

Aurora Energy's investment proposal

Aurora has applied to the Commission to charge its customers more to fund a \$383 million three-year plan (or \$609 million five-year plan) starting 1 April 2021. Its plan is designed to make its electricity lines network safer and stabilise the reliability of its network around current levels to prevent further deterioration. This is more than double the allowances we set Aurora for the previous comparable periods.



This fact sheet outlines what Aurora has proposed. The Commission will make its decision on what will apply in March 2021.

Where will the money be spent?

Aurora says the proposed spending will be used to:

- Improve the safety of the network
- Address historic under-investment, especially replacing equipment which is at the end of its life
- Improve its asset management strategy, systems and processes
- Stabilise the network's reliability (frequency and duration of power cuts) around current levels
- Prepare the network for the uptake of future technologies
- Ensure the network can support expected growth in demand and customer connections.

Without this investment, Aurora says its network poses unacceptable safety risks to the public and its workers and there will be more power cuts.

Aurora has also signalled it will make a second investment application to the Commission near the end of this investment period to address longer term issues on its network to deal with growth and reliability (subject to support from its customers).



What does Aurora's proposal mean for me?

To pay for this investment, Aurora is proposing significant increases to its lines charges of between 48-66% for residential customers over their proposed three-year investment period. However, lines charges are only one component of a power bill (typically a quarter, excluding GST), with the rest made up of the costs of generation, transmission and retail costs.



Aurora estimates the three-year increase in the total average power bill for residential customers to be approximately:

\$20 more a month for
Dunedin

\$30 more a month for
Central Otago and Wanaka

\$24 more a month for
Queenstown

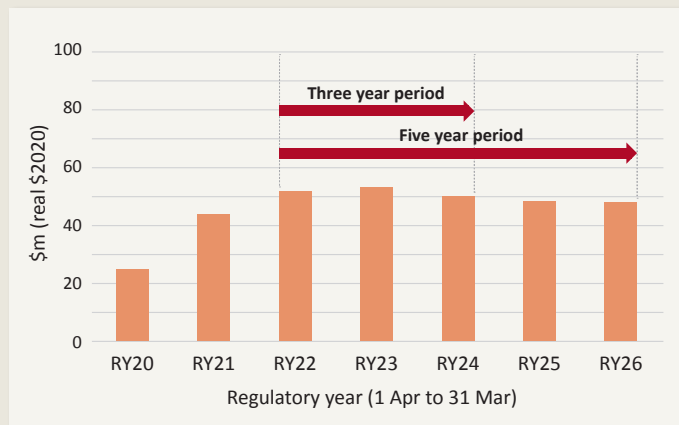
If we approve a default five-year investment period, Aurora's proposal would result in a further increase in years four and five of between 2.6 and 3.2%, or approximately \$5-\$6 more a month depending on where you live.

Aurora's customers can also expect longer and more frequent power cuts while the replacement and maintenance work is carried out.



Aurora's operating spending plan

(costs recovered from consumers over investment period)



3 years: \$156 million – up about 65%

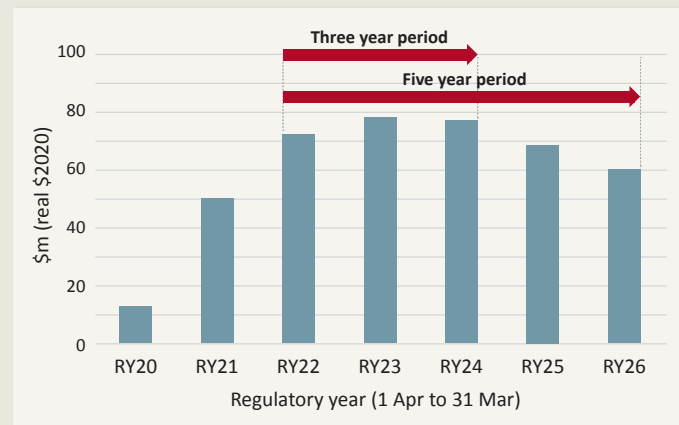
5 years: \$253 million – up 75%

This spending will be used to:

- Address a backlog of network maintenance work
- Move to a more proactive programme of network maintenance, inspections and tree trimming
- Hire specialist staff to improve asset management capability and capacity
- Support business costs arising from the separation of Delta and Aurora
- Manage demand growth in the Wanaka area.

Aurora's capital spending plan

(costs recovered from consumers over lifetime of equipment)



3 years: \$228 million – nearly triple

5 years: \$356 million – more than triple

The majority of this spending is on poles, cables, crossarms, distribution and low voltage conductors (overhead lines) and zone substations.

Aurora says this spending will help to manage safety risks by replacing equipment before it fails, as well as catering for regional growth and new customer connections.



Aurora's plan for power cuts

Unplanned power cuts

Aurora is proposing to increase the maximum limits we allow it for the duration and frequency of unplanned power cuts across its network (eg, equipment failing in bad weather). Aurora says this reflects the realistic performance of its network given its deteriorated state. It is forecasting that on average, customers can expect about 111 minutes of unplanned power cuts (excluding the full impact of severe weather events) per year over the investment period, regardless of whether this is three or five years. That's about 4% more than the previous investment period.



Aurora says without investment, this figure would be much worse, and it anticipates reliability beginning to improve again towards the end of 2024.

Planned power cuts

Aurora is forecasting planned power cuts will remain at similar levels over the next few years as they have been over the previous two years as it undertakes network replacement, maintenance and tree trimming work. It forecasts that an average customer can expect about 154 minutes of planned outages in 2021, 118 minutes by 2024 and 75 minutes by 2026.

