

DAIRY CREEK LIMITED PARTNERSHIP

PO Box 275, ALEXANDRIA 9340

20 August 2020

Dane Gunnell
Manager, Price-Quality Regulation
Regulation Branch
Commerce Commission
P O Box 2351
Wellington 6140

By email: feedbackauroraplan@comcom.govt.nz

Dear Dane,

Re: Key Issues Paper on Aurora Energy's Application for a Customised Price-Quality Path Application 2022-2024

Dairy Creek Limited Partnership (Dairy Creek) welcomes the opportunity to provide feedback to the Commerce Commission (Commission) on Aurora Energy's (Aurora's) application for a Customised Price-Quality Path (CPP).

Dairy Creek is a large user of electricity in Aurora's Central Otago and Wanaka network, relying on a 2MW engine to pump water from the Clutha River at the Dairy Creek inlet on Lake Dunstan (with a consent to 2038) and deliver water to 1,800 hectares of land. This scheme enables landowners to turn what was generally dry, bare land into arable and productive property. An important feature of this scheme is the reliability of water during drier years which is a positive relative to some other irrigation schemes.

We understand that the Commission determines the amount of revenue Aurora can earn and does not have a role in determining how Aurora's revenue pie is allocated to different customer groups. However, the decision on the size of the pie is a significant first step and the Commission must be conscious of the economic consequences on Aurora customers of this decision.

It is not clear how much our charges might increase but an increase in line with that forecast for small businesses of 31% in 2023¹ would have a significant impact on the financial viability of our business as well as that of our landowners.

The development of an irrigation scheme at Dairy Creek was widely welcomed as it greatly improves the productivity of the land, creates greater diversity of crops within the area (including pasture, vineyards and horticulture – apples, cherries, blueberries etc), provides more employment opportunities and enables long-term economic growth for the region.

¹ From Table 45 on Page 211-212 of Aurora's application

Dairy Creek does not support any increase in lines charges for our business. Growth in irrigation is NOT included as a driver of any new investment in the CPP application. More generally we do not support the significant increase in expenditure outlined in Aurora's Customised Price-Quality Path Application.

We agree with the suggestion from Pioneer Energy and Southern Generation Limited Partnership that Aurora's investment programme be planned over a longer period, say 10 years, with safety investments prioritised ahead of the other drivers of spend. A more measured investment programme over a longer time period would significantly change the future profile of charges for existing and new customers. Aurora (or any firm) would, in our view, struggle to resource and complete this programme of work within 3 years. Capacity and capability will impact timeliness - for example, the availability of specialist staff to complete this work as well as the timely supply of local or imported equipment.

Dairy Creek would welcome the opportunity to discuss with the Commission the financial and economic implications of a significant increase in charges from Aurora for our company and the landowners we serve.

Yours faithfully



Fraser Jonker
Director
Dairy Creek Limited Partnership

