

**AURORA ENERGY LIMITED**

PO Box 5140, Dunedin 9058

PH 0800 22 00 05

WEB [www.auroraenergy.co.nz](http://www.auroraenergy.co.nz)



7 November 2024

Ben Woodham  
Commerce Commission  
PO Box 2351  
WELLINGTON 6140

By email: [infrastructure.regulation@comcom.govt.nz](mailto:infrastructure.regulation@comcom.govt.nz)

Dear Ben,

**AURORA CAPACITY EVENT RECONSIDERATION CONSULTATION**

Thank you for the opportunity to submit our views on the Commerce Commission's (the **Commission's**) "*Reconsideration of customised price-quality path for Aurora Energy (Capacity Event) 2024 – Draft decision*" paper. No part of our submission is confidential.

We would first like to acknowledge the Commission's pragmatic approach to assessing Aurora Energy's application for reconsideration of its Customised Price-quality path (CPP). We were particularly appreciative of the time and effort the Commission took to understand the unique circumstances and uncertainties arising from the Covid-19 pandemic in the lead up to submission of our CPP application in June 2020. We would also acknowledge that the draft decision does not necessarily create a precedent for future Default Price-quality path (DPP) reopener applications, however we consider the recent process can usefully inform the consideration of reopener applications that include unforeseeable demand, especially those that include customer driven expenditure.

We are encouraged that the Commission has supported expenditure that is prudent, efficient, consistent with our Capital Contributions Policy and considered to be in the long-term interests of consumers. Supporting growth on our network helps achieve economies of scale, and ultimately reduces the cost of electricity for all consumers.

**Cost Assumptions**

We believe the unique nature of Aurora Energy's Capacity Event reopener provision led to a more complex and lengthy process than either the Commission or Aurora Energy anticipated. The Commission's draft decision was published in October 2024, 10-months after Aurora Energy's reopener application was initially lodged in December 2023. During the assessment period between December 2023 and October 2024, the Cardrona zone substation transformer upgrade and the Bendigo distribution reinforcement projects were commissioned, and the resulting assets have subsequently been capitalised.

We support the Commission's approach to amend the capital expenditure (capex) values to reflect final commissioned costs, however we note the values used in the Commission's draft decision do not reflect the total final commissioned asset values. The draft decision was based on commissioned asset values provided at the time our response to a request for information was submitted, however additional project costs have since been capitalised in RY25. The table below shows the total project costs we believe should be reflected in the Commission's final decision.

Project	Initial Application	Draft Decision	Final Commissioned Asset Value
Cardrona zone substation upgrade	\$3.615m	\$3.738m	\$3.740m
Bendigo distribution reinforcement	\$3.223m	\$2.632m	\$3.317m

### **Reallocation of operating expenditure (opex) allowances to the Upper Clutha auto-transformer capex project**

We note the Commission's draft decision is to reduce the capex allowance for the Upper Clutha auto-transformer by \$1.253 million, and question whether this treatment has been applied on the basis that Aurora Energy is presently subject to a CPP, or whether the same treatment would have applied in the context of a DPP re-opener.

We note Aurora Energy's total CPP opex allowances were originally set by the Commission at the beginning of the CPP regulatory period and included assumptions about the costs associated with providing an innovative non-network solution in the Upper Clutha region. That solution has since been delivered at a lower cost to consumers than originally envisaged, however the combined impacts of inflationary pressures, global market and supply chain issues have required the company to incur higher levels of expenditure on other capital work programmes than allowed for in the March 2021 CPP decision.

As a consequence of higher levels of expenditure in other areas, Aurora Energy is still at risk of incurring IRIS penalties even after recognising the higher allowances included in the draft decision.

Given the general approach available to EDB's allows for the regular review and re-prioritisation of expenditure plans within a total (rather than disaggregated expenditure) allowance, we question whether it is appropriate for Aurora Energy's CPP capex allowance to be reduced in this case, particularly as we believe such treatment would be less likely in the context of a DPP.

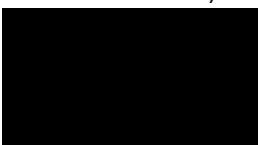
### **Compliance with the price-path**

We acknowledge that the Commission needs to amend Aurora Energy's Forecast Net Allowable Revenue (FNAR) for each year of the Customised Price-quality Path (CPP) to give effect to the decision and we appreciate the Commission's confirmation that the amendments to previously completed regulatory periods does not impact on Aurora Energy's compliance.

We are currently considering how best to reflect the final approved changes to our price-path, including a recalculation of the adjusted 'wash-up' balance.

We would welcome engagement with the Commission over the next two months as we work to set prices for the RY26 period and demonstrate compliance through the RY26 Annual Price-Setting Compliance Statement.

Yours sincerely



**Gary Dixon**

Chief Financial Officer