



## SUBMISSION ON AURORA ENERGY'S INVESTMENT PROPOSAL

**To:** Commerce Commission New Zealand

**Name of submitter:** Queenstown Chamber of Commerce

**Address:** Level 2, The Forge, 20 Athol Street,

**Attention:** Craig Douglas

This is a submission on Aurora Energy's ("Aurora") application to the Commerce Commission for a customised price-quality path to fund a \$383 million investment plan in their lines network.

The Queenstown Chamber of Commerce welcomes the opportunity to provide a submission to the Commerce Commission on Aurora's proposal.

The Chamber communicates with local and central government to achieve effective outcomes for its members. Its' key services include the provision of current and relevant information to the membership, advocacy on behalf of the members, recognising and rewarding achievement and generally contributing to the vibrancy of the business community.

The Chamber is motivated by the best long-term outcomes for the business community and is an independent voice with no vested interest. Therefore, the Chamber is pleased to be able to present this submission on behalf of the 587 Queenstown businesses it represents. Comment is made in line with the questions raised in the Commerce Commission's discussion document published on 30 July 2020:

### Question 1.1

Businesses focus on taking cost out of their operation, so any unavoidable cost increase is unwelcome. The COVID-19 situation has brought additional pressure to businesses and further limited their ability to sustain price shocks. The Chamber's preference is to limit initial price increases as they cope with the effects of COVID-19.

### Question 1.2

Aurora should consider borrowing as much as is reasonable to fund the capex work. Funding capex from revenue over a short period places a more immediate burden on the consumer. Funding should be freely available under a guarantee from the shareholder.

### Question 1.3

Extending the price increases across multiple periods to cover the capex spend makes sense given the long payback period it offers. Opex increases should be funded much closer to the time they are incurred

#### Question 2.1

While not discussed in the proposal, the Commission should consider a 4-year CPP period to bring the timing into line with the default regulatory periods. This also offers a compromise of the advantages and disadvantages of a 3-year or 5-year period as described in the discussion document.

#### Question 3.1

The Chamber agrees that priority be given to safety and stabilising the networks reliability.

#### Question 4.1

The Chamber agrees with the indicators of quality proposed

#### Question 4.2

As well as a safe, reliable, and resilient network and clear communication about outages, the Chamber expects that Aurora runs is an effective and cost-efficient operation. This extends to their subcontractors. It is unacceptable to incur price increases that are lost to poor and inefficient operations.

#### Question 4.3

Aurora should initially notify the risks and mitigation efforts to the public where they exist. These should become fewer over time as they are resolved.

#### Question 4.4

Aurora should report progress monthly to all consumers. This could be done through media channels and/or direct to customers.

#### Question 4.5

The business community is not happy with past reliability. The implications of a loss of electricity supply are more significant for businesses than households. Business requires constant electricity to trade, any cut to supply can have a significant financial impact on a business. As many businesses are time-based, lost revenue cannot be recovered.

#### Question 4.6

Businesses expect continuous supply. It is impossible to put a cost premium on this feature as it is expected as a minimum.

#### Question 4.7

The inevitability of unexpected outages is accepted. Aurora is expected to reduce the risk of unexpected outages and act immediately to restore supply when they occur.

#### Question 4.8

Immediate and real-time information about outages is essential to businesses. Decisions about how to respond to an outage need to be made quickly by affected businesses.

These decisions cannot be made without information about the likely resolution time for an outage.

#### Question 4.9

Many businesses cannot accommodate even planned outages without significant disruption to their operation. Planned outages need to be minimised for businesses and notified well ahead of time so the business can make preparations to ensure they can operate. It is vital that any planned outages are accurately adhered to, unlike recent experiences. It is not acceptable to notify of an outage on a date and time then cut supply on a different date and/or time.

#### Question 4.10

Notifications should be specific and accurate.

#### Question 4.11

A range of communication channels should be used to ensure a wide reach. The Chamber has no information on a preferred notice period but suggests multiple notifications as the outage period approaches.

#### Question 4.12

The current quality incentive scheme appears out of step with improving the quality of Aurora's performance at the lowest cost possible to the customer. It may be an incentive for the business of Aurora, but the customer pays either way. Either by longer than planned outages or a higher price. It is suggested this is not retained.

#### Question 4.13

Financial penalties are not preferred as this places cost on Aurora that will ultimately be paid by the consumer, especially as they shareholder is not expected to take a return for some time so cannot absorb any penalties.

#### Question 4.14

The Chamber has no view on the compensation practice, it appears to be more relevant to households than businesses.

#### Question 4.15

The Chamber has not considered the customer charter.

#### Question 4.16

The Chamber has no view on this issue.

#### Question 5.1

The consultation process was robust.

#### Question 5.2

COVID-19 has reduced business profitability to a significant level. Less profitable businesses are more sensitive to price increases that cannot be recovered in a depressed market.

### Question 5.3

The Chamber has no view on this issue.

### Question 6.1

The Chamber is concerned about the close relationship between Aurora and other DCHL companies that are contracted to do much of the work. The Chamber expects that there are robust processes in place to ensure Aurora are paying a market competitive, arms-length price for contracts let to DCHL companies.

### Question 7.1

The Chamber accepts that Aurora's verified plan is valid.

### Question 7.2

n/a

### Question 7.3

The Chamber is not qualified to comment other than to suggest that the recommendations of the Verifier's report be followed.

### Question 8.1

The Chamber is not qualified to judge the urgency of the work incurring the cost to form a view.

### Question 8.2

n/a

### Question 9.1

The Chamber is not qualified to answer.

### Question 9.2

The plan is ambitious but necessary. There are concerns about the delivery of Aurora given the recent past. The management and board of Aurora can only gain trust by demonstrating results and progress toward the stated goals.

### Question 9.3

Aurora should publish progress reports at least 6-monthly. These reports should be reviewed by an independent authority to confirm their accuracy and transparency. The detail needs only demonstrate that the consumer is getting what they are paying for.

Question 10.1

The Chamber supports the proposed demand driven uncertainty mechanism.

Question 11.1

The Chamber supports the proposed improvements in Aurora's asset management systems and processes as an element to ensure the current situation is not repeated.

**The Queenstown Chamber of Commerce**

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Craig Douglas

Executive Chair

Date: 27/08/2020