

**Aurora CPP application.
Steve Tilleyshort Submission
16 December 2020**

There are two Sections to this submission.

SECTION ONE – Proposal to equalising line charge costs across all of Aurora network.

SECTION TWO – Concerns with Aurora being awarded further funds.

SECTION ONE – Proposal to equalising line charge costs across all of Aurora network.

Dunedin City Council has a long history of using mis appropriated funds from Line charges to decrease rates and fund project in Dunedin. The burden of these line charges have been unevenly charged to those using the Queenstown and Central Otago Networks.

This misappropriation of funds has favoured DCC rates powers and energy users at the great expense of those in the CODC and QLDC catchments. While this has been happening the network in the CODC and QLDC has been left to deteriorate to the state that has resulted in this process.

If a CPP is approved it should address the inequalities experienced by CODC and QLDC line charge users and proportion costs of rectification equally across all users of the network.

My proposal would result on the greater population of Dunedin who has benefitted from past practices assisting those that have borne the brunt of their company practices in the past. Refer Proposed Scenario 3 table below.

Scenario 3

Scenario 1 and 2 from Commerce Commission “Key Decisions on Aurora’s plan
Scenario 3 added by Steve Tilleyshort, Equating line charges across all of Aurora’s regions.

	2021/22	2022/23	2023/24	2024/25	2025/26
Scenario 1					
Dunedin	\$ 4.52	\$ 11.23	\$ 17.45	\$ 23.95	\$ 31.18
Central Otago	\$ 9.65	\$ 18.01	\$ 28.36	\$ 40.28	\$ 52.84
Queenstown	\$ 7.19	\$ 10.91	\$ 17.66	\$ 25.22	\$ 33.54

Scenario 2					
Dunedin	\$ 1.90	\$ 8.36	\$ 14.32	\$ 20.54	\$ 27.46
Central Otago	\$ 4.35	\$ 12.27	\$ 22.11	\$ 33.48	\$ 45.45
Queenstown	\$ 3.45	\$ 6.89	\$ 13.30	\$ 20.48	\$ 28.41

Scenario 3					
Dunedin	\$ 3.23	\$ 9.17	\$ 16.58	\$ 24.83	\$ 33.77
Central Otago	\$ 3.23	\$ 9.17	\$ 16.58	\$ 24.83	\$ 33.77
Queenstown	\$ 3.23	\$ 9.17	\$ 16.58	\$ 24.83	\$ 33.77

SECTION TWO – Concerns with Aurora being awarded further funds.

There are six concerns that I have with Aurora being awarded additional money to bring the standard of their electrical network to standard.

1. Aurora's inability to manage outages.

Up until today there has been a high prevalence of notified outages being postponed and becoming un notified outages costing commercial client in particular.

1. Aurora's irresponsible management of funds.

Misappropriation of funds over the past 20 years has resulted in the company being in the woeful state it is in today.

The financial demands of the company's owner, the DCC, culture of the company and continuum of senior management team members have shown no contrition and continue to act in a monopolistic non-competitive vacuum treating clients and authorities with disdain.

Aurora operates as a monopoly and it controls its asset construction contracts using Delta Utilities predominantly, a sister company owned by Dunedin City Holdings. Delta has set margins determined by DHL.

While there are other contractors who work on the network, workflow is controlled by Aurora. The abundance of work on Aurora's network and through their contract letting process results in a lack of competitiveness. There is no impetus to keep construction prices down as Aurora benefits from higher prices to increase its asset value, thus increasing the company value, enabling the Dunedin City Council to borrow against that false asset value.

2. Aurora's Safety record.

Within the time of the CPP process the frequency of safety incidents has been very high. This has endangered its contractor's staff and the public. Not all have been publicly notified. Aurora's lack of care in not monitoring contracts or its contractors is very poor engineering practice.

3. Aurora's ownership model.

Aurora is owned by Dunedin City Council (DCC) via Dunedin City Holdings Limited (DCHL). Aurora's owns a network within the DCC catchment as well as in Central Otago (CODC) and Queenstown Lakes District Council (QLDC).

The DCC has demanded dividend and subvention payments and no doubt will continue to do so in the future. Unfortunately the money for these payments have been misappropriated from line charge money set aside for maintenance and development for the whole network. This funding has been used for artificial rates reductions for DCC rate payers and funding of large developments in Dunedin City. A large proportion of this funding has been un proportionally gained from line charge revenue from the CODC and QLDC areas that have been, continue and are proposed to be substantially higher than those in the DCC area. The clients that vote in the DCC mayor and council pay the lowest line charge.

It is important to note that Aurora has Powernet competing against them in the QLDC area but not the CODC area. It is also interesting to note that the QLDC users pay more than the DCC but less than the CODC clients. CODC clients are exposed to full effects of and energy company monopoly.

4. Aurora's board performance

The board of Aurora has a history of dubious business decisions not always in the best interests of Aurora. I note in particular, Manipulation of ownership of Jacks Point and Luggate Park subdivision from private ownership to Aurora ownership during a financial downturn only to be sold back when the downturn was over. This was a case of convenient relationships within the Dunedin business community. It is also important to record the history of an Aurora board decision to purchase multiple civil contracting companies as going concerns only to wind them down when they learned that this was a business they had no expertise and lost money. A basic mistake thinking that buying businesses is asset growth.

With the demands of the DCC I am not convinced that these practices will not continue.

5. The Commerce Commissions lack oversight.

Since the time that the Commerce Commission has overseen the "customers interests" in Aurora's performance they have lacked action to identify shortcomings in Aurora's directorship and management. In fact correspondence shows a certain collegial coziness. An original member of the Commerce Commission consultation team was allowed to attend and have inputs even though a conflict of interest was declared by that staff member. This was rectified after questioning from the public. Emails obtained under the OIA identified regular unprofessional collusion between the Commerce Commission staff member and the CEO of Delta. It was discovered through investigation the two are close social friends.

Emails obtained under the OIA more recently demonstrated a collusion between the Commerce Commission and an Aurora staff member negotiating press releases by both parties that would best show Aurora in a good light.

Questions were posed to the commission CEO at public meetings about whose interests they had an interest in. The CEO stated the consumer. This question was asked for several reasons.

- a) The commission CEO disclosed that they could act on regional pricing only after being asked the question forcibly numerous times. In fact the Commerce Commission had considered this option. Why was this not disclosed?
- b) Why has the commission had a history of a hands off approach to Aurora?
- c) Why has the Commission adopted a friendly negotiation rather than an authoritative approach?

Interestingly after this debate the Strata Report that the commission had was made available to the public.

Steve Tilleyshort
Retired Professional Electrical Engineer
Clyde