

## **[Draft] Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021**

**[2021] NZCC [XX]**

**The Commission:**

Sue Begg  
Elisabeth Welson  
John Crawford  
Derek Johnston

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Commerce Commission  
Wellington, New Zealand

<b>Determination version history</b>		
This determination amends the <i>Electricity Distribution Services Default Price-Quality Path Determination 2020</i> [2019] NZCC 21, 27 November 2019, as it applies to Aurora Energy Limited.		
<b>Publication date</b>	<b>Decision No.</b>	<b>Determination name</b>
27 November 2019	[2019] NZCC 21	Electricity Distribution Services Default Price-Quality Path Determination 2020 [2019] NZCC 21
30 March 2020	[2020] NZCC 3	Electricity Distribution Services Default Price-Quality Path (Definition of discount) Amendments Determination 2020 [2020] NZCC 3

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Under Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

**1. Title**

1.1 This determination is the Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021.

**2. CPP regulatory period**

2.1 This determination takes effect on 1 April 2021 and ends on 31 March [2026].

**3. Application**

3.1 This determination amends the *Electricity Distribution Services Default Price-Quality Path Determination 2020* [2019] NZCC 21, 27 November 2019, as it applies to **Aurora** to set the customised price-quality path for **Aurora**, and it is made under section 53V(3) of the **Act**.

3.2 This determination applies to **Aurora** and replaces all terms of the *Electricity Distribution Services Default Price-Quality Path Determination 2020* [2019] NZCC 21, 27 November 2019, as they apply to **Aurora**.

**4. Interpretation**

4.1 Unless the context otherwise requires:

- (a) terms in bold type in this determination, including its schedules, have the meaning given to those terms in clause 4.2;
- (b) terms used in this determination that are defined in the **Act** but not in this determination have the same meanings as in the **Act**;
- (c) for the avoidance of doubt, references to terms from legislation in this determination have the meaning given in the applicable legislation at the time this determination takes effect;
- (d) terms used in this determination that are defined in the **IM determination** but not in this determination have the same meanings as in the **IM determination**;
- (e) any reference to a period of time is to be interpreted in accordance with section 35 of the Interpretation Act 1999; and
- (f) a word which denotes the singular also denotes the plural, and vice versa.

4.2 In this determination, unless the context otherwise requires:

**67<sup>th</sup> percentile estimate of post-tax WACC** means the 67<sup>th</sup> percentile estimate of post-tax **WACC**, determined in accordance with clause 4.4.5(2) of the **IM determination** and specified in clause 8.3 of this determination;

**A**

**Act** means the Commerce Act 1986;

**actual allowable revenue** means:

- (a) for the first **CPP assessment period**, the amount specified in paragraph (2)(a) of Schedule 1.5; and
- (b) for the second to [fifth] **CPP assessment periods**, the amount specified in paragraph (2)(b) of Schedule 1.5;

**actual net allowable revenue** means:

- (a) for the first **CPP assessment period**, the amount specified as **forecast net allowable revenue** for the first **CPP assessment period**; and
- (b) for the second to [fifth] **CPP assessment periods**, the amount calculated in paragraph (3) of Schedule 1.5;

**actual pass-through costs and recoverable costs** means:

- (a) for the first **CPP assessment period**, the sum of all **pass-through costs** and **recoverable costs** that were incurred in the **CPP assessment period**; and
- (b) for the second to [fifth] **CPP assessment periods**, the sum of all **pass-through costs** and **recoverable costs** that were incurred in the **CPP assessment period**, excluding any

**recoverable cost** that is a **revenue wash-up draw down amount**;

<b>actual revenue</b>	means the sum of <b>actual revenue from prices</b> plus <b>other regulated income</b> ;
<b>actual revenue from prices</b>	means the sum of each <b>price</b> <i>multiplied</i> by each corresponding actual <b>quantity</b> ;
<b>additional notice</b>	has the meaning given in paragraph (5) of Schedule 3.1;
<b>adverse environment</b>	means an <b>unplanned interruption</b> where the primary cause is an event, such as a slip or a seismic event
<b>adverse weather</b>	means an <b>unplanned interruption</b> where the primary cause is due to bad weather conditions, other than <b>lightning, vegetation, or adverse environment</b> ;
<b>alternate day</b>	means, for the purposes of an <b>intended interruption</b> , a calendar day (dd/mm/yyyy) outside the <b>notified interruption window</b> when that <b>intended interruption</b> is permitted to occur, as specified in an <b>additional notice</b> ;
<b>amalgamate</b>	has the meaning given in the <b>IM determination</b> , and <b>amalgamation</b> must be interpreted according to that meaning;
<b>annual compliance statement</b>	means a written statement required under clause 11.3 from <b>Aurora</b> in respect of the <b>wash-up amount</b> calculation, quality standards and transactions;
<b>asset replacement and renewal</b>	means an activity where the <b>primary driver</b> is the need to maintain <b>network</b> asset integrity in order to maintain either—  (a) current security;  (b) quality of supply standards; or

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- (c) current security and quality of supply standards,

where this activity includes replacing or renewing assets due to—

- (a) the progressive physical deterioration of the condition of **network** assets or their immediate surrounds;
- (b) the obsolescence of **network** assets;
- (c) preventative replacement programmes, consistent with asset life-cycle management policies; or
- (d) the need to ensure the ongoing physical security of the **network** assets;

**Aurora**

means Aurora Energy Limited’s **EDB**;

**C**

**capex incentive amount**

has the meaning given in the **IM determination**;

**cause**

means one of either:

- (a) **lightning**;
- (b) **vegetation**;
- (c) **adverse weather**;
- (d) **adverse environment**;
- (e) **third party interference**;
- (f) **wildlife**;
- (g) **human error**;
- (h) **defective equipment**;
- (i) **other cause**; or
- (j) **unknown cause**;

**Class B interruptions**

means **planned interruptions** by **Aurora**;

<b>Class B notified interruption</b>	means a <b>Class B interruption</b> for which <b>Aurora</b> gives <b>additional notice</b> and records the <b>Class B interruption</b> as a 'Class B notified interruption' in <b>Aurora's</b> internal systems
<b>Class C interruptions</b>	means <b>unplanned interruptions</b> originating within the <b>system fixed assets</b> of <b>Aurora</b> ;
<b>Commission</b>	means the Commission as defined in section 2 of the <b>Act</b> ;
<b>commissioning</b>	has the meaning given to 'commissioned' in the <b>IM determination</b> ;
<b>consumer</b>	has the meaning given in the <b>IM determination</b> ;
<b>CPI</b>	has the meaning given in the <b>IM determination</b> ;
<b>CPP assessment period</b>	means a 12-month period commencing 1 April and ending on 31 March during the <b>CPP regulatory period</b> ;
<b>CPP proposal</b>	has the meaning given in the <b>IM determination</b> ;
<b>CPP regulatory period</b>	means the time period specified in clause 2.1;
<b>customer interruption minutes</b>	means the sum of the total duration in minutes accumulated for each <b>ICP</b> for each <b>interruption</b> ;
<b>D</b>	
<b>defective equipment</b>	means an <b>unplanned interruption</b> resulting from either:  (a) mechanical equipment failure; or (b) electrical equipment failure;
<b>director</b>	has the meaning given in the <b>IM determination</b> ;



<b>distribution cables (excluding LV)</b>	means all <b>underground</b> power cables operated at <b>distribution voltage</b> excluding <b>low voltage</b> cables
<b>distribution lines (excluding LV)</b>	means all <b>overhead</b> power lines operated at <b>distribution voltage</b> excluding <b>low voltage</b> lines
<b>distribution other (excluding LV)</b>	means <b>network</b> assets operated at <b>distribution voltage</b> which are not <b>distribution cables (excluding LV)</b> or <b>distribution lines (excluding LV)</b>
<b>distribution voltage</b>	means 3 phase nominal voltage—  (a) over 1 <b>kV</b> and up to and including 30 <b>kV</b> ; and  (b) excludes those voltages used within the <b>network</b> in the role or manner of a <b>subtransmission voltage</b> ;
<b>DPP</b>	has the meaning given in the <b>IM determination</b> ;
<b>DPP regulatory period</b>	means the period from 1 April 2020 to 31 March 2025 during which the <i>Electricity Distribution Services Default Price-Quality Path Determination 2020</i> [2019] NZCC 21 is in force;
<b>E</b>	
<b>EDB</b>	means a supplier of <b>electricity lines services</b> other than <b>Transpower</b> ;
<b>electricity lines services</b>	has the meaning given in the <b>IM determination</b> ;
<b>electricity retailer</b>	means a <b>person</b> who supplies electricity to another <b>person</b> for any purpose other than for re-supply by the other <b>person</b>

<b>embedded network</b>	has the meaning given in Part 1 of the Electricity Industry Participation Code 2010;
<b>extended reserves allowance</b>	has the meaning given in the <b>IM determination</b> ;
<b>extreme event</b>	means an event for which, during any period of 24 hours (starting on the hour or half past the hour), all <b>unplanned interruptions</b> (except those arising from <b>major external factors</b> ) that start during that 24-hour period result in aggregate in-  (a) a <b>SAIDI value</b> that is above 120 minutes; or (b) a total of more than six million <b>customer interruption minutes</b> ;
<b>extreme event standard reporting</b>	means the report on an <b>extreme event</b> required under clause 11.9;
<b>F</b>	
<b>forecast allowable revenue</b>	means the amount calculated for each <b>CPP assessment period</b> as specified in Schedule 1.4;
<b>forecast net allowable revenue</b>	means has the meaning given in the <b>IM determination</b> and is the amount specified for the relevant <b>CPP assessment period</b> in Schedule 1.3;
<b>forecast opex</b>	has the meaning given in the <b>IM determination</b> ;
<b>forecast pass-through and recoverable costs</b>	means the sum of all the forecast <b>pass-through costs</b> and forecast <b>recoverable costs</b> , excluding any <b>recoverable cost</b> that is a <b>revenue wash-up draw down amount</b> ;
<b>forecast revenue from prices</b>	means the amount calculated for each <b>CPP assessment period</b> as specified in Schedule 1.2;

<b>forecast value of commissioned asset</b>	has the meaning given in the <b>IM determination</b> ;
<b>H</b>	
<b>human error</b>	means an <b>unplanned interruption</b> resulting from either: <ul style="list-style-type: none"><li>(a) contractors or staff;</li><li>(b) errors in <b>commissioning</b>;</li><li>(c) incorrect protection settings;</li><li>(d) SCADA problems;</li><li>(e) switching errors; or</li><li>(f) dig-in;</li></ul>
<b>I</b>	
<b>ICP</b>	has the meaning given in the <b>IM determination</b> ;
<b>IM determination</b>	means the <i>Electricity Distribution Services Input Methodologies Determination 2012</i> [2012] NZCC 26, including, for the avoidance of doubt, any amendment in effect at the time of determination of a default price-quality path or customised price-quality path;
<b>incentive rate</b>	means the amount used for purposes of calculating the quality incentive adjustment, and is specified in paragraph (5) of Schedule 4;
<b>independent</b>	has the meaning given in the <b>IM determination</b> ;
<b>independent auditor</b>	means a person who: <ul style="list-style-type: none"><li>(a) is qualified for appointment as auditor of a company under the Companies Act 1993 or, where <b>Aurora</b> is a public entity (as defined in s 4 of the Public Audit Act 2001), is the Auditor-General;</li></ul>

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- (b) has no relationship with, or interest in, **Aurora** that is likely to involve the person in a conflict of interest;
- (c) has not assisted with the preparation of the **annual compliance statement** or provided advice or opinions (other than in relation to audit reports) on the methodologies or processes used in preparing the **annual compliance statement**;
- (d) has the necessary expertise to properly prepare an assurance report required under clause 11.4(e); and
- (e) need not be the same person as the person who audits **Aurora's** accounts for any other purpose;

**input methodology**

has the same meaning as in section 52C of the **Act**;

**intended interruption**

means, for the purposes of Schedule 3.1 only, a **Class B interruption** that **Aurora** has planned but has not yet commenced, and for which **Aurora-**

- (a) gives **additional notice**; and
- (b) records as a 'notified interruption' in **Aurora's** internal systems;

**intended interruption cancelled with notice**

means an **intended interruption** that **Aurora** cancels by giving no less than 24 hours' notice before the scheduled start time of the **intended interruption** (as specified in the **notified interruption window** or **alternate day**) to all persons that were provided the **additional notice** of the **intended interruption**;

**intended interruption cancelled without notice**

means an **intended interruption** that **Aurora** cancels but which is not an **intended interruption cancelled with notice**;

**intended SAIDI value**

means either:

- (a) the value calculated for **intended interruptions cancelled without notice** in accordance with paragraph (3)(b) of the definition of 'SAIDI<sub>N</sub>' in Schedule 3.1; or
- (b) the value calculated for **intended interruptions cancelled with notice** in accordance with paragraph (3)(c) of 'SAIDI<sub>N</sub>' in Schedule 3.1;

**interruption**

means, in relation to the conveyance of electricity to a **consumer** by means of a **prescribed voltage electric line**, the cessation of conveyance of electricity to that **consumer** for a period of 1 minute or longer, or disconnection of that **consumer**, other than—

- (a) in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves;
- (b) as a result of an automatic under voltage, under frequency, or rolling outage scheme or similar arrangement required as part of the system operator services or other instruction from an authorised regulator;
- (c) for breach of the contract under which the electricity is conveyed;
- (d) as a result of a request from the **consumer**;
- (e) as a result of a request by the **consumer's** electricity retailer; or
- (f) for the purpose of isolating an unsafe installation;

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## K

**kV**

means kilovolt;

## L

**lightning**

means an **unplanned interruption** where the **primary cause** is a lightning strike, resulting in either:

- (a) insulation breakdown, where typically protection is the only observable operation;
- (b) flashovers, where typically protection is the only observable operation; or
- (c) insulation breakdown and flashovers, where typically protection is the only observable operation;

**limit on annual percentage increase in forecast revenue from prices**

means the limit on the annual maximum percentage increase in **forecast revenue from prices** specified in Schedule 1.7 in accordance with clause 3.1.1(1)(b) of the **IM determination**;

**low voltage**

means the nominal Alternating Current (AC) voltage of less than 1000 volts or the assets of the **EDB** that are directly associated with the transport or delivery of electricity at those voltages;

## M

**main equipment**

means one of either:

- (a) **subtransmission lines**;
- (b) **subtransmission cables**;
- (c) **subtransmission other**;
- (d) **distribution lines (excluding LV)**;
- (e) **distribution cables (excluding LV)**; or
- (f) **distribution other (excluding LV)**;

**major external factor**

means one or more of the following:

- (a) **natural disaster;**
- (b) **third party interference;**
- (c) a fire that does not originate on **Aurora's network;** or
- (d) **wildlife;**

**major transaction**

has the meaning given in clause 5.6.4 of the **IM determination;**

**maximum allowable revenue after tax**

has the meaning given in the **IM determination;**

**merger**

means a transaction under which **Aurora** takes over, or otherwise merges with, any other **non-exempt EDB** other than by an amalgamation under Part 13 of the Companies Act 1993, which includes:

- (a) the purchase of all the assets of another **non-exempt EDB;**
- (b) the acquisition of sufficient shares in another **non-exempt EDB** to have an interest in the other **non-exempt EDB** sufficient to enable it, whether directly or indirectly, to exert a substantial degree of influence over the activities of the other **non-exempt EDB;** or
- (c) a scheme of arrangement under Part 15 of the Companies Act 1993 having like effect;

**N**

**natural disaster**

means an **unplanned interruption** that is the result of one or more of the following:

- (a) earthquakes;
- (b) landslips;

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- (c) floods;
- (d) severe weather events, including severe **lightning**, severe storms (including solar storms), severe wind and severe rain;
- (e) tsunamis; or
- (f) volcanic and hydrothermal activity;

<b>network</b>	has the meaning given in the <b>IM determination</b> ;
<b>non-exempt EDB</b>	has the meaning given in the <b>IM determination</b> ;
<b>notified interruption window</b>	means the period of time within which an <b>intended interruption</b> is due to occur, as specified in an <b>additional notice</b> that specifies the start date (dd/mm/yyyy) and start time (hh:mm am/pm) and end date (dd/mm/yyyy) and end time (hh:mm am/pm) of the <b>intended interruption</b> ;
<b>O</b>	
<b>opening RAB value</b>	has the meaning given in the <b>IM determination</b> ;
<b>opening wash-up account balance</b>	means the amount specified under paragraph (1) of Schedule 1.6;
<b>opex incentive amount</b>	has the meaning given in the <b>IM determination</b> ;
<b>other cause</b>	means an <b>unplanned interruption</b> for which the <b>primary cause</b> is known, but is not <b>lightning, vegetation, adverse weather, adverse environment, third party interference, wildlife, human error, or defective equipment</b> ;



<b>other regulated income</b>	has the meaning given in the <b>IM determination</b> ;
<b>overhead</b>	means circuits installed as overhead lines, expressed in km;
<b>P</b>	
<b>pass-through costs</b>	has the meaning given in the <b>IM determination</b> ;
<b>person</b>	has the meaning given in the <b>IM determination</b> ;
<b>planned accumulated SAIDI limit</b>	means the <b>SAIDI value</b> specified in paragraph (1) of Schedule 3.1;
<b>planned accumulated SAIFI limit</b>	means the <b>SAIFI value</b> specified in paragraph (2) of Schedule 3.1;
<b>planned interruption</b>	means any <b>interruption</b> other than an <b>unplanned interruption</b> ;
<b>planned SAIDI assessed value</b>	means—  (a) the sum of <b>SAIDI values</b> for <b>planned interruptions</b> for a <b>CPP assessment period</b> calculated in accordance with the formula specified in paragraph (3) of Schedule 3.1; and  (b) the sum of <b>intended SAIDI values</b> for <b>intended interruptions cancelled with notice</b> and <b>intended interruptions cancelled without notice</b> for an assessment period calculated in accordance with 'SAIDI <sub>N</sub> ' in paragraph (3) of Schedule 3.1;
<b>planned SAIFI assessed value</b>	means the sum of <b>SAIFI values</b> for <b>planned interruptions</b> for a <b>CPP assessment period</b> calculated in accordance with paragraph (4) of Schedule 3.1;

**prescribed voltage electric line** means an electric line that is capable of conveying electricity at a voltage equal to or greater than 3.3 kilovolts;

**prices** has the meaning given in the **IM determination**;

## Q

**quality incentive adjustment** has the meaning given in the **IM determination**, and is calculated in accordance with the method specified in Schedule 4;

**quantity** has the meaning given in the **IM determination**;

## R

**recoverable costs** has the meaning given in the **IM determination**;

**retention factor** has the meaning given in the **IM determination** and is specified in paragraph (3) of Schedule 2.2;

**revenue at risk** means the amount used to calculate the **quality incentive adjustment** according to paragraph (7)(h) of Schedule 4;

**revenue foregone** means:

- (a) where the **revenue reduction percentage** is greater than 20%, the 'revenue foregone' must be calculated in accordance with the formula:

**actual net allowable revenue X (revenue reduction percentage – 20%); and**

- (b) where the **revenue reduction percentage** is not greater than 20%, the 'revenue foregone' is nil;

<b>revenue reduction percentage</b>	is 1 <i>minus</i> ( <b>actual revenue from prices</b> ÷ <b>forecast revenue from prices</b> );
<b>revenue wash-up draw down amount</b>	means the amount calculated as specified in paragraph (4) of Schedule 1.5;
<b>S</b>	
<b>SAIDI major event</b>	means any period of 24 hours that starts on the hour or half past the hour, where the sum of <b>SAIDI values</b> over that period for <b>unplanned interruptions</b> exceeds the applicable <b>SAIDI unplanned boundary value</b> ;
<b>SAIDI planned interruption cap</b>	means the maximum <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (4) of Schedule 4;
<b>SAIDI planned interruption collar</b>	means the minimum <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (4) of Schedule 4;
<b>SAIDI planned interruption target</b>	means the <b>SAIDI value</b> for <b>planned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (4) of Schedule 4;
<b>SAIDI unplanned boundary value</b>	means the value specified in Schedule 3.2;
<b>SAIDI unplanned interruption cap</b>	means the maximum <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (3) of Schedule 4;
<b>SAIDI unplanned interruption collar</b>	means the minimum <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (3) of Schedule 4;

<b>SAIDI unplanned interruption target</b>	means the <b>SAIDI value</b> for <b>unplanned interruptions</b> used for purposes of calculating the <b>quality incentive adjustment</b> , and is specified in paragraph (3) of Schedule 4;
<b>SAIDI value</b>	means the <b>customer interruption minutes</b> accrued for each <b>interruption</b> divided by the total number of <b>ICPs</b> , where: (a) an <b>interruption</b> and any <b>successive interruptions</b> to that <b>interruption</b> , are recorded in a manner that is consistent with that applied by <b>Aurora</b> for the first <b>CPP assessment period</b> of the <b>DPP regulatory period</b> ; and (b) any <b>interruption</b> that spans multiple <b>CPP assessment periods</b> accrues to the <b>CPP assessment period</b> in which the <b>interruption</b> began;
<b>SAIFI major event</b>	means any period of 24 hours that starts on the hour or half past the hour, where the sum of <b>SAIFI values</b> over that period for <b>unplanned interruptions</b> exceeds the applicable <b>SAIFI unplanned boundary value</b> ;
<b>SAIFI unplanned boundary value</b>	means the value specified in Schedule 3.2;
<b>SAIFI value</b>	means the number of <b>ICPs</b> affected by each <b>interruption</b> divided by the total number of <b>ICPs</b> , where that <b>interruption</b> and any <b>successive interruption</b> to that <b>interruption</b> , are recorded in a manner that is consistent with that applied by <b>Aurora</b> for the first <b>CPP assessment period</b> of the <b>DPP regulatory period</b> ;
<b>subtransmission cables</b>	means all power cables operated at a <b>subtransmission voltage</b> ;
<b>subtransmission lines</b>	means all power lines operated at a <b>subtransmission voltage</b> ;

<b>subtransmission other</b>	means an asset operated at a <b>subtransmission voltage</b> that is not a <b>subtransmission cable</b> or a <b>subtransmission line</b> ;
<b>subtransmission voltage</b>	means 3-phase nominal voltage— (a) over 30 <b>kV</b> and up to and including 110 <b>kV</b> ; or (b) 22 <b>kV</b> , if that voltage is used within the <b>network</b> for subtransmission purposes;
<b>successive interruption</b>	means an <b>interruption</b> that follows an initial <b>interruption</b> that either: (a) relates directly to that initial <b>interruption</b> ; or (b) occurs as part of the process of restoring supply of <b>electricity lines services</b> following that initial <b>interruption</b> ;
<b>supply</b>	has the meaning given in the <b>IM determination</b> ;
<b>system fixed assets</b>	means all fixed assets owned, provided, maintained, or operated by <b>Aurora</b> that are used or intended to be used for the supply of <b>electricity lines services</b> ;

## T

<b>third party interference</b>	means an <b>unplanned interruption</b> resulting from acts or omissions of persons outside the control of <b>Aurora</b> (including other <b>non-exempt EDBs</b> ), and includes without limitation: (a) dig-in; (b) <b>overhead</b> contact; (c) vandalism; and
---------------------------------	--

- (d) vehicle damage;

**transfer**

means a transaction, other than an **amalgamation, merger, or major transaction**, whether contingent or not, where **consumers** begin to be supplied or are no longer supplied by **Aurora** and that transaction:

- (a) has resulted in, or will result in, the acquisition of, or an agreement to acquire, assets with a value which is equivalent to less than 10% of **Aurora's opening RAB value** in the **CPP assessment period** of acquisition;
- (b) has resulted in, or will result in, the disposal of, or an agreement to dispose of, assets of **Aurora** with a value of less than 10% of the **opening RAB value** in the **CPP assessment period** of disposal;
- (c) has, or is likely to have, the effect of **Aurora** acquiring rights or interests with a value which is equivalent to less than 10% of the **opening RAB value** in the **CPP assessment period** of acquisition; or
- (d) has, or is likely to have, the effect of **Aurora** incurring obligations or liabilities or contingent liabilities, excluding loans or borrowing costs in respect of assets, with a value, which is equivalent to less than 10% of the **opening RAB value** in the **CPP assessment period** of incurring the obligation;

<b>transmission pricing methodology</b>	means the methodology determined by the Electricity Authority that specifies how <b>Transpower's</b> charges for its services are allocated and who is to be charged;
<b>Transpower</b>	means Transpower New Zealand Limited or any subsidiary of, or successor to, that company;
<b>U</b>	
<b>underground</b>	means all circuits that are installed as underground cables
<b>unknown cause</b>	means an <b>unplanned interruption</b> where the cause of that <b>interruption</b> is not known;
<b>unplanned interruption</b>	means any <b>interruption</b> in respect of which less than 24 hours' notice, or no notice, was given either to the public or to all <b>consumers</b> affected by the <b>interruption</b> ;
<b>unplanned SAIDI assessed value</b>	means the sum of <b>SAIDI values</b> for <b>unplanned interruptions</b> for a <b>CPP assessment period</b> calculated in accordance with paragraph (2) of Schedule 3.2;
<b>unplanned SAIDI limit</b>	means the <b>SAIDI value</b> for <b>unplanned interruptions</b> against which <b>Aurora's</b> compliance with the annual unplanned interruptions reliability assessment specified in clause 9.4 is assessed, and which specified in paragraph (1) of Schedule 3.2;

<b>unplanned SAIFI assessed value</b>	means the sum of <b>SAIFI values</b> for <b>unplanned interruptions</b> for a <b>CPP assessment period</b> calculated in accordance with paragraph (3) of Schedule 3.2;
<b>unplanned SAIFI limit</b>	means the <b>SAIFI value</b> for <b>unplanned interruptions</b> against which <b>Aurora's</b> compliance with the annual unplanned interruptions reliability assessment specified in clause 9.4 is assessed, and which specified in paragraph (1) of Schedule 3.2;
<b>unregulated services</b>	has the meaning given in the <b>IM determination</b> ;
<b>vegetation</b>	means an <b>unplanned interruption</b> resulting from vegetation contact and includes debris contact, grass contact and tree contact;
<b>vegetation management</b>	means an activity where the <b>primary driver</b> is the need to either—  (a) physically fell vegetation; (b) remove vegetation; or (c) trim vegetation,  where that need is in the proximity of overhead lines or underground cables, including—  (a) root management; (b) inspecting affected lines and cables, where the inspection is substantially or wholly directed to this need (e.g., as part of a 'vegetation management' contract), including either:  (i) pre-trim inspections; and (ii) inspections of vegetation cut for the primary



purpose of ensuring the work has been undertaken in an appropriate manner; and

- (c) liaising with landowners, including either:
  - (i) the issue of trim notices;
  - (ii) the issue of cut notices;
  - (iii) the issue of trim and cut notices; and
  - (iv) follow-up calls on notices; and
- (d) the felling or trimming of vegetation to meet externally imposed requirements or internal policy, including operational support such as any mobile generation used during the activity;

**verifier** has the meaning given in the **IM determination**;

**voluntary undercharging amount foregone** means the amount specified in paragraph (3) of Schedule 1.6;

## W

**WACC** has the meaning given in the **IM determination**;

**wash-up amount** means the amount calculated for each **CPP assessment period** as specified in Schedule 1.5;

**wildlife** means an **unplanned interruption** due to contact with wildlife including:

- (a) birds;
- (b) possums;

26

(c) vermin; and

(d) cats;

**working day**

has the meaning given in section 2(1) of the **Act**.

## 5. Customised price-quality path

5.1 During the **CPP regulatory period**, **Aurora** must comply with the customised price-quality path, which consists of:

- (a) the price path specified in clause 0; and
- (b) the quality standards specified in clause 9.

## 6. Applicable input methodologies

6.1 For the purpose of section 52P(3)(c) of the **Act**, the **input methodologies** that apply are the following parts of the **IM determination**:

- (a) Part 1 – General provisions;
- (b) Subpart 1 of Part 3 – Specification of price;
- (c) Subpart 2 of Part 3 – Amalgamations;
- (d) Subpart 3 of Part 3 – Incremental rolling incentive scheme;
- (e) Subpart 4 of Part 4 – Cost of capital;
- (f) Section 1 of Subpart 3 of Part 5 – Determination of annual allowable revenues;
- (g) Section 2 of Subpart 3 of Part 5 – Cost allocation and asset valuation;
- (h) Section 3 of Subpart 3 of Part 5 – Treatment of taxation;
- (i) Section 4 of Subpart 3 of Part 5 – Cost of capital; and
- (j) Subpart 6 of Part 5 – Catastrophic events and reconsideration of a customised price-quality path.

6.2 The **input methodologies** that apply are subject to the variations agreed with **Aurora** as set out as Schedule 12.

## 7. When the customised price-quality path may be reconsidered

7.1 The customised price-quality path in this determination may be reconsidered in accordance with Subpart 6 of Part 5 of the **IM determination**, as varied in accordance with the deed set out in Schedule 12 of this determination.

## 8. Price path

### *Starting price*

- 8.1 The starting price that applies to **Aurora** for the **CPP regulatory period** is set out in Schedule 1.1.

### *Rate of change*

- 8.2 The annual rate of change in revenue allowed during the **CPP regulatory period** is 10%.

### *Weighted average cost of capital*

- 8.3 The **67<sup>th</sup> percentile estimate of post-tax WACC** that applies for Aurora for each **CPP assessment period** is [4.23%].

### *Compliance with the price path*

- 8.4 Subject to clause 8.6, **Aurora's forecast revenue from prices** for each **CPP assessment period** must not exceed the lesser of:
- (a) the **forecast allowable revenue** for the **CPP assessment period**; and
  - (b) the **forecast revenue from prices** for the previous **CPP assessment period** x (1 + the applicable **limit on annual percentage increase in forecast revenue from prices** under Schedule 1.7).
- 8.5 **Aurora** will be deemed to comply with clause 8.4 in respect of the first **CPP assessment period** if its **forecast revenue from prices** does not exceed [\$107,112,000].
- 8.6 If **Aurora** is party to a **transfer** that takes effect in a **CPP assessment period**, then **Aurora's forecast revenue from prices** for the **CPP assessment period** immediately following the **transfer** must not exceed the **forecast allowable revenue** for the **CPP assessment period** immediately following the **transfer**.

### *Wash-up amount calculation*

- 8.7 **Aurora** must calculate the **wash-up amount** for each **CPP assessment period** using the methodology specified in Schedule 1.5.

## 9. Quality standards

### *Compliance with planned interruptions quality standard*

- 9.1 **Aurora** must comply with the planned interruptions reliability assessment cap specified in clause 9.2 for the **CPP regulatory period**.

### *Planned interruptions reliability assessment cap*

- 9.2 To comply with the planned interruptions reliability assessment cap in respect of **planned interruptions**, at the end of the [fifth] **CPP assessment period**,—

- (a) the sum of **Aurora's planned SAIDI assessed values** for the **CPP regulatory period**, being the sum accumulated for all [five] **CPP assessment periods**, must not exceed the **planned accumulated SAIDI limit**; and
- (b) the sum of **Aurora's planned SAIFI assessed values** for the **CPP regulatory period**, being the sum accumulated for all [five] **CPP assessment periods**, must not exceed the **planned accumulated SAIFI limit**.

*Compliance with unplanned interruptions quality standard*

- 9.3 **Aurora** must, in respect of each **CPP assessment period**, comply with the annual unplanned interruptions reliability assessment specified in clause 9.4 for that **CPP assessment period**.

*Annual unplanned interruptions reliability assessment*

- 9.4 To comply with the annual unplanned interruptions reliability assessment—
- (a) **Aurora's unplanned SAIDI assessed value** for a **CPP assessment period** must not exceed the **unplanned SAIDI limit**; and
  - (b) **Aurora's unplanned SAIFI assessed value** for a **CPP assessment period** must not exceed the **unplanned SAIFI limit**.

*Compliance with extreme event quality standard*

- 9.5 **Aurora** must, in respect of each **CPP assessment period**, comply with the extreme event standard specified in clause 9.6 for that **CPP assessment period**.

*Extreme event standard*

- 9.6 To comply with the extreme event standard, **Aurora** must not have an **extreme event** during the **CPP assessment period**.

*Reporting requirements apply in the event of non-compliance*

- 9.7 If **Aurora**—
- (a) exceeds the **planned accumulated SAIDI limit** or the **planned accumulated SAIFI limit**, the reporting requirement under clause 11.5 applies;
  - (b) does not comply with clause 9.3 in a **CPP assessment period**, the reporting requirement under clause 11.7 applies; and
  - (c) does not comply with clause 9.5 in a **CPP assessment period**, the reporting requirement under clause 11.9 applies.

## 10. Transaction notification

*Requirement to notify the Commission of an amalgamation, merger, or transaction*

- 10.1 **Aurora** must notify the **Commission** in writing within 30 **working days** after **Aurora** enters into an agreement for an **amalgamation, merger, major transaction, or transfer**.

## 11. Annual compliance statements

*Annual price-setting compliance statement*

### 11.1 **Aurora** must:

- (a) provide to the **Commission** a written 'annual price-setting compliance statement' in respect of **price** setting for—
  - (i) the first **CPP assessment period**, within five **working days** after the start of the first **CPP assessment period**; and
  - (ii) the second to [fifth] **CPP assessment period**, before the start of the relevant **CPP assessment period**;
- (b) make the 'annual price-setting compliance statement' and the **director's** certificate provided under clause 11.2(b)(i) publicly available on **Aurora's** website at the same time **Aurora** provides it to the **Commission**; and
- (c) provide to the **Commission** schedules reflecting the **prices** and forecast **quantities** used in the calculation of **forecast revenue from prices**, disclosed in an electronic format that is compatible with Microsoft Excel, with the 'annual price-setting compliance statement'.

### 11.2 The 'annual price-setting compliance statement' must:

- (a) state:
  - (i) whether or not **Aurora** has complied with the price path in clause 8.4 for the **CPP assessment period**; and
  - (ii) the date on which the statement was prepared; and
- (b) include:
  - (i) a certificate in the form set out in Schedule 6, signed by at least one **director** of **Aurora**;
  - (ii) **Aurora's** calculation of its **forecast revenue from prices** together with supporting information for all components of the calculation;

- (iii) **Aurora's** calculation of its **forecast allowable revenue** together with supporting information for all components of the calculation;
- (iv) if **Aurora** has not complied with the price path, the reasons for the non-compliance; and
- (v) if **Aurora** has not complied with the price path, any actions taken to mitigate any non-compliance and to prevent similar non-compliance in future **CPP assessment periods**.

*Annual compliance statement in respect of the wash-up amount calculation, quality standards, quality incentive adjustment, and transactions*

11.3 **Aurora** must:

- (a) provide to the **Commission** a written 'annual compliance statement' under clause 11.4 no later than 5 months after the end of each **CPP assessment period**;
- (b) make the 'annual compliance statement' publicly available on **Aurora's** website at the same time **Aurora** provides it to the **Commission**; and
- (c) provide to the **Commission** schedules reflecting **Aurora's prices** and actual **quantities** used to calculate the **wash-up amount**, disclosed in an electronic format that is consistent with Microsoft Excel, with the 'annual compliance statement'.

11.4 The 'annual compliance statement' must:

- (a) state whether **Aurora** has:
  - (i) complied with the requirement to calculate the **wash-up amount** under clause 8.7 for the **CPP assessment period**; and
  - (ii) complied with the quality standards in clause 9 for the **CPP assessment period**;
- (b) state the day on which the statement was prepared;
- (c) include copies of notifications made in accordance with clause 10.1;
- (d) include a certificate in the form set out in Schedule 7, signed by at least one **director** of **Aurora**;
- (e) be accompanied by an assurance report meeting the requirements in Schedule 8, in respect of all information contained in the 'annual compliance statement'; and

- (f) include any information reasonably necessary to demonstrate whether **Aurora** has complied with clause 8.7, clause 9, and Schedule 4, including:

Wash-up amount calculation (clause 8.7)

- (i) details of the **wash-up amount** calculation as specified in clause 8.7, together with supporting information for all components of the calculation;

Compliance with quality standards (clause 9) and quality incentive adjustment (Schedule 4)

- (ii) actions taken to mitigate any non-compliance with clause 9 and Schedules 3.1-3.2 and to prevent similar non-compliance in future **CPP assessment periods**;
- (iii) the **planned SAIDI assessed value** and **planned SAIFI assessed value** for the **CPP assessment period**, and any supporting calculations (including those in Schedule 3.1);
- (iv) for the annual unplanned interruptions reliability assessment specified in clause 9.4, the **unplanned SAIDI assessed value**, **unplanned SAIFI assessed value**, **unplanned SAIDI limit**, **unplanned SAIFI limit**, **SAIDI unplanned boundary value**, and **SAIFI unplanned boundary value** for the **CPP assessment period**, and any supporting calculations (including those in Schedule 3.2);
- (v) for the **quality incentive adjustment**, **SAIDI planned interruption cap**, **SAIDI unplanned interruption cap**, **SAIDI planned interruption collar**, **SAIDI unplanned interruption collar**, **SAIDI planned interruption target**, **SAIDI unplanned interruption target** and **incentive rate** for the **CPP assessment period**, and any supporting calculations (including those in Schedule 4); and
- (vi) a description of the policies and procedures which **Aurora** has used for capturing data and recording **Class B interruptions** and **Class C interruptions**, and for calculating **planned SAIDI assessed values**, **unplanned SAIDI assessed values**, **planned SAIFI assessed values**, and **unplanned SAIFI assessed** for the **CPP assessment period**; and
- (g) information relating to each **SAIDI major event** within the assessment period, including:



- (i) the **cause** of the **SAIDI major event**;
  - (ii) the start date (dd/mm/yyyy) of the **SAIDI major event**;
  - (iii) the start time (hh:mm am/pm) of the **SAIDI major event**;
  - (iv) the end date (dd/mm/yyyy) of the **SAIDI major event**;
  - (v) the end time (hh:mm am/pm) of the **SAIDI major event**;
  - (vi) the **SAIDI value** of the **SAIDI major event** before any replacements under paragraph (2) of Schedule 3.2 occurred;
  - (vii) the replaced **SAIDI value** of the **SAIDI major event** in accordance with paragraph (2) of Schedule 3.2;
  - (viii) the location of the **SAIDI major event**;
  - (ix) the main equipment involved in the **SAIDI major event**;
  - (x) how **Aurora** responded to the **SAIDI major event**;
  - (xi) any mitigating factors that may have prevented or minimised the **SAIDI major event**; and
  - (xii) a description of any steps **Aurora** proposes to take to mitigate the risk of future similar **SAIDI major events**; and
- (h) information relating to each **SAIFI major event** within the assessment period, including:
- (i) the **cause** of the **SAIFI major event**;
  - (ii) the start date (dd/mm/yyyy) of the **SAIFI major event**;
  - (iii) the start time (hh:mm am/pm) of the **SAIFI major event**;
  - (iv) the end date (dd/mm/yyyy) of the **SAIFI major event**;
  - (v) the end time (hh:mm am/pm) of the **SAIFI major event**;
  - (vi) the **SAIFI value** of the **SAIFI major event** before any replacements under paragraph (3) of Schedule 3.2 occurred;
  - (vii) the replaced **SAIFI value** of the **SAIFI major event** in accordance with paragraph (3) of Schedule 3.2;

- (viii) the location of the **SAIFI major event**;
  - (ix) the main equipment involved in the **SAIFI major event**;
  - (x) how **Aurora** responded to the **SAIFI major event**;
  - (xi) any mitigating factors that may have prevented or minimised the **SAIFI major event**; and
  - (xii) a description of any steps **Aurora** proposes to take to mitigate the risk of future similar **SAIFI major events**; and
- (i) for each **Class B interruption** during the **CPP regulatory period**:
    - (i) the start date (dd/mm/yyyy) of the **Class B interruption**;
    - (ii) the start time (hh:mm am/pm) of the **Class B interruption**;
    - (iii) the end date (dd/mm/yyyy) of the **Class B interruption**;
    - (iv) the end time (hh:mm am/pm) of the **Class B interruption**;
    - (v) **SAIDI value** of the **Class B interruption**; and
    - (vi) **SAIFI value** of the **Class B interruption**; and
  - (j) for each **Class C interruption** for the **CPP assessment period**:
    - (i) the start date (dd/mm/yyyy) of the **Class C interruption**;
    - (ii) the start time (hh:mm am/pm) of the **Class C interruption**;
    - (iii) the end date (dd/mm/yyyy) of the **Class C interruption**;
    - (iv) the end time (hh:mm am/pm) of the **Class C interruption**;
    - (v) **SAIDI value** of the **Class C interruption**;
    - (vi) **SAIFI value** of the **Class C interruption**; and
    - (vii) the **cause**.

*Other reporting requirements*

- 11.5 If **Aurora** exceeds the **planned accumulated SAIDI limit** or the **planned accumulated SAIFI limit**, **Aurora** must:

- (a) provide to the **Commission** the planned interruptions reporting specified in clause 11.6 within 5 months after the end of the **CPP assessment period** in which **Aurora** exceeded the **planned accumulated SAIDI limit** or the **planned accumulated SAIFI limit**; and
- (b) make the planned interruptions reporting specified in clause 11.6 publicly available on **Aurora's** website at the same time **Aurora** provides the planned interruptions reporting to the **Commission**.

11.6 The 'planned interruptions reporting' must contain:

- (a) the reasons, and supporting evidence for those reasons, for exceeding the **planned accumulated SAIDI limit** or the **planned accumulated SAIFI limit**;
- (b) any strategy for managing **Class B interruptions** that was in place for the **CPP regulatory period**;
- (c) any analysis or investigation of the **Class B interruptions** for the **CPP regulatory period**;
- (d) an outline of any intended strategy, intended analysis, or intended investigation that would meet the requirements specified in clause 11.6(b) and (c) which is planned, but not yet completed; and
- (e) a certificate in the form set out in Schedule 9, signed by at least one **director** of **Aurora**.

11.7 If **Aurora** does not comply with clause 9.3 for a **CPP assessment period**, **Aurora** must:

- (a) provide to the **Commission** the unplanned interruptions reporting specified in clause 11.8 within 5 months after the end of that **CPP assessment period**; and
- (b) make the unplanned interruptions reporting specified in clause 11.8 publicly available on **Aurora's** website at the same time **Aurora** provides the unplanned interruptions reporting to the **Commission**.

11.8 The 'unplanned interruptions reporting' must contain:

- (a) the reasons for not complying with the annual unplanned interruptions reliability assessment specified in clause 9.4 and supporting evidence for those reasons;
- (b) any existing **independent** review of the state of the **network** or operational practices completed in the **CPP assessment period** in which **Aurora** failed to comply with the annual unplanned interruptions reliability assessment specified in clause 9.4 or in any of the three preceding **CPP assessment periods**;
- (c) if there was a **SAIDI major event** or **SAIFI major event** during the **CPP assessment period** in which **Aurora** first failed to comply with the annual

unplanned interruptions reliability assessment specified in clause 9.4, any investigations of that **SAIDI major event** or **SAIFI major event**;

- (d) details of any investigation into why **Aurora** failed to comply with the annual unplanned interruptions reliability assessment specified in clause 9.4 for the **CPP assessment period**, including the conclusions and outcomes of the investigation;
- (e) any analysis, conducted in the **CPP assessment period** in which **Aurora** failed to comply with the annual unplanned interruptions reliability assessment specified in clause 9.4 or in any of the three preceding **CPP assessment periods**, of:
  - (i) trends in asset condition;
  - (ii) the **causes of Class C interruptions**;
  - (iii) **asset replacement and renewal**; or
  - (iv) **vegetation management**;
- (f) an outline of any intended review, intended analysis, or intended investigation that would meet the categories specified in paragraphs (b) to (e), which is planned, but not yet completed; and
- (g) a certificate in the form set out in Schedule 10, signed by at least one **director of Aurora**.

11.9 If **Aurora** does not comply with clause 9.5 in a **CPP assessment period**, **Aurora** must:

- (a) provide to the **Commission** the **extreme event standard reporting** specified in clause 11.10 within 5 months after the end of that **CPP assessment period**; and
- (b) make publicly available the **extreme event standard reporting** specified in clause 11.10 on **Aurora's** website at the same time **Aurora** provides the **extreme event standard reporting** to the **Commission**.

11.10 The 'extreme event standard reporting' must contain:

- (a) **Aurora's** reasons for not complying with clause 9.5 and supporting evidence for those reasons;
- (b) for each **Class C interruption** that starts during an **extreme event**:
  - (i) the start date (dd/mm/yyyy) of the **Class C interruption**;
  - (ii) the start time (hh:mm am/pm) of the **Class C interruption**;

- (iii) the end date (dd/mm/yyyy) of the **Class C interruption**;
  - (iv) the end time (hh:mm am/pm) of the **Class C interruption**;
  - (v) **SAIDI value** of the **Class C interruption**; and
  - (vi) **SAIFI value** of the **Class C interruption**;
- (c) any existing **independent** review of the state of the **network** or operational practices completed in the **CPP assessment period** that the **extreme event** occurred or the three preceding **CPP assessment periods**;
  - (d) any analysis of:
    - (i) trends in asset condition for any assets relating to the **extreme event**; or
    - (ii) the sufficiency of **asset replacement and renewal** for assets relating to the **extreme event**;
  - (e) details of any investigation, analysis, or post-event review conducted of the **extreme event**, including the conclusions and outcomes of the investigation, analysis, or post-event review;
  - (f) an outline of any intended review, intended analysis, or intended investigation that would meet the categories specified in paragraphs (c) to (e), which is planned, but not yet completed; and
  - (g) a certificate in the form set out in Schedule 11, signed by at least one **director** of **Aurora**.

[Signed]

Dated at Wellington this XX<sup>th</sup> day of March 2021.

COMMERCE COMMISSION

## **Schedule 1.1: Starting price**

### Clause 8.1

- (1) The starting price for the **CPP regulatory period**, specified as **forecast net allowable revenue** for the first **CPP assessment period**, is \$[96,020,000].

## **Schedule 1.2: Calculation of forecast revenue from prices**

Clauses 8.4, 8.5, and 8.6

- (1) When setting its **prices** for a **CPP assessment period**, **Aurora** must calculate the 'forecast revenue from prices' for the **CPP assessment period** by:
  - (a) preparing a demonstrably reasonable forecast of **quantities** for the **CPP assessment period** to which the **prices** for the **CPP assessment period** will apply; and
  - (b) calculating the sum of each **price** multiplied by each corresponding forecast **quantity**.

### Schedule 1.3: Forecast net allowable revenue

Schedule 1.4

<b>CPP assessment period ending</b>	<b>Forecast net allowable revenue</b>
31 March 2022	[\$96,020,000]
31 March 2023	[\$93,066,000]
31 March 2024	[\$90,181,000]
[31 March 2025]	[\$87,385,000]
[31 March 2026]	[\$84,676,000]



## **Schedule 1.4: Calculation of forecast allowable revenue**

### Clause 8.4

- (1) When setting **prices** for a **CPP assessment period**, **Aurora** must calculate the 'forecast allowable revenue' for the **CPP assessment period** by:
  - (a) preparing a demonstrably reasonable forecast of **pass-through costs** and a demonstrably reasonable forecast of **recoverable costs**, excluding any **recoverable cost** that is a **revenue wash-up draw down amount**; and
  - (b) applying the following formula:

**forecast net allowable revenue + forecast pass-through and recoverable costs + opening wash-up account balance**

## Schedule 1.5: Calculation of wash-up amount for a CPP assessment period

Clause 8.7

*Formula for wash-up amount*

- (1) The ‘wash-up amount’ for each **CPP assessment period** must be calculated in accordance with the following formula:

**actual allowable revenue – actual revenue – revenue foregone**

*Actual allowable revenue*

- (2) For the purposes of paragraph (1), ‘actual allowable revenue’ means:

- (a) for the first **CPP assessment period**:

**actual net allowable revenue plus actual pass-through costs and recoverable costs**

- (b) for the second to [fifth] **CPP assessment periods**:

**actual net allowable revenue plus actual pass-through costs and recoverable costs plus revenue wash-up draw down amount**

- (3) For the purposes of paragraph (2)(b), the ‘actual net allowable revenue’ for the second to [fifth] **CPP assessment periods** means the amount calculated using the following formula:

**actual net allowable revenue of the previous CPP assessment period** × (1 + ΔCPI<sub>t</sub>) × (1 – X)

where:

ΔCPI is the derived change in the **CPI** to be applied for the **CPP assessment period**, calculated in accordance with the following formula:

$$\Delta CPI = \frac{CPI_{Jun,t-1} + CPI_{Sep,t-1} + CPI_{Dec,t-1} + CPI_{Mar,t}}{CPI_{Jun,t-2} + CPI_{Sep,t-2} + CPI_{Dec,t-2} + CPI_{Mar,t-1}} - 1$$

where:

- CPI<sub>q,t-n</sub> is the **CPI** for the quarter year ending q in the 12-month period n years prior to year t;  
 t is the year in which the **CPP assessment period** ends; and  
 X is the annual rate of change, as specified in clause 8.2.

- (4) For the purpose of paragraph (2)(b), the ‘revenue wash-up draw down amount’ is the **opening wash-up account balance** specified in Schedule 1.6.

## Schedule 1.6: Calculation of opening wash-up account balance

### Schedule 1.5

- (1) The 'opening wash-up account balance' means—
  - (a) for the first **CPP assessment period**, nil; and
  - (b) for each of the second to [fifth] **CPP assessment periods**, the closing wash-up account balance of the previous **CPP assessment period**.
- (2) For the purpose of paragraph (1)(b),-
  - (a) the 'previous **CPP assessment period**' of the first **CPP assessment period** of the **CPP regulatory period** is the first **CPP assessment period** of the **DPP regulatory period**; and
  - (b) the 'closing wash-up account balance' means for each **CPP assessment period**, the amount calculated in accordance with the following formula:  
  
**(wash-up amount for the previous CPP assessment period – voluntary undercharging amount foregone for the previous CPP assessment period) × (1 + 67<sup>th</sup> percentile estimate of post-tax WACC)<sup>2</sup>**
- (3) For the purpose of paragraph (2)(b), the 'voluntary undercharging amount foregone' for each **CPP assessment period** is nil.

### **Schedule 1.7: Limits on annual percentage increase in forecast revenue from prices**

Clause 8.4(b)

<b>CPP assessment period ending</b>	<b>Limit on annual percentage increase in forecast revenue from prices</b>
31 March 2023	[10.00]%
31 March 2024	[10.00]%
[31 March 2025]	[10.00]%
[31 March 2026]	[10.00]%

## Schedule 2.1: Recoverable costs

- (1) The **forecast opex** used for calculating the **opex incentive amount** is specified in paragraph (1) of Schedule 2.2.
- (2) The **forecast value of commissioned assets** and **retention factor** used for calculating the **capex incentive amount** as specified in paragraphs (2) and (3) of Schedule 2.2.
- (3) Avoided transmission charges, provided for in clause 3.1.3(1)(e) of the **IM determination**, for **Aurora** must be calculated in accordance with Schedule 5.1.
- (4) The CPP application fee, provided for in clause 3.1.3(1)(h) of the **IM determination**, for **Aurora** is \$20,000.
- (5) The CPP application assessment fee, provided for in clause 3.1.3(1)(i) of the **IM determination**, for **Aurora** is the amount which the **Commission** notifies to **Aurora** in the **CPP regulatory period** as being payable in respect of the **Commission's** assessment of the **CPP proposal** and the determination of the customised price-quality path.
- (6) The **verifier's** fee, provided for clause 3.1.3(1)(j) of the **IM determination**, for **Aurora** is \$677,923.
- (7) The **independent auditor's** fee, provided for in clause 3.1.3(1)(k) of the **IM determination**, for **Aurora** is \$350,921.
- (8) The **extended reserves allowance**, provided for in clause 3.1.3(1)(n) of the **IM determination**, for **Aurora** must be approved in accordance with Schedule 5.2.
- (9) The **quality incentive adjustment**, provided for in clause 3.1.3(1)(o) of the **IM determination**, for **Aurora** must be calculated in accordance with Schedule 4.

## Schedule 2.2: Specified amounts for the incremental rolling incentive scheme

- (1) For the purposes of calculating the **opex incentive amount** for **Aurora** for the **CPP regulatory period**, the **forecast opex**, and the **CPP assessment period** to which it applies, are set out in Table 2.2.1.

**Table 2.2.1: Forecast opex for each CPP assessment period of the CPP regulatory period**

<b>CPP assessment period ending</b>	<b>Forecast opex</b>
31 March 2022	[\$43,031,000]
31 March 2023	[\$45,283,000]
31 March 2024	[\$42,871,000]
[31 March 2025]	[\$41,789,000]
[31 March 2026]	[\$41,953,000]

- (2) For the purposes of calculating the **capex incentive amount** for **Aurora** for the **CPP regulatory period**, the sum of the **forecast value of commissioned assets**, and the **CPP assessment period** to which each sum applies, are set out in Table 2.2.2.

**Table 2.2.2: Sum of the forecast value of commissioned assets for each CPP assessment period of the CPP regulatory period**

<b>CPP assessment period ending</b>	<b>Forecast value of commissioned assets</b>
31 March 2022	[\$78,674,000]
31 March 2023	[\$67,520,000]
31 March 2024	[\$72,187,000]
[31 March 2025]	[\$69,938,000]
[31 March 2026]	[\$65,668,000]

- (3) For the purposes of calculating the **capex incentive amount**, the **retention factor** is for–
- (a) the **CPP assessment periods** ending 31 March 2022 to 31 March [2025], [23.5%]; and
  - (b) the **CPP assessment period** ending [31 March 2026], as specified in the **DPP** that would otherwise apply to **Aurora** in that **assessment period**, in accordance with clause 3.3.10(1) of the **IM determination**.

### Schedule 3.1: Quality standards – planned interruptions

Clause 9.1

- (1) The ‘planned accumulated SAIDI limit’ for **planned interruptions** for **Aurora** for the **CPP regulatory period** is: 979.80.
- (2) The ‘planned accumulated SAIFI limit’ for **planned interruptions** for **Aurora** for the **CPP regulatory period** is: 5.5385.

*Calculation of the planned SAIDI assessed values*

- (3) **Aurora’s planned SAIDI assessed value** ( $SAIDI_{planned, assessed}$ ) for **planned interruptions, intended interruptions cancelled without notice** and **intended interruptions cancelled with notice** for a **CPP assessment period** are calculated in accordance with the formula—

$$SAIDI_{planned, assessed} = SAIDI_B + \frac{SAIDI_N}{2}$$

where—

$SAIDI_B$  is the sum of the **SAIDI values**:

- (a) for any **Class B interruptions** commencing within the **CPP assessment period** that are not **Class B notified interruptions**; and
- (b) in respect of any **Class B notified interruptions** commencing within the **CPP assessment period** that have occurred partially or wholly outside of their specified **notified interruption window** or **alternate day**, the **SAIDI value** attributable to the period of minutes that falls outside of that specified **notified interruption window** or **alternate day**.

$SAIDI_N$  is the sum of:

- (a) the **SAIDI values** attributable to any minutes that fall within the specified **notified interruption window** or **alternate day** of any **Class B notified interruptions** commencing within the **CPP assessment period**, where the **SAIDI value** is the greater of that calculated based on:
  - (i) the duration of minutes accumulated for each **ICP** that the **Class B notified interruption** occurred for; and
  - (ii) the period of the **notified interruption window** minus two hours;
- (b) the ‘intended SAIDI values’ of any **intended interruption cancelled without notice** in the **CPP assessment period**, where the ‘intended



SAIDI value' for each of those **intended interruptions cancelled without notice** is the greater of that calculated based on:

- (iii) the duration of minutes accumulated for each **ICP** that the **intended interruption** occurred for, which will be nil; and
  - (iv) the period of the **notified interruption window** minus two hours; and
- (c) the 'intended SAIDI values' of any **intended interruption cancelled with notice** in the **assessment the period**, where the 'intended SAIDI value' for each of those **intended interruptions cancelled with notice** is nil.

*Calculation of the planned SAIFI assessed values*

- (4) **Aurora's planned SAIFI assessed value** ( $SAIFI_{planned, assessed}$ ) for **planned interruptions** for a **CPP assessment period** is the sum of the **SAIFI values** for **Class B interruptions** commencing within the **CPP assessment period**.

*Additional notice*

- (5) 'Additional notice' means a notice provided by **Aurora** before an **intended interruption** is due to commence that provides information on that **intended interruption**, where:
- (a) the notice must specify:
    - (i) that the **intended interruption** is to be treated as a 'notified interruption';
    - (ii) the **notified interruption window** and, where applicable, the one **alternate day**;
    - (iii) the reason(s) for the **intended interruption**; and
    - (iv) information on where to access any further information or updates on the **intended interruption**, including any updates on whether the **intended interruption** will occur within the **notified interruption window** or the one **alternate day**; and
  - (b) **Aurora** must ensure that the information provided under subparagraph (a)(ii) to (iv) above is made accessible on **Aurora's** website or similar online tool at the same time that the notice is provided to the persons under subparagraph (d);
  - (c) for the purposes of subparagraph (a)(iv), where **Aurora** is providing an update that the **intended interruption** will occur on the **alternate day**, that update, prior to the commencement of the **notified interruption window**, must:

- (i) specify any reasons for why the **intended interruption** will occur on the **alternate day**; and
  - (ii) be provided to the persons under subparagraph (d); and
- (d) the notice must be provided to:
  - (i) all **consumers** directly billed by **Aurora** and affected by the **intended interruption** no later than ten **working days** before that **intended interruption** is due to commence; and
  - (ii) all **consumers** who are not directly billed by **Aurora**, but who are affected by the **intended interruption**, one of the following:
    - (A) any **electricity retailer** affected by the **intended interruption**; no later than ten **working days** before that **intended interruption** is due to commence; or
    - (B) any **Aurora consumer** (except for those **consumers** directly billed by **Aurora**) affected by the **intended interruption**; no later than four **working days** before that **intended interruption** is due to commence.
- (6) The information provided in accordance with paragraph (5)(a)(ii) to (iv) of an **additional notice** may be amended if **Aurora** provides notice of that amendment to all persons subject to the original notice under paragraph (5)(d)(i)-(ii) above, where that amended notice:
  - (a) provides the reason(s) for the amendment; and
  - (b) is provided within the following applicable timeframe:
    - (i) at least 24-hours prior to the commencement of the **notified interruption window** or, where applicable, the **alternate day**;  
or
    - (ii) within the time limits specified in paragraph (5)(d)(i) and either paragraph (5)(d)(ii)(A) or (B) above if the amendment would result in a different start date than that specified in the **notified interruption window** or **alternate day**.

## Schedule 3.2: Quality standards – unplanned interruptions

Clauses 9.3 and 9.4

- (1) The **unplanned SAIDI limit, unplanned SAIFI limit, SAIDI unplanned boundary value and SAIFI unplanned boundary value** for **unplanned interruptions** for **Aurora** for each **CPP assessment period** of the **CPP regulatory period** are as set out in Table 3.2.1.

**Table 3.2.1: Unplanned SAIDI limit, unplanned SAIFI limit, SAIDI unplanned boundary value and SAIFI unplanned boundary value for Aurora for the CPP regulatory period**

Unplanned SAIDI limit	Unplanned SAIFI limit	SAIDI unplanned boundary value	SAIFI unplanned boundary value
124.94	2.0710	5.69	0.0737

*Calculation of the unplanned SAIDI assessed values*

- (2) The **unplanned SAIDI assessed value** ( $SAIDI_{unplanned, assessed}$ ) for a **CPP assessment period** is the sum of the **SAIDI values for Class C interruptions** commencing within the **CPP assessment period**, where the **SAIDI value** for each 30 minute period that starts on the hour or half past the hour within a **SAIDI major event** that exceeds  $1/48^{\text{th}}$  of the **SAIDI unplanned boundary value** for that **CPP assessment period** is replaced with  $1/48^{\text{th}}$  of the **SAIDI unplanned boundary value** for that **CPP assessment period**.

*Calculation of the unplanned SAIFI assessed values*

- (3) The **unplanned SAIFI assessed value** ( $SAIFI_{unplanned, assessed}$ ) for a **CPP assessment period** is the sum of the **SAIFI values for Class C interruptions** commencing within the **CPP assessment period**, where the **SAIFI value** for each 30 minute period that starts on the hour or half past the hour within a **SAIFI major event** that exceeds  $1/48^{\text{th}}$  of the **SAIFI unplanned boundary value** for that **CPP assessment period** is replaced with  $1/48^{\text{th}}$  of the **SAIFI unplanned boundary value** for that **CPP assessment period**.

## Schedule 4: How to calculate the quality incentive adjustment

### Schedule 2.1

- (1) The **quality incentive adjustment** must be calculated by **Aurora** within 5 months after the **CPP assessment period** in accordance with paragraph (5).
- (2) The **quality incentive adjustment** is a **recoverable cost** in the **CPP assessment period** following the **CPP assessment period** for which the **quality incentive adjustment** was calculated.
- (3) The **SAIDI unplanned interruption target**, **SAIDI unplanned interruption collar**, and **SAIDI unplanned interruption cap** for **unplanned interruptions** for **Aurora** during the **CPP regulatory period** are as set out in Table 4.1.

**Table 4.1: SAIDI unplanned interruption collar, SAIDI unplanned interruption target and SAIDI unplanned interruption cap for Aurora for the CPP regulatory period**

SAIDI unplanned interruption collar	SAIDI unplanned interruption target	SAIDI unplanned interruption cap
0	88.08	124.94

- (4) The **SAIDI planned interruption target**, **SAIDI planned interruption collar**, and **SAIDI planned interruption cap** for **planned interruptions** for **Aurora** during the **CPP regulatory period** are as set out in Table 4.2.

**Table 4.2: SAIDI planned interruption collar, SAIDI planned interruption target and SAIDI planned interruption cap for Aurora for the CPP regulatory period**

SAIDI planned interruption collar	SAIDI planned interruption target	SAIDI planned interruption cap
0	72.16	195.96

- (5) The **incentive rate** for **Aurora** during the **CPP regulatory period** is [\$14,279].
- (6) The **quality incentive adjustment** is—
  - (a) the lesser of:
    - (i) the sum of:
      - A.  $(SAIDI_{unplanned,target} - SAIDI_{unplanned,assessed}) * IR$ ;
      - B.  $(SAIDI_{planned,target} - SAIDI_{planned,assessed}) * 0.5 * IR$ ; and
    - (ii) the **revenue at risk**; and

- (b) after calculating the sum in paragraph (a), that sum is adjusted for the time-value for money by multiplying the sum in accordance with the following formula-

$$(1 + \text{67th percentile estimate of post-tax WACC})^2$$

- (7) For the purposes of paragraph (6)—

- (a)  $SAIDI_{unplanned,target}$  is the **SAIDI unplanned interruptions target** specified for **Aurora** in respect of **unplanned interruptions** for the **CPP assessment period** set out in Table 4.1;
- (b)  $SAIDI_{unplanned,assessed}$  is the **unplanned SAIDI assessed value** for **Aurora** in respect of **unplanned interruptions** for the **CPP assessment period** calculated in accordance with paragraph (2) of Schedule 3.2;
- (c) where  $SAIDI_{unplanned,assessed}$  is greater than the **SAIDI unplanned interruption cap** specified for **Aurora** for the **CPP assessment period** set out in Table 4.1,  $SAIDI_{unplanned,assessed}$  equals the **SAIDI unplanned interruption cap** specified for **Aurora** for the **CPP assessment period** set out in Table 4.1;
- (d)  $IR$  is the **incentive rate** specified for **Aurora** in respect of the **CPP assessment period** as specified in paragraph (5);
- (e)  $SAIDI_{planned,target}$  is the **SAIDI planned interruption target** specified for **Aurora** in respect of **planned interruptions** for the **CPP assessment period** set out in Table 4.2;
- (f)  $SAIDI_{planned,assessed}$  is the **planned SAIDI assessed value** for **Aurora** in respect of **planned interruptions** for the **CPP assessment period** calculated in accordance with paragraph (3) of Schedule 3.1;
- (g) where  $SAIDI_{planned,assessed}$  is greater than the **SAIDI planned interruption cap** specified for **Aurora** for the **CPP assessment period** set out in Table 4.2,  $SAIDI_{planned,assessed}$  equals the **SAIDI planned interruption cap** specified for **Aurora** for the **CPP assessment period** set out in Table 4.2;
- (h) the ‘revenue at risk’ is the amount calculated in accordance with the following formula:

$$0.02 * ANAR$$

where—

$ANAR$  is the **actual net allowable revenue** for **Aurora** for the **CPP assessment period**.

## Schedule 5.1: Avoided transmission charges

### Schedule 2.1

- (1) For the purposes of calculating a **recoverable cost** under clause 3.1.3(1)(e) of the **IM determination**, the amount of charge described in clause 3.1.3(1)(b) of the **IM determination** that **Aurora** has avoided liability to pay as a result of having purchased **system fixed assets** from **Transpower** is—
- (a) for a purchase of **system fixed assets** in the 12-month period prior to the **CPP regulatory period**, for the **CPP assessment period** immediately following that 12-month period, one of the following, at **Aurora's** choice:
- (i) the amount **Transpower** would have charged for using the **system fixed assets Aurora** purchased, as specified in a pricing schedule determined by **Transpower** for the 12-month period prior to the **CPP assessment period** in which the charge was first recovered; or
- (ii) the amount determined in accordance with paragraph (1)(a)(i) adjusted using a method consistent with the **transmission pricing methodology**; or
- (b) for a purchase of **system fixed assets**—
- (i) in the **CPP assessment period** ending 31 March 2022, the difference, as calculated by **Transpower** in accordance with the **transmission pricing methodology**, between:
- (A) the costs of transmission payable to **Transpower** for the **CPP assessment period** ending 31 March 2023; and
- (B) the costs of transmission that would have been payable to **Transpower** for the **CPP assessment period** ending 31 March 2022 if **Aurora** had not purchased the **system fixed assets**; and
- (ii) in each **CPP assessment period** following the **CPP assessment period** ending 31 March 2022 for which an amount is calculated, the amount calculated in accordance with paragraph (1)(b)(i), in constant nominal terms.

## Schedule 5.2: Approval of extended reserves allowances

### Schedule 2.1

- (1) **Aurora** must, no later than 70 **working days** after a **CPP assessment period**, submit an application for approval of an **extended reserves allowance** if any amounts were incurred or received in that **CPP assessment period** in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves.
- (2) The application for approval of an **extended reserves allowance** must include:
  - (a) all compensation payments made by **Aurora** in the **CPP assessment period** in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves;
  - (b) all compensation payments and revenue received by **Aurora** in the **CPP assessment period** in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves;
  - (c) an estimate of the compensation payments and revenue received by **Aurora** in the **CPP assessment period** in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves that should be associated with **unregulated services**, along with reasons for such treatment; and
  - (d) any other explanatory material or supporting information reasonably necessary to demonstrate costs incurred and amounts payable or receivable in accordance with any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves.
- (3) The **Commission** may request additional information, **independent** evidence, **director** certificates, or audit statements relating to the information provided in the application.
- (4) Subject to clause 3.1.3(7) of the **IM determination**, the **Commission** may approve by notice in writing to **Aurora**, an allowance for costs incurred and amounts payable, or for amounts receivable, under any requirements in the Electricity Industry Participation Code 2010 relating to extended reserves, as determined by the **Commission**.
- (5) An amount the **Commission** approves under paragraph (4) is an 'extended reserves allowance' **recoverable cost** under clause 3.1.3(1)(n) of the **IM determination** in the **CPP assessment period** to which the application relates.

## **Schedule 6: Form of director's certificate for annual price-setting compliance statement**

Clause 11.2(b)(i)

I/We, *[insert full name/s]*, being director/s of Aurora Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual price-setting compliance statement of Aurora Energy Limited, and related information, prepared for the purposes of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* has been prepared in accordance with all the relevant requirements, and all forecasts used in the calculations for forecast revenue from prices and forecast allowable revenue are reasonable\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of directors]*

*[Date]*

\*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.



## **Schedule 7: Form of director's certificate for annual compliance statement**

Clause 11.4(d)

I/We, *[insert full name/s]*, being director/s of Aurora Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached annual compliance statement of Aurora Energy Limited, and related information, prepared for the purposes of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of directors]*

*[Date]*

\*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

## Schedule 8: Independent auditor's report on annual compliance statement

### Clause 11.4(e)

- (1) For the purpose of clause 11.4(e), **Aurora** must procure an assurance report by an **independent auditor** in respect of the **annual compliance statement** that is prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000), signed by the **independent auditor** (either in his or her own name or that of his or her firm), and that:
  - (a) is addressed to the **directors** of **Aurora** and to the **Commission** as the intended users of the assurance report;
  - (b) states:
    - (i) that it has been prepared in accordance with Standard on Assurance Engagements 3100 – Compliance Engagements (SAE 3100) and International Standard on Assurance Engagements (New Zealand) 3000 (ISAE (NZ) 3000);
    - (ii) the work done by the **independent auditor**;
    - (iii) the scope and limitations of the assurance engagement;
    - (iv) the existence of any relationship (other than that of auditor) which the **independent auditor** has with, or any interests which the **independent auditor** has in, **Aurora** or any of its subsidiaries;
    - (v) whether the **independent auditor** has obtained sufficient recorded evidence and explanations that he or she required and, if not, the information and explanations not obtained; and
    - (vi) whether, in the **independent auditor's** opinion, as far as appears from an examination, the information used in the preparation of the **annual compliance statement** under clause 12.4 of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* has been properly extracted from **Aurora's** accounting and other records, sourced from its financial and non-financial systems; and
  - (c) states whether (and, if not, the respects in which it has not), in the **independent auditor's** opinion, **Aurora** has complied, in all material respects, with the *Aurora Energy Limited Electricity Distribution Customised Price Quality Path Determination 2021* in preparing the **annual compliance statement**.

## **Schedule 9: Form of director's certificate for planned interruptions reporting**

Clause 11.6(e)

I/We, *[insert full name/s]*, being director/s of Aurora Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached planned interruptions reporting of Aurora Energy Limited, and related information, prepared for the purposes of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of director(s)]*

*[Date]*

\*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

## **Schedule 10: Form of director's certificate for unplanned interruptions reporting**

Clause 11.8(g)

I/We, [*insert full name/s*], being director/s of Aurora Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached unplanned interruptions reporting of Aurora Energy Limited, and related information, prepared for the purposes of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021*, has been prepared in accordance with all the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signatures of director(s)]*

*[Date]*

\*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

## **Schedule 11: Form of director's certificate for extreme event standard reporting**

Clause 11.10(g)

I/We, *[insert full name/s]*, being director/s of Aurora Energy Limited certify that, having made all reasonable enquiry, to the best of my/our knowledge and belief, the attached extreme event standard reporting of Aurora Energy Limited, and related information, prepared for the purposes of the *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021*, has been prepared in accordance with the relevant requirements\**[except in the following respects]*.

\**[insert description of non-compliance]*

*[Signature/s of director/s]*

*[Date]*

\*Delete if inapplicable.

Note: Section 103(2) of the Commerce Act 1986 provides that no person shall attempt to deceive or knowingly mislead the Commission in relation to any matter before it. It is an offence to contravene section 103(2) and any person who does so is liable on conviction to a fine not exceeding \$100,000 in the case of an individual or \$300,000 in the case of a body corporate.

## Schedule 12: IM variations

Clause 6.2

### **Deed varying input methodologies that will apply to the customised price-quality path determination for Aurora Energy Limited**

This deed is given by **Aurora Energy Limited** (Aurora) and the **Commerce Commission** (the Commission) with regard to the variation of input methodologies in accordance with section 53V(2)(c) of the Commerce Act 1986 (the Act).

#### **Background**

On 12 June 2020, Aurora submitted a proposal for a customised price-quality path (CPP) to the Commission. The Commission is currently evaluating Aurora's proposal for the purpose of making a CPP determination, as required by sections 53T and 53V of the Act.

In accordance with section 52S(b) of the Act, the Commission must apply all relevant input methodologies in determining the CPP. The *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (the IM Determination) currently applies to the regulation of the electricity lines business of Aurora under Part 4 of the Act.

Aurora has agreed to the Commission varying, and the Commission has agreed to vary, the IM Determination in accordance with the clauses of this deed, under section 53V(2)(c) of the Act, as the IM Determination applies to the Commission's determination of a CPP for Aurora under section 52P of the Act.

#### **Deed**

1. By this deed, Aurora agrees to the variation of, and the Commission varies, the IM Determination as it applies to the Commission's determination of a CPP for Aurora under section 52P of the Act, in accordance with the following clauses.
2. The Commission varies clause 1.1.4(2) of the IM Determination by:

2.1 inserting the following definitions into the appropriate alphabetical order:

<b>capacity event</b>	has the meaning specified in clause 5.6.6A;
<b>probabilistic risk assessment</b>	means the assessment of a risk associated with an <b>EDB's network</b> , based on the severity of the adverse consequence(s) and the probability of each consequence occurring, if the risk eventuates;
<b>risk event</b>	has the meaning specified in clause 5.6.6B;

2.2 replacing the definition of "**expenditure objective**" with the following:

**expenditure objective**

means the objective that **capital expenditure** and **operating expenditure** reflect the efficient costs that a prudent **non-exempt EDB** would require to-

- (a) meet or manage increased demand for **electricity distribution services**, at appropriate service standards, during the **CPP regulatory period** and over the longer term; and
- (b) comply with applicable regulatory obligations associated with those **electricity distribution services**;

3. The Commission varies clause 3.3.3(9) of the IM Determination by replacing the existing text with the following text:

(9) 'Actual opex' is the amount of **operating costs** allocated to **electricity distribution services** for the relevant **disclosure year** that is calculated in accordance with Part 2 but must not include the **pecuniary penalty** imposed on Aurora Energy Limited on 23 March 2020 for breaching its quality standards.

4. The Commission varies clause 5.3.5(1) of the IM Determination by replacing the existing text with the following text:

(1) **Operating costs** forecast in each **disclosure year** of the **next period** must be allocated in accordance with clause 2.1.1.

5. The Commission varies subpart 6 of the IM Determination as follows:

5.1 Before clause 5.6.7, new clauses 5.6.6A and 5.6.6B are inserted as follows:

5.6.6A Capacity event

'Capacity event' means an event for which-

- (a) an **EDB** demonstrates in the **CPP regulatory period** that its **network** requires additional capacity to provide **electricity distribution services**;

- (b) when the **CPP** was determined, the requirement for the additional capacity-
  - (i) was not sufficiently certain; or
  - (ii) could not reasonably have been foreseen by a prudent **EDB**; and
- (c) providing the additional capacity-
  - (i) would require the **EDB** to incur costs of at least two million dollars (whether **capex** or **opex**) during the **CPP regulatory period** above any allowance for that additional capacity provided for in the **DPP** or **CPP**; and
  - (ii) meets the **expenditure objective**.

#### 5.6.6B Risk event

'Risk event' means an event for which-

- (a) an **EDB** demonstrates with a **probabilistic risk assessment** within the **CPP regulatory period** that one or more of the assets in the **EDB's network** is deteriorating to such an extent that failing to remedy the deterioration would-
  - (i) have a materially adverse effect on the **EDB's** ability to meet its quality standards under the **CPP**; or
  - (ii) compromise safety for-
    - (A) any person;
    - (B) any equipment;
    - (C) the **network**; or
    - (D) an **embedded network**;
- (b) the need to remedy the deterioration was not sufficiently certain when the **CPP** was determined; and
- (c) remedying the deterioration -
  - (i) would require the **EDB** to incur during the **CPP regulatory period** costs of at least two million dollars (whether **capex** or **opex**) above any allowance for remedying the deterioration provided for in the **DPP** or **CPP**;



- (ii) could not be delayed until a future **regulatory period** without compromising safety or having a materially adverse effect on the **EDB's** ability to meet its quality standards; and
    - (iii) meets the **expenditure objective**.
- 6. The Commission varies clause 5.6.7(2) of the IM Determination by replacing the existing text with the following text:
  - (2) This subclause applies if –
    - (a) subject to subclause (3), a **catastrophic event** has occurred;
    - (b) a **change event** has occurred;
    - (c) there has been an **error event**;
    - (d) a **major transaction** has occurred;
    - (e) there has been a **WACC change**;
    - (f) a **capacity event** has occurred; or
    - (g) a **risk event** has occurred.
- 7. The Commission varies clause 5.6.8(3) of the IM Determination by replacing the existing text with the following text:
  - (3) The **Commission** must not amend the-
    - (a) price path more than is reasonably necessary to take account of the change in costs net of any insurance or compensatory entitlements; and
    - (b) quality standards or quality incentive measures more than is reasonably necessary to reflect the **Commission's** decision on a **quality standard variation** or to mitigate the effect of-
      - (i) the **catastrophic event**;
      - (ii) the **change event**;
      - (iii) the **error event**;
      - (iv) the **major transaction**;
      - (v) the provision of **false or misleading information**;
      - (vi) the **contingent project**;

- (vii) the **unforeseen project**;
  - (viii) the **WACC change**;
  - (ix) the **risk event**; or
  - (x) the **capacity event**,
- as the case may be.

Executed as a Deed on \_\_\_\_ day of \_\_\_\_\_, 2021.

by **Aurora Energy Limited**

\_\_\_\_\_  
Signature of representative authorised  
to execute a deed

\_\_\_\_\_  
Signature of representative authorised to  
execute a deed (or witness)

\_\_\_\_\_  
Name of authorised representative

\_\_\_\_\_  
Name of authorised representative or  
witness

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

by the **Commerce Commission**

\_\_\_\_\_  
Signature of authorised representative

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Name of authorised representative

\_\_\_\_\_  
Name of witness

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## Explanatory note

- (1) The purpose of the Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021 (“the Determination”) is to set a customised price-quality path for Aurora Energy Limited (“Aurora”) for the [five] years beginning 1 April 2021 and ending 31 March 2026, under Part 4 of the Commerce Act 1986 (“the Act”).
- (2) Under section 53N of the Act, Aurora must provide to the Commerce Commission (“the Commission”) separate compliance statements relating to price setting, the wash-up account calculation, performance against quality standards, and transactions. Aurora must state whether it has complied with the customised price-quality path set out in the Determination, provide its wash-up amount calculation, and supporting evidence. The compliance statements must both be accompanied by a director’s certificate. The compliance statements for the wash-up amount calculation, quality standards and transactions must also be accompanied by an auditor’s report. Aurora must publish its compliance statements on its website at the same time as it submits them to the Commission.
- (3) A reasons paper providing detailed background to, and analysis of, the Determination can be found at:  
  
<https://comcom.govt.nz/regulated-industries/electricity-lines/projects/our-assessment-of-aurora-energys-investment-plan>.
- (4) Copies of this Determination are available for inspection free of charge at the Commission (during ordinary office hours), on the Commission’s website at the above link, or for purchase at a reasonable price at the Commission.