

Have your say on Aurora Energy's investment plan



COMMERCE
COMMISSION
NEW ZEALAND
Te Kōwhiri Raukōwhiri

Use this form to have your say on key issues we have identified in our initial assessment of Aurora's investment plan. Alternatively, you can submit online at www.comcom.govt.nz/aurora

Submissions close on 20 August 2020

Further topics for feedback are covered in our 'Discussion of Key Issues' paper available on our website.

If you are a business or organisation or you want to provide more substantive feedback you can email your submission to feedbackauroraplan@comcom.govt.nz

Please provide your email address if you want to be kept up to date with our assessment:

Please make sure you clearly identify any confidential information as we may publish consolidated feedback on our website.

If you need more space, you can staple extra pages to this form.

Once you have completed this form, put it in an envelope (you do not need a stamp) and send it back to us at this address:

attn Aurora Investment Plan
Freepost
Commerce Commission
PO Box 2351
Wellington 6140
New Zealand

Options for managing consumer price shocks

Aurora's proposal estimates the three-year increase in the total average residential power bill is between \$20-30 more a month depending on where you live. If we approve a default five-year investment period, Aurora's proposal would result in a further increase in years four and five of between 2.6 and 3.2%, or approximately \$5-\$6 more a month depending on where you live. We are considering how spending might be deferred, reduced or recovered over a longer period to avoid sharp price increases for consumers.

What are your preferences for managing price shocks (please tick):

☒ I would prefer prices to rise immediately but in gradual and steady increments

I would prefer a smaller price rise in the first year and then larger increases in the following years to give me time to prepare

I would be willing to pay more in total (due to interest costs) in order to smooth price increases over a longer period of time

Length of the investment period

Aurora has applied for the minimum investment period (three out of a maximum of five years). It says its asset data makes it hard to accurately determine its investment needs past three years and a shorter period gives it time to improve the quality of its asset information before submitting a second investment application. We are considering whether Aurora's asset data is robust enough to set a five-year period (with maximum allowed revenues of \$609 million compared to \$383 million over three years).

What should we consider in making our decision on the length of the investment period that applies to Aurora?

Asset data is critical. Quite unbelievable that Aurora do not have accurate Asset Data.

- in light of this 3 year asset data assessment improvement & investment period & model should be used.

Do you have any concerns with either a three-year or five-year investment period?

I have concerns that after 3 years Aurora will find significant additional investment is required to ensure supply & safety standards are met.

But 5 year revenue funding allocation on poor data is also not acceptable.

The cost of doing this asset assessment is also a concern.

Planned power cuts

Aurora is forecasting that planned power cuts (to allow it to undertake network replacement, maintenance and tree trimming work) will remain at similar levels over the next few years as they have been over the previous two years.

Are there any types of planned power cuts you want Aurora to avoid?

- ✓ winter
- weekend
- ✓ evenings
- other (please detail)

Significant local events.

Would you prefer:

- ✓ Longer power cuts less frequently
- Shorter power cuts more frequently

What are your preferences for how you would like to be notified about planned power cuts (eg, social media, texts, mail drops) and how much advance notice do you expect to receive?

- texts / local newspaper public notice.
- Mail drops to affected properties.

Unplanned power cuts

Aurora is proposing to increase the maximum limits we allow it for unplanned power cuts across its network due to the continued failure of old equipment. Aurora forecasts that on average customers can expect 111 minutes of unplanned power cuts a year (excluding the full impact of severe weather events) over the investment period regardless of whether this is three or five years – up 4% on the previous investment period. It expects a slight improvement in network reliability towards the end of 2024.

Would you be willing to pay more for less frequent and shorter power cuts at this time?

111 minutes of unplanned power cuts are not unreasonable.

No additional payment supported to reduce further.

What should Aurora do differently to manage and communicate with you about unplanned power cuts?

- Communicate for a start off!
- web page outage maps with details of expected reconnect times.
- updated dial in service

What are your views on Aurora's current compensation scheme where it offers consumers a \$50 credit when it fails to meet service levels?

- For domestic properties it is reasonable.
- For commercial properties totally unacceptable. Insulting in fact. Aurora need to step up with more reasonable / value affected compensation for commercial properties.

Aurora's ability to deliver on its plan

Do you have any specific concerns about Aurora's ability to deliver on its investment plan?

- Past History has shown very poor ability to deliver to plan.
- Poor local input or social connection to central Otago in particular.
- ~~Board~~ Board members are not "connected" to market & hence do not understand needs of market
- Do not believe that have the infra structure in place yet to meet abulities.

How would you like Aurora to be held to account for completing the work (eg, requiring it to report on progress including meeting in person with its communities)?

- Absolutely Aurora should be meeting face to face with communities.
- Meetings 6 monthly - regularly - advertising prior.
- Mail outs to subscribers / ~~public~~ ^{consumers} with details of improvements + targets achieved/missed against KPI's.

What level of detail would you like to see in these reports and how often?

- Assets identified as needing improvement / repair / replacement.
- Clear goals / KPI's.
- Summary data with appendix detail by region.

The effectiveness of Aurora's consultation

Have your views on Aurora's investment proposal changed since Aurora consulted with you (eg, because of the COVID-19 pandemic)?

- Aurora have not consulted.
- Commerce Commission has - belatedly.
- COVID 19 has not prevented ability to consult. Emails/newspapers mail drops etc were still very possible. COVID19 is a very poor excuse. Most if not all other viable/essential services continued. Aurora have not consulted in any meaningful manner at all.

Is there anything Aurora did not properly consider in its investment application that you want to bring to our attention?

Shareholder (DCC) excessive fleecing of regions (\$120mm est) over 10 years have effectively created this situation. It needs to be recognised + funding/cross funding by region ex Dunedin City Region incorporated into investment application to smooth increased. - cross subsidy to offset regional impact on Qtn/Wairarapa Central Otago.

Impact of the COVID-19 pandemic

Given likely reductions in growth and demand because of COVID-19, Aurora has deferred major growth projects and we are considering whether there are further projects that can be deferred.

What are your views on how we might allow for uncertainty associated with COVID-19 to mitigate risks including that we under or over approve spending?

This is an essential service - totally unreasonable/unacceptable delaying due to COVID 19 concerns. - Delaying tactic & not acceptable nor needed.

Is there anything else you want to bring to the Commission's attention?

There has been too long a delay in the regulator - Commerce Commission - getting involved & managing/overseeing Aurora plans.

The remaining questions are optional:

Operating spending

Aurora is proposing to spend \$156 million over three years (up about 65%) or \$253 million over five years (up 75%) on the allowances we set for the previous period. Generally increased operating spending will have an immediate impact on consumer bills. Aurora says its spending is to address a maintenance backlog, be more proactive with network inspections and tree trimming and improve its asset management for the longer term.

Do you think Aurora's proposed spending focuses on the right things?

Aurora need to understand their parameters & especially their asset base.

Hence spending to improve Asset Management is reasonable & prudent. But this needs to be done cost effectively. Not entirely sure Aurora are meeting this criteria.

Do you agree with the areas we plan to scrutinise further (spending on tree trimming, staffing and business support costs) and are there any other areas you think we should look at?

Yes. Agree.

- x Suggest also focus on governance model & degree of local consultation.
- x Suggest to Aurora improvements in their consultation/communication:-
- Context
- x Expert review of costs - not relying on Aurora cost estimates.

Capital spending

Aurora is proposing to spend \$228 million on new equipment over the next three years (nearly triple) or \$356 million over five years (more than triple) the allowances set for the previous period. It says this spending is to address safety risks on its network and replace equipment before it fails (eg, poles, cables, crossarms, overhead lines and zone substations).

Do you think Aurora's proposed spending targets the right equipment for replacement at the right time?

Not properly qualified nor do I have enough information to make a call on this!

If not, what do you think Aurora should focus its spending on?

Not qualified to provide guidance.