Aurora: A Rort in the Making

Summary

- As consumers we have been charged line charges by Aurora which **included** monies which should have been used for maintenance
- The Dunedin City Council (DCC) siphoned money from Aurora to pay for the stadium.
- The DCC required Aurora to **borrow** money to pay a dividend.
- The Commerce Commission failed to regulate Aurora properly.
- Central Otago/Wanaka are going to pay more than Dunedin.

What can you as a consumer do?

- Ask to be included in the Commerce Commission updates of the Aurora Energy Customised Price-Quality Path (CPP) process by emailing: feedbackauroraplan@comcom.govt.nz and asking to be placed on the mailing list.
- **Finally, and critically, when the time comes, if you do not approve of the Aurora plans MAKE A SUBMISSION OPPOSING IT.**

Background

The Electricity Reform Act forced our local Central Electric Company to get rid of two of its arms. Generation in Central was retained and both retail and transmission were let go. The Dunedin City Council company, Delta, bought the transmission business. A new entity, Aurora, was spun out of Delta to look after the business side of transmission, with Delta doing the actual lines work.

Both these companies are fully owned by the DCC, through an offshoot organisation called Dunedin City Holdings Ltd (DCHL). The DCC insisted that Aurora pay an annual dividend to the DCC whether or not there was a surplus. If there was no surplus Aurora was obliged to borrow money to pay this dividend. The main purpose of this dividend was to fund the stadium.

Over many years $117 million was stripped from Aurora. This meant that there was no money left for essential maintenance.

Aurora divided its network into three regions: Dunedin, Queenstown and Central Otago. They have chosen to make Central Otago consumers pay the most to make up for their failures in the past.

As a stop-gap measure a number of poles have had nail-plates attached. There is a lot of conjecture as to whether this is in any way an effective solution. They are clearly visible on many poles – and each one costs in the region of $2500! Some poles have two nail plates.

The Commerce Commission has the regulatory duty to ensure that Aurora provide a safe and reliable service. The Commission knew 10 years ago that Aurora was not providing this safe and reliable service and matters have recently come to a head with the Commission imposing a fine of $5 million. This will have to be funded by further costs to you, the consumer.

The Hard Facts

This year Aurora are applying to the Commerce Commission to spend an extra $400 million to address safety and reliability issues through a Commerce Commission approved Customised Price-Quality Path (CPP).

- The current intention is to seek approval to charge the average residential consumer over all the network areas an extra $18 per month.

- Broken down into the different areas Central Otago and Wanaka will see power increases of 23%, while Dunedin and Queenstown will see increases of 16%
- For the Central region, based on a current power bill of $177 a month it is proposed to make a $22/month increase starting on 1 April 2021, $9 more per month in April 2022 and a further $11 a month in April 2024. Thus, as of 1 April 2024 you will be paying an extra $42 a month ($504 per year) more than you are now!
- These charges cannot be avoided as Aurora collects these charges from you through your power company – no matter which supplier you are using.
- The Commerce Commission states that "historically Aurora under-invested in its network. It did not keep up with the necessary maintenance and replacement of its aging equipment." This is not surprising when the DCC siphoned off dividends to the tune of $117 million!
- As the Regulator the Commerce Commission sets the minimum quality standards that lines companies like Aurora must meet. Aurora has failed these standards demonstrated by the number of outages. As Aurora failed to lift its game the fine mentioned above was imposed for breaching the standards over the period from 2016 to 2019. Under the proposed CPP Aurora are seeking a reduction of these standards! This will mean more power cuts on the network.
- In the 2019 financial year there was an average 18%+ pay rise across the company from $10.5m to $12.5m with no change in staff numbers. The CEO Richard Fletcher is believed to be paid between $510,000 and $520,000. The highest paid individual in the previous year was earning between $300,000 and $310,000.
- The five directors were paid $262,000.
- The Commerce Commission does not set the price for the power used by the consumer, but it does set the maximum revenue that a lines company can earn. The lines company then decides how to collect the revenue: either by setting a daily price and/or a kilowatt hour. This allows Aurora to charge different rates in different areas, as detailed above. If there is a significant increase in the number of customers going 'off-grid,' this maximum revenue target also allows Aurora to increase charges to those still on its network.
- Aurora put forward three plans in its consultation document to the public. These were the Proposed Plan ($404m), the Accelerated Plan ($437m) and the Enhanced Plan ($483m). Both the Accelerated and Enhanced Plans were rejected by Aurora which will probably mean that there will be a further CPP to follow the current one in part to justify spending more money to bring the network up to a level of industry good practice. **Which will mean that the increases outlined above would be even greater.**

To mangle a quote by Burke: "The only thing necessary for a rort to flourish is for good men to do nothing." In other words – if we as consumers do nothing, we are going to be paying huge increases in line charges.

And if we do nothing, we will have only ourselves to blame.

Cheers,

[redacted]