesses regularly report having either hired generation equipment to cover for outages or closed for the day in some instances only to have the outage not occur. The cost is not just the wasted day in question but duplicated when the inevitable outage does occur. We also note that failure to follow through on planned outages simply enhances the low reputational level of the company.

We draw the Commissions attention to a recent article from the Otago Daily Times (appended) that details just one example of a cancelled unplanned outage near Cromwell which then was reinstated a week later with no warning to consumers or, it appears from the article, power retailers. The article does a very good job of identifying the costs and risks to businesses caused by what occurred. We draw the Commissions attention to the fact that this incident occurred on the 28th November 2020, demonstrating that this is very much a contemporary problem; not an historic failing.

Nor is this an isolated incident. By way of further example, copied below is a screenshot from the Aurora website on the date of writing (1 December 2020). As illustrated, the middle 13 outages were for the 30th of November. Of these, two (Lauder and Queensbury shown in orange) were unplanned. Of the remaining 11 planned outages, three (27%) were cancelled. The cancelled Cromwell outage affected 1050 customers which is a significant proportion of the town.

Current Outages	Recent Outages	Planned Outages
+ Central City, Dunedin		19
+ Mosgiel, Dunedin		122
+ Lauder		
+ Kaikorai, Dunedin		10
+ Kaikorai Valley, Dunedin		18
+ Central City, Dunedin		8
+ Omakau		142
+ Omakau - Cancelled		
+ Roslyn, Dunedin		25
+ Hawea		272
+ Mosgiel, Dunedin - Cancelled		81
+ Cromwell - Cancelled		1050
+ Queensberry		
+ Queensberry		
+ Andersons Bay, Dunedin		
+ Dalefield		47
+ Omakau		86
+ Cromwell		43

} 28 November
 ↓
 30
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We recognise that we have captured one day so the 27% failure rate may well be an anomaly. But, and this is the crux of the matter, there is no way of knowing that as far as we can tell because the Aurora website does not contain historic data that we could find on cancelled planned outages.

In addition, there is no way of knowing when the outages were cancelled. This is a very pertinent factor, as sufficient warning could reduce cost and inconvenience to customers.

We therefore submit that the Commission considers cancelled planned outages becoming a performance measure to be monitored, reported and if necessary prosecuted on.

K. Prosecutions and fines

Although outside the gambit of the current process and indeed the Commissions powers; we again point out the disappointment felt by our community that the previous \$5 million fine imposed on the company was placed into the Consolidated Fund.

Conclusion

We thank the Commission for its work to date in this matter but trust that the Commission recognises the essentiality that its role does not stop when the final CPP is determined. The community both this Council and the Commission serves has been appallingly let down in the past and is paying a significant cost to rectify that situation. The Commission cannot step back or walk away leaving Central Otago again exposed to mismanagement by a company that would have been out of business years ago were it not for the unfortunate reality that it is in a monopoly situation, at least as far as Central Otago is concerned.



T Cadogan

Mayor CODC

18/12/2020

Friday, 27 November 2020

Aurora 'glitch' leaves dozens unaware of power cut

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A Central Otago community was left scrambling when their power was cut for six hours yesterday without notice.

- [First published by RNZ](#)

Lines company Aurora Energy, which is upgrading its network, started replacing a pole after unexpectedly deferring work the week before.

But a glitch in their notification system left about 51 people around Cromwell and Bannockburn completely in the dark.

It was just another day for Mt Difficulty Winery's chief winemaker's Matt Dicey, until the power went off just after 9am.

"There was no notification at all. We were actually sitting in our office doing a tasting. The team at the cellar door were busy doing stocktakes and getting ready for the day's trading," Dicey said.

"We had 36 or 40 customers already booked for lunch, which was pretty much a full sitting and the power went off."

He called his generation company to find out what had happened.

"We discovered this from Pioneer (Energy) that actually they'd had no notification from Aurora that the power outage was happening... but that the planned outage from last week had been moved to this week, but they hadn't bothered telling anyone that that was actually happening."

With roughly two weeks notice for last week's planned outage, Dicey said they had paid about \$600 to hire and install a generator to cover them last Thursday.

He'd been running it for a few hours to ensure consistent power when he called his generation company and they told him the outage wasn't going ahead.

The company hasn't been told until hours after the outage was meant to start and it wasn't rescheduled, Dicey said.

They were lucky to get a generator at short notice yesterday and that it wasn't the middle of peak vintage season, he said.

"We'd have wines potentially spiralling out of control. We wouldn't be able to control because we didn't have access to refrigeration to be able to maintain temperatures and all sorts of things so it just so happens we're at a reasonably quiet time of the year and we could actually live with an outage and it's not super bad. But if this occurred to us in the middle of our vintage, it would be potentially catastrophic," Dicey said.

The outage comes as Aurora Energy is proposing to hike power prices to address historic underspending. Central Otago is expected to face the highest increases.

Just down the road at Felton Road Winery, winemaker and general manager Blair Walter said his staff had a little more notice after seeing a contractor drive into the vineyard towards one of their transformers.

"She went and approached him and asked him what they were doing there with not having come in to sign in. And they said that they were just checking the powerbox and the direction of power leaves our transformer, and they said that we'd be experiencing a power cut and this was at 8:45am and the power went off at 9.10am."

If the outage occurred during harvest, they'd likely have to send home 50 grape pickers home, he said.

"It could have consequences on wine quality with fruit in the press that would be sitting in there, having excessive skin contact. It would be really damaging to the wines so a real concern.

"Similarly if we were bottling, we usually have you know up to 10 people working on the bottling line and, you know, it would be really interrupting to have to shut that down."

A partially-emptied tank of wine could oxidise from one day to the next, ruining the wine without power to regulate the temperature, Walter said.

The lack of notice was shocking and it had been getting more common over recent years, he said.

"It's to do with the ageing network here that hasn't properly maintained and now they're scrambling and with all the controversy over the extra charges that they're going to lay upon all of us, you know, I would have thought that they would be behaving a lot better in terms of notifications and compensation for business where businesses are going to suffering for not having electricity," Walter said.

In a statement, Aurora Energy customer and engagement general manager Sian Sutton apologised for the lack of warning, saying ordinarily customers could expect notifications.

"Unfortunately due to a recent IT upgrade there was a glitch in our retailer notification on this outage, which has now been rectified. Retailers and customers were unfortunately not made aware through direct notification," Sutton said.

"We intend to contact each customer affected by this planned work and in particular wish to apologise for the inconvenience this has caused to local business and residents."

Pioneer Energy was contacted but was unable to comment by deadline. [RNZ](#)