

## Aurora Submission from the Southern District Health Board

<p><b>Options for managing consumer price shocks</b></p> <p>Aurora's proposal estimates the three-year increase in the total average residential power bill is between \$20-30 more a month depending on where you live. 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. We are considering how spending might be deferred, reduced or recovered over a longer period to avoid sharp price increases for consumers.</p> <p>What are your preferences for managing price shocks (please tick):</p> <p><input type="checkbox"/> I would prefer prices to rise immediately but in gradual and steady increments</p> <p><input checked="" type="checkbox"/> I would prefer a smaller price rise in the first year and then larger increases in the following years to give me time to prepare</p> <p><input type="checkbox"/> I would be willing to pay more in total (due to interest costs) in order to smooth price increases over a longer period of time</p>	<p>1. <i>Based on the selection of preference options provided above for managing price shocks, the preferred option is "I would prefer a smaller price rise in the first year and then larger increases in the following years to give me time to prepare".</i></p>
<p><b>Length of the investment period</b></p> <p>Aurora has applied for the minimum investment period (three out of a maximum of five years). It says its asset data makes it hard to accurately determine its investment needs past three years and a shorter period gives it time to improve the quality of its asset information before submitting a second investment application. We are considering whether Aurora's asset data is robust enough to set a five-year period (with maximum allowed revenues of \$609 million compared to \$383 million over three years).</p> <p>What should we consider in making our decision on the length of the investment period that applies to Aurora?</p>	<p>2. <i>Aurora asset data is not complete enough to plan and deliver in 5 years. It is better to do 3 years, get better data and clarify and then proceed again later.</i></p>
<p><b>Do you have any concerns with either a three-year or five-year investment period?</b></p>	<p>3. <i>Yes, data is not clear enough for 5-year terms, delivery of projects is dependent on resources, staff, materials, weather and planning to minimise disruption to the network and customers. Three years seems to be more practical to determine if these works can be delivered. Recent experience has shown Aurora do not have that capability.</i></p>
<p><b>Planned power cuts</b></p> <p>Aurora is forecasting that planned power cuts (to allow it to undertake network replacement, maintenance and tree trimming work) will remain at similar levels over the next few years as they have been over the previous two years.</p> <p>Are there any types of planned power cuts you want Aurora to avoid?</p> <p><input checked="" type="checkbox"/> winter</p> <p><input checked="" type="checkbox"/> weekend</p> <p><input checked="" type="checkbox"/> evenings</p> <p><input type="checkbox"/> other (please detail)</p>	<p>4. <i>Planned power cuts should be avoided during winter, weekend and evenings.</i></p>
<p>Would you prefer:</p> <p><input type="checkbox"/> Longer power cuts less frequently</p> <p><input checked="" type="checkbox"/> Shorter power cuts more frequently</p> <p>What are your preferences for how you would like to be notified about planned power cuts (eg, social media, texts, mail drops) and how much advance notice do you expect to receive?</p>	<p><i>The preference is for short power cuts more frequently. However, given our role in delivery of healthcare across the district, the following observations are made:</i></p> <p><i>As we are the District Health Board, we would prefer all outages to be planned directly with us for our major sites.</i></p> <p><i>Prefer: Shorter more frequent</i></p> <p><i>Notification by letter if for a long duration</i></p>

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	<p><i>Direct contact by telephone if for a short duration</i>  <i>Contact details can be provided for our Facilities Helpdesk</i></p>
<p><b>Unplanned power cuts</b></p> <p>Aurora is proposing to increase the maximum limits we allow it for unplanned power cuts across its network due to the continued failure of old equipment. Aurora forecasts that on average customers can expect 111 minutes of unplanned power cuts a year (excluding the full impact of severe weather events) over the investment period regardless of whether this is three or five years – up 4% on the previous investment period. It expects a slight improvement in network reliability towards the end of 2024.</p> <p>Would you be willing to pay more for less frequent and shorter power cuts at this time?</p>	<p>5. <i>No, why should we be penalised for a poor asset performance and unreliable network. We run generators to offset demand on Aurora's network as part of our current operations.</i></p>
<p>What should Aurora do differently to manage and communicate with you about unplanned power cuts?</p>	<p>6. <i>Direct communication to our Helpdesk or General Manager. As a major customer we should be advised of outages and the expected restoration times to allow us to have enough fuel/staff on site to cater for load shedding or switching within our own network. We do not want to have to rely on Aurora's website which may not be available in the event of a power loss.</i></p>
<p>What are your views on Aurora's current compensation scheme where it offers consumers a \$50 credit when it fails to meet service levels?</p>	<p>7. <i>We were not aware of this however it may be reasonable for residential customers but needs to be scaled for large corporate customers.</i></p>
<p><b>Aurora's ability to deliver on its plan</b></p> <p>Do you have any specific concerns about Aurora's ability to deliver on its investment plan?</p>	<p>8. <i>Yes, with the poor asset condition and challenge ahead the capital Aurora need to raise to meet the programme of works is bad enough but the skills and time required to plan, design and deliver is above the ability of the team they have. They have brought in external contractors, such as Delta, Connetics and Unison, but these projects need to be managed in-house by Aurora. To-date the projects have been done in-house and by external project managers and have not been delivered on time</i></p>
<p>How would you like Aurora to be held to account for completing the work (eg, requiring it to report on progress including meeting in person with its communities)?</p>	<p>9. <i>Public updates on its website, local public meetings and business forums by region:</i></p> <ul style="list-style-type: none"> <li>• <i>DCHL to be in attendance</i></li> <li>• <i>DCC to be in attendance</i></li> </ul> <p><i>Included in annual reports</i>  <i>Not hiding behind technical jargon that only those with technical knowledge understand.</i></p>
<p>What level of detail would you like to see in these reports and how often?</p>	<p><i>% of work done to programme,</i>  <i>% of \$ spent done, to programme</i>  <i>Delays – reason, \$ impact</i></p>

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	<p><i>Staff involved, up/down i.e. no. of Project managers, linemen, technicians, fitters etc to demonstrate training and upskilling to Otago</i></p> <p><i>Asset management (condition assessment) rating day 1 – 365</i></p> <p><i>Improvement trends –</i></p> <p><i>SAIFI (frequency) expected vs actual</i></p> <p><i>SAIDI (duration) expected vs actual</i></p>
<p><b>The effectiveness of Aurora's consultation</b></p> <p>Have your views on Aurora's investment proposal changed since Aurora consulted with you (eg, because of the COVID-19 pandemic)?</p>	<p>10. <i>Yes, becoming less convinced as time has passed of the effectiveness of consultation.</i></p>
<p>Is there anything Aurora did not properly consider in its investment application that you want to bring to our attention?</p>	<p>11. <i>Yes, the impact to the Southern DHB and other public benefit entities from the considerable increases proposed. Across four of our major sites the price increases are estimated in the range between 33 – 66% over 5 years. The proposed direct increase in pricing to us and other commercial parties is significant.</i></p>
<p><b>Impact of the COVID-19 pandemic</b></p> <p>Given likely reductions in growth and demand because of COVID-19, Aurora has deferred major growth projects and we are considering whether there are further projects that can be deferred.</p> <p>What are your views on how we might allow for uncertainty associated with COVID-19 to mitigate risks including that we under or over approve spending?</p>	<p>12. <i>Apart from the delivery of parts/poles etc. from overseas, the impact of COVID-19 is not relevant. Should the country go back into Alert Level 3 and/or 4 then the Aurora works would be deemed essential and work could continue.</i></p>
<p><b>Is there anything else you want to bring to the Commission's attention?</b></p>	<p>13. <i>Clearly part of the reasoning behind the predicament at Aurora is the dividend policy set by the company to benefit the shareholders. The issues have been highlighted by the Commerce Commission and include:</i></p> <ul style="list-style-type: none"> <li><i>• Dividend policy review and that the dividend policy should be set to enable reinvestment as well as return to shareholders</i></li> <li><i>• DCC/DCHL should clarify capital contributions to Aurora.</i></li> <li><i>• Operating costs are upfront via the proposal on the 3/5 year term.</i></li> <li><i>• What is the expected 3/5 year DCHL/DCC contribution?</i></li> </ul> <p><i>Note: the Transpower increase has an impact too which has already been agreed by the Commerce Commission and set in motion.</i></p> <p><i>The transmission and distribution increases collectively have a detrimental impact on our operational and financial stability. Powernet in our Invercargill hospital have not indicated any increase, why? – because they effectively manage their assets in Southland and Otago</i></p> <p><i>Fining Aurora for poor performance defeats the whole point. Shouldn't the Commerce Commission instead have enforced the undertaking where Aurora should</i></p>

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	<p><i>have set improvement plans using the money rather than taking funds away which will ultimately be passed on to consumers?</i></p>
<p><b>Operating spending</b></p> <p>Aurora is proposing to spend \$156 million over three years (up about 65%) or \$253 million over five years (up 75%) on the allowances we set for the previous period. Generally increased operating spending will have an immediate impact on consumer bills. Aurora says its spending is to address a maintenance backlog, be more proactive with network inspections and tree trimming and improve its asset management for the longer term.</p> <p>Do you think Aurora's proposed spending focuses on the right things?</p>	<p>14. <i>It is hard to comment specifically as we have no clear visibility.</i></p> <p><i>Do Aurora have the resources to track vegetation, arborists to deliver and linemen to patrol the lines?</i></p> <p><i>Do Aurora have processes in place to manage this or is this with contractors? We know Delta did this, but has it transitioned?</i></p> <p><i>Does Aurora have a clear staffing model to deliver now, with this proposal, and for the future?</i></p> <p><i>Are they upskilling their workforce using this opportunity at our cost or hiring skilled staff?</i></p> <p><i>Is the asset management system adequate to report the deferred/not done maintenance and are the condition criteria appropriate?</i></p>
<p>Do you agree with the areas we plan to scrutinise further (spending on tree trimming, staffing and business support costs) and are there any other areas you think we should look at?</p>	<p><i>Management overhead and project costs need to be included, not just 100% of overheads at the consumers' expense.</i></p> <p><i>Does the structure need to be reviewed and would that optimise the outcomes of proposed changes? It would be useful to review accountability of how the contractors' work is allocated and executed.</i></p>
<p><b>Capital spending</b></p> <p>Aurora is proposing to spend \$228 million on new equipment over the next three years (nearly triple) or \$356 million over five years (more than triple) the allowances set for the previous period. It says this spending is to address safety risks on its network and replace equipment before it fails (eg, poles, cables, crossarms, overhead lines and zone substations).</p> <p>Do you think Aurora's proposed spending targets the right equipment for replacement at the right time?</p>	<p>15. <i>Health and Safety is a wide label, does the condition assessment report say what is high risk and what priorities has this set?</i></p> <p><i>Not every pole is about to fall or cross arm break. What overall strategy does Aurora have to minimise risk, as this needs to be transparent to all?</i></p> <p><i>People are more open to change if facts are shared, proactively and openly, in public.</i></p> <p><i>Aurora need to be honest with the consumers on their network.</i></p>
<p>If not, what do you think Aurora should focus its spending on?</p>	<p><i>See above</i></p> <p><i>Aurora should know their network or in fact, bring in peers from Powernet, Electronet, Orion etc. for comment or discussion. This would improve the consumers' perception and understanding.</i></p>