

Aurora Energy's investment plan

Key issues paper – stakeholder sessions

August 2020

Associate Commissioner John Crawford



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Today's session

- Our role
- Aurora's proposal
- Key issues we want feedback on
- Process from here



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Our role



- We regulate monopoly lines company by setting maximum revenues they can earn from consumers and minimum quality of service
- For Aurora's proposal we determine whether investment justified and associated levels of revenue and quality
- Forward-looking focus on doing what is right for the network now for the long-term benefit of consumers



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Outside our role



- Aurora's regional pricing (Aurora and the Electricity Authority)
- Making Aurora's owners pay to fix the network (Dunedin City Council/Dunedin City Holdings)
- The safety of Aurora's network (WorkSafe)



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Aurora's proposal

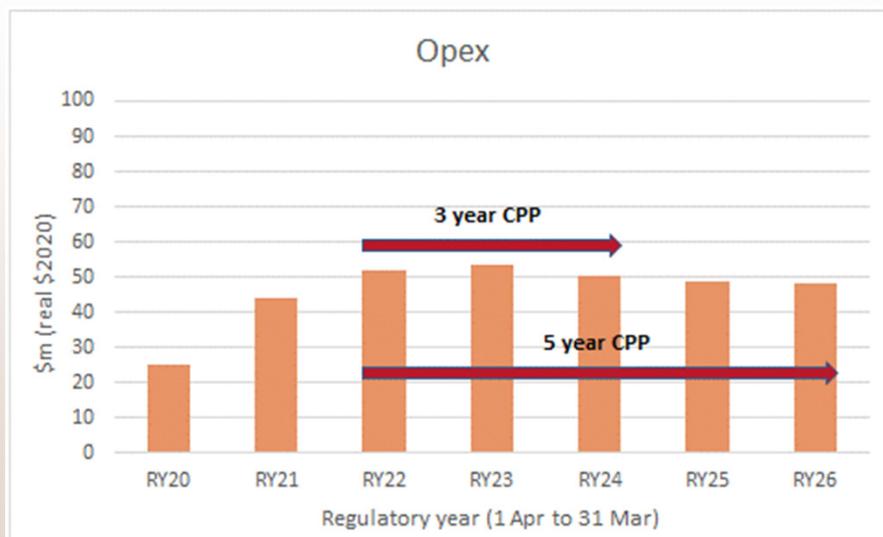
- Charge customers more to fund \$383 million 3-year plan (or \$609 million 5-year plan) to make network safer and maintain reliability
- More than double allowances we set for previous comparable periods
- Aurora says investment addresses historic under-investment, especially replacing old equipment



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Operating expenditure

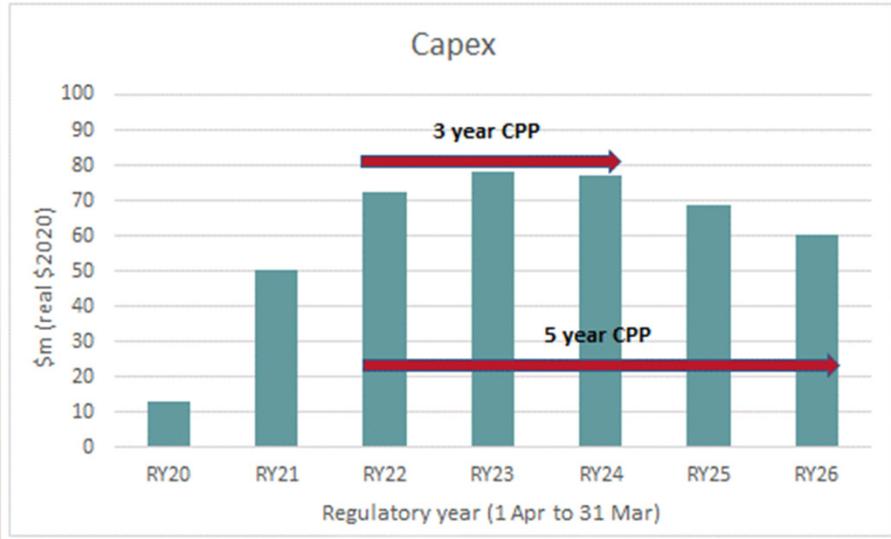


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Capital expenditure



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Consumer bill impact



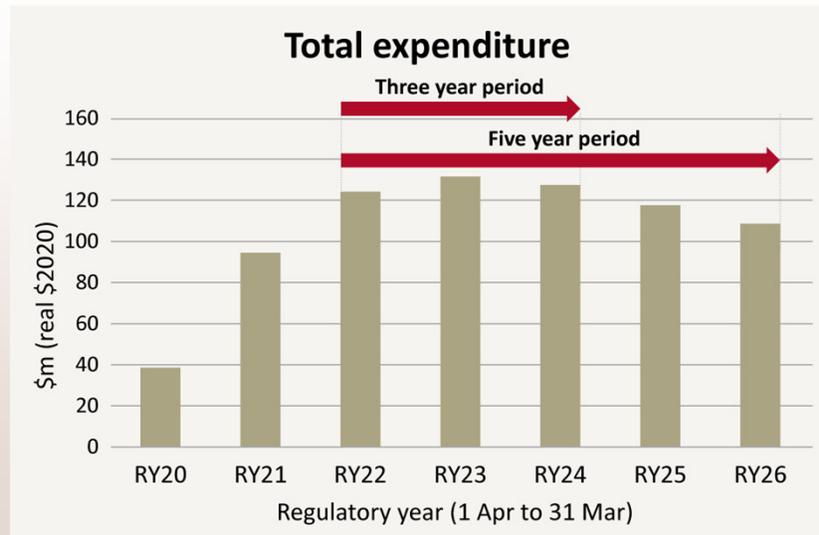
- Aurora proposing increases to lines charges of 48-66% for residential customers
- Aurora estimates 3-year increase to total average power bill for residential customers to be approximately:
 - \$20 more for Dunedin
 - \$30 more for Central Otago/Wanaka
 - \$24 more for Queenstown
 - If we approve default 5-year investment period, further increases in years 4 and 5 of approximately \$5-6 a month

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Length of the investment period



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Options for minimising consumer price shocks

- Considering whether spending deferred, reduced or spread over longer period to minimise sharp price increases
- Must consider impact on Aurora's financial stability and ability to fix network
- Want to know preferences for:
 - Immediate price rise in gradual/steady increments
 - Smaller price rise in first year followed by larger increases to give time to prepare
 - Willingness to pay more in total (due to interest costs) in order to smooth increases over longer period

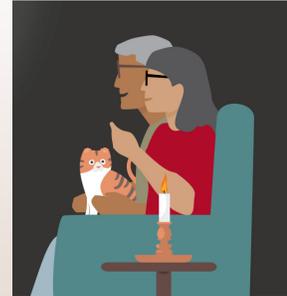
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Power cuts

- Aurora forecasting planned power cuts to remain at similar levels as previous 2 years
- Aurora proposing to increase limits we allow for unplanned power cuts due to continued failure of old equipment
- Want to know preference for:
 - Paying more for less frequent/shorter power cuts
 - Timing and length of power cuts
 - How can Aurora better manage and communicate with customers
 - Compensation scheme



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Aurora's ability to deliver on plan

- Important Aurora delivers to time, budget and high quality
- Important Aurora improves its asset management and prioritisation of work to ensure it is sustainable going forward
- Want to know:
 - Any concerns around non-delivery, late delivery, inferior delivery
 - How to hold Aurora to account for completing work



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Impact of COVID-19 pandemic



- COVID-19 affected Aurora's growth and demand forecasts, could also affect labour/material costs and Aurora's ability to complete work if further community transmission
- Want to know:
 - Are there further projects we should defer because of COVID-19?
 - How should we allow for uncertainty associated with COVID and mitigate risk of under or over approving spending?
 - Impact of COVID on affordability of price increases

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Have your say



Submissions close 27 August

Email submissions to feedbackauroraplan@comcom.govt.nz

or

Fill in consumer feedback form at

www.comcom.govt.nz/aurora



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