

Alec Findlater
General Manager Network Commercial
Aurora Energy
10 Halsey Street
Dunedin Central
Dunedin 9016

17 March 2020

Dear Alec

Thank you for your letter of 5 December 2019 that set out your thoughts on Aurora Energy applying for a Quality Standard Variation (QSV) for the first year of DPP3 (FY2021).

In your letter you raise concerns about a duplication of work with Aurora's CPP application, and to avoid this, suggest that a QSV application approach could rely on:

- Aurora Energy's CPP consumer consultation for the purposes of the of evaluating the QSV, and
- Aurora Energy's CPP verifier's report in lieu of commissioning a separate engineering report for the purpose of the QSV.

Upon review we are comfortable with these suggestions, whilst noting that we still reserve the right to request additional information if we consider what has been provided to be insufficient to determine the QSV. We would also like to make some more general points about QSV applications.

Timing of QSV application and intention to apply

As a general principle, we do not consider it appropriate for an EDB to apply for a QSV during the period that the QSV relates to. However, recognising the current circumstances of Aurora and the fact that you are clearly planning to submit an application for a CPP, we are willing to make an exception in this instance given administrative expediency regarding the use of the materials being prepared for your CPP application, including the Verifier's report due in June 2020. Aurora should be aware that we are in no way indicating whether such an application would be successful.

If Aurora intends to pursue this option, we request that Aurora formally notify us on or before 31 March 2020 of its intent to apply for the QSV, and the expected grounds of its application. It would be useful if you could indicate in your notice of intention which elements of the quality standards you intend to apply to vary, eg. both planned and unplanned SAIDI/SAIFI targets, or just some of the quality standards. The longer that Aurora Energy takes to submit its QSV application, the less certainty it will have in being able to

meet the new quality standards. It is up to Aurora Energy to decide how much risk it is prepared to carry around the timing for its QSV.

The alternative for Aurora is to manage for compliance and potentially run the risk of contravening the DPP3 quality standards in FY2021. It is unclear from your letter which measures you expect to contravene. However, it should be noted that the DPP3 regime will allow for higher levels of planned work in comparison to DPP2. It is up to Aurora to consider these options, but without further information for example on which measures Aurora thinks it may contravene or the potential impacts on consumers of managing for compliance in FY2021, we are unable to comment further on potential enforcement considerations.

We appreciate Aurora bringing this to our attention, and we remain committed to ensuring duplication of effort with your CPP is minimised as much as possible while also complying with the IM requirements.

Yours sincerely

Dane Gunnell
Manager Price Quality Regulation