

# Key decisions on Aurora's plan

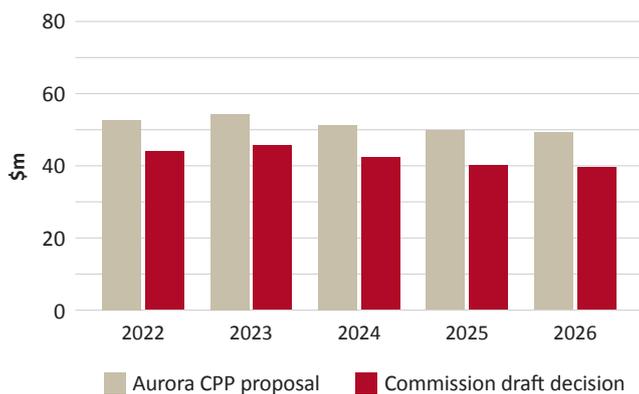
In June 2020 Aurora filed an application for a customised price path (CPP) to enable it to spend heavily to fix its ageing electricity lines network in Dunedin, Central Otago and Queenstown Lakes.

This fact sheet outlines our key draft decisions in response to Aurora's plan. These are now open to consultation and we are seeking your feedback by 10 December 2020.

## Aurora's expenditure

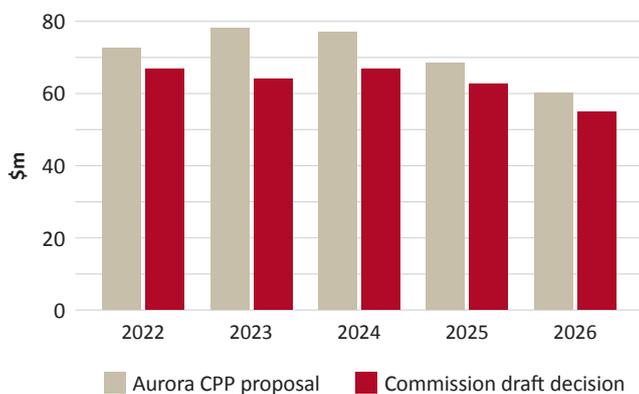
Our draft decision would reduce Aurora's planned expenditure by \$86m over five years from April 2021.

Forecast operating expenditure



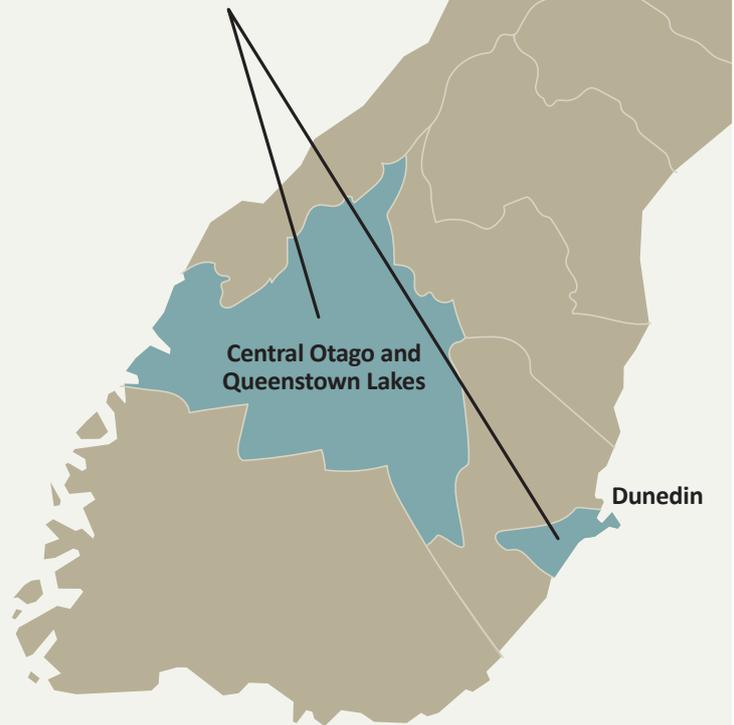
We would allow \$208m of the \$253m Aurora proposed to spend on maintaining and operating its network.

Forecast capital expenditure



We would allow \$315m of the \$356m Aurora proposed to spend on capital expenditure (new assets like poles, cables and transformers).

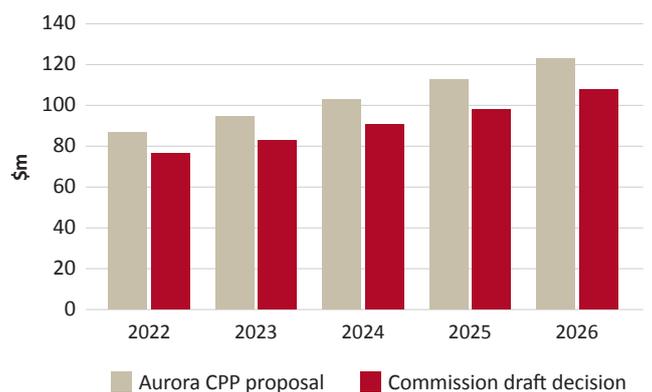
## Aurora Energy's distribution area



## Allowable revenue

To help manage the impact of Aurora's expenditure on consumers, our draft decision would cap the increases in Aurora's total revenue to no more than 10% in each year of the CPP period.

Proposed net allowable revenue (excl. transmission)



An alternative option we can consider is to allow Aurora's revenue to increase by 5% in the first year, and then 10% a year for the rest of the period. This would, however, result in lines charges staying higher for longer.

## Price impact

In its application, Aurora estimated the impact its spending would have on total monthly energy bills in 2023/24 compared to 2020/2021 prices. We have adjusted its estimate to include relevant factors (like GST and inflation) and compare it with our draft decision. Our analysis indicates our draft decision would significantly reduce the increase in lines charges compared to Aurora's plan.

### Aurora's forecast monthly \$ price increase compared to our estimates in 2023/24

	Dunedin	Central Otago and Wanaka	Queenstown
<b>Aurora CPP application</b>	20.30	30.90	24.10
<b>Aurora adjusted</b>	32.70	47.30	39.80
<b>Draft Decision</b>	22.20	31.50	22.70
<b>Difference</b>	<b>-10.50</b>	<b>-15.80</b>	<b>-17.10</b>

We have further calculated the indicative price impact of our draft decision (Scenario 1) and the alternative option (Scenario 2) on average monthly lines charges for residential customers across the CPP period. The estimated impact on a medium residential electricity user's lines charge for each of Dunedin, Queenstown Lakes and Central Otago (including Wanaka) is shown here. Low and high electricity users could be significantly below or above this estimate.



### Increase in Residential Monthly Lines Component relative to 2020/21 – Medium Consumer Profile

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Scenario 1</b>					
Dunedin	\$4.52	\$11.23	\$17.45	\$23.95	\$31.18
Central Otago	\$9.65	\$18.01	\$28.36	\$40.28	\$52.84
Queenstown	\$7.19	\$10.91	\$17.66	\$25.22	\$33.54
<b>Scenario 2</b>					
Dunedin	\$1.90	\$8.36	\$14.32	\$20.54	\$27.46
Central Otago	\$4.35	\$12.27	\$22.11	\$33.48	\$45.45
Queenstown	\$3.45	\$6.89	\$13.30	\$20.48	\$28.41



## Quality standards

We have set network outage targets at levels that broadly reflect Aurora's recent performance over the past five years. Overall, this would mean that its customers could expect the reliability and quality of their electricity supply to stabilise at today's levels, before gradually improving over time.

## Feedback

We want to hear from you on our draft decision and proposed reporting requirements. Visit our website for more information or contact us at [feedbackauroraplan@comcom.govt.nz](mailto:feedbackauroraplan@comcom.govt.nz).



## Reporting requirements

Alongside the CPP decision, we are planning some additional requirements on Aurora to improve its accountability to its customers across its network. This could include:

- Producing an Annual Delivery Report and presenting it to customers in each of its three regions
- Reporting on the quality of its services, regional pricing and improvements in asset management
- Reporting on how it has consulted with its customers on changes to its compensation scheme.

We intend to consult on the detail of these proposals shortly.