

20 August 2020

Commerce Commission

feedbackauroraplan@comcom.govt.nz

Dear Commerce Commission



wellington electricity

Wellington Electricity
Lines Limited

85 The Esplanade
Petone, PO Box 31049
Lower Hutt 5040
New Zealand

Tel: +64 4 915 6100

Fax: +64 4 915 6130

www.wellectricity.co.nz

Feedback on Aurora Energy's CPP investment proposal

Wellington Electricity Lines Limited (**WELL**) welcomes the opportunity to comment on the Commerce Commission's (**Commission**) discussion paper *Have your say on Aurora Energy's proposal to change its prices and quality standards to fund major network investment* (**Discussion paper**) published on 30 July 2020.

WELL supports Aurora Energy's (**Aurora**) customised price-quality path (**CPP**) application to invest in its electricity network to make it safer and maintain reliability of supply for its consumers. WELL believes it is important that Electricity Distribution Businesses (**EDBs**) have the ability to request additional funding where their DPP revenues are not sufficient to maintain their operation to provide a safe, reliable and sustainable electricity distribution network for their consumers.

It's also important to recognise that Aurora's network is not providing the level of quality expected in their current Default Price Path Determination as current pricing is not sufficient to meet the quality expectations set by the Commission Part 4 DPP methodology. Customers are currently enjoying low prices but this has proven unsustainable to maintain reliability – the CPP application will rebalance these price/quality expectations.

WELL agrees with the level of consultation undertaken by Aurora with consumers in relation to their proposed CPP and notes the verifiers' confirmation that the expected level of consultation has been met. Consultation is an important step to educate consumers on Price/Quality choices, canvas their views and obtain their feedback on whether consumers value an increase in price for less interruptions (acknowledging some interruptions will occur due to events outside Aurora's control), or if consumers are not comfortable with the increase. If the latter is true, then there needs to be an opportunity to reset the quality measures to a level consistent with the funding customers are prepared to pay to deliver the electricity services. WELL notes that Aurora's final CPP proposal

reflects feedback from consumers and the proposed work programme has been reduced to remove some network enhancement and non-urgent projects that customers said they did not want.

WELL also supports the flexibility noted in the Discussion paper to consider ways of setting the annual allowable revenue at a level to minimise the potential of price shocks to consumers, while also ensuring electricity distribution networks have appropriate cash flow to enable the required new investment in the network and ensure financial stability. WELL believes flexibility is needed to allow an approach to price smoothing which best suits the specific needs of customers and reflects the program of work from Aurora targeting priority feeders, which may well push the program beyond the CPP five year period, if price shock reduction is held precedent

WELL also believes that flexibility is also needed for large reconstruction projects, and consideration of dispensation for larger construction outages to recognise the cost efficiency of bulk overhead line replacement (subject to consumer consultation for the larger outages) compared to the higher cost of many smaller outages.

WELL also notes the high cost of producing a CPP application. With the exception of the Commission's own costs and the costs of external verification and audit, this cost cannot be recovered by Aurora Energy. WELL believes that Aurora Energy should be able to recover the CPP application costs, as not doing so is punitive and disincentives CPP applications. Aurora Energy should be allowed to earn their regulatory return for the investment they are making on the network.

If you have any questions or there are aspects you would like to discuss, please don't hesitate to contact Scott Scrimgeour, Commercial and Regulatory Manager, at sscrimgeour@welectricity.co.nz .

Yours sincerely



Greg Skelton

Chief Executive Officer