



CUSTOMISED PRICE-QUALITY PATH

CONSULTATION REPORT

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GLOSSARY

AMP	Asset Management Plan, the long term, ten-year plan for the electricity network updated annually
Authority	Electricity Authority, that regulates electricity distribution businesses under the Electricity Industry Participation Code (pricing methodology)
Commission	Commerce Commission, that regulates electricity distribution businesses under Part 4 of the Commerce Act (revenue and quality)
consultation document	<i>Your Network, Your Say</i> consultation document published in November 2019 that presented our draft proposal for customer feedback
consultation report	this document
CPP	customised price-quality path
customer	an electricity consumer connected to the Aurora Energy electricity network
Customer Advisory Panel	Aurora Energy’s advisory panel of representative consumer and community organisations
customer panels	collectively, the Customer Advisory Panel and Customer Voice Panels
Customer Voice Panels	Aurora Energy focus groups of electricity network customers held in Dunedin, Cromwell and Queenstown
distributed energy resources	small-scale power generation and storage located close to where electricity is used - common examples are rooftop solar, battery storage and electric vehicles
DPP	default price-quality path
DPP3	default price-quality path for period 1 April 2020 to 31 March 2025
line charges	the distribution charges included in your power bill to recover the costs of operating and maintaining the local electricity network, making up around a quarter of the total bill
power bill	your total power bill that includes all the costs providing electricity to you, generation, transmission across the national grid, distribution, electricity retailer, metering and GST
regulatory year	regulatory reporting period, the 12 months to 31 March
three-year CPP period	the three-year period of Aurora Energy’s CPP application from 1 April 2021 to 31 March 2024 (that is, the regulatory years ending 31 March 2022, 2023 and 2024)

1. EXECUTIVE SUMMARY

1. The Consultation Report is part of Aurora Energy's application for a customised price-quality path (CPP) for the three years ending 2022 to 2024.
2. Customer consultation is a regulatory requirement of a CPP proposal to ensure that our plans reflect customers' priorities and that our service reflects their preferences. We thank customers for their time and openness in contributing their views on our future investment plans and for sharing their preferences on what services they expect from us.

1.1. CONTEXT FOR CONSULTATION

3. Before we decided to apply for a CPP, the regulator and the community had raised serious concerns about network safety, particularly the condition of poles. With urgent action needed across our network, from 2017 on we invested significantly in corrective actions to rectify renewal shortfalls. Unlike previous CPP applicants, we had materially increased network investment ahead of an increase in allowable revenue under a CPP.
4. Previous reviews by the regulator, shareholder and an independent engineering review in 2018 made it clear that there were a number of key safety-driven renewal investments that were essential. Community leaders and individual customers were unequivocal that asset failures were an unacceptable outcome of deferred maintenance.
5. Following consultation, we had some scope to modify our draft proposal before submitting our CPP application to the Commerce Commission. However, the scope for change was limited by the safety-driven renewal investments that simply had to be done to meet minimum safety requirements and customers' expectations around community safety and service adequacy.

1.2. CONSULTATION - WHAT WE DID AND WHY

6. Learning from previous energy sector consultations and our own experience and research, we understood that any CPP consultation would face challenges due to the complexity of the issues being consulted on and low public awareness and engagement. To overcome these barriers to effective public participation, we took a phased approach to consultation, first building awareness of who Aurora Energy is, what we do, the services we provide and the regulatory and industry framework the company operates within, before consulting on specific plans. We also established customer panels to connect us directly to customers and consumer experts and gave those participants the opportunity to influence our proposals through the development of a more detailed basis of knowledge.
7. Our consultation used deliberative engagement techniques, interactive online engagement and customer research. We provided multiple feedback channels to suit a range of customer preferences from customer and community representative panels, one-on-one meetings, stakeholder briefings,

online engagement, video explainers and drop in sessions to customer surveys and in-depth research. These engagement techniques were all supported by an integrated awareness campaign to drive awareness of the consultation and promote interaction with our draft proposal.

- 8. We consulted on an investment plan that had managing network risk as its aim, with the key driver being safety and keeping pace with the increasing electricity demand of customers. On that basis, there was little in our proposed plan that was discretionary. We did provide alternatives and consulted customers on the trade-off they preferred between price and reliability and safety. Where we could identify discrete investment options, we presented the rationale and potential benefits for doing them alongside the price implications and sought customers' views on these choices.

1.3. WHAT WE HEARD

- 9. What we heard from customers was an understanding and support for essential work to be done, but that the impact of the proposed pricing increase was a major concern for affordability, particularly for vulnerable customers. Most respondents were satisfied with the current level of reliability they experienced and there was little appetite for improving reliability if prices were to go up. Some aspects of customer service were expected and valued highly, namely communication about planned and unexpected power outages and the new connections process.

1.4. WHAT CHANGED AS A RESULT OF CUSTOMER FEEDBACK

- 10. As a result of customer feedback we made the following moderations and changes to our draft proposal.

Customers told us....	In response, we have....
Increased investment is supported	Adopted 'Our proposed plan' rather than the 'Accelerated' or 'Enhanced' alternatives. This position is consistent with the feedback received that essential work is supported, but affordability is a significant concern.
Existing levels of reliability are acceptable	Targeted our investment plans to improve network safety and asset health (noting there will be consequential improvements in unplanned reliability).
The magnitude of price increases raises concerns	Excluded any options that would have cost more (the 'Accelerated' or 'Enhanced' alternatives and additional service options) Reduced our proposed expenditure by \$20.4 million where this could be achieved without compromising safety or increasing future expenditure requirements. Specific initiatives are also proposed to assist customers to manage their electricity costs and address hardship issues.
Asset degradation should be avoided in future	Committed to improve our approach to asset management, which should ensure that the historical degradation of assets is not repeated in future.

Customers told us....	In response, we have....
Regional price differences raised concerns	Accepted that our pricing regions and cost allocations should be reviewed and we will explain to customers how prices are derived and the relative differences are fair and equitable.
Some customer services are expected as fundamental, but affordability is a primary concern	Excluded the 'Improved customer service' option, but retained investment in priority customer service initiatives and ongoing improvement during the three-year CPP period. Priorities identified by customers were improved outage information (e.g. real time updates for unplanned outages) and the new connections process.
Readiness for a low carbon future is valued by some customers, but affordability is a primary concern	Excluded the 'Improved future technology readiness' option, but retained sufficient investment during the three-year CPP period to remain prepared for technology change. Developed a <i>Network Evolution Plan</i> to support the network's transition to a low-carbon future and the uptake of distributed energy resources. Adopted a non-network solution for forecast network constraints in the Upper Clutha area at a lower lifetime cost. Under the solution, a contracted partner will provide distributed energy resources through the installation of solar panels and battery storage in customers' homes or small businesses.
Smoothed price increases are preferred, so that the impact on customers is managed	Opted for a smoothed pricing transition to manage the price impact on customers.

11. In order to mitigate the impact of price increases, we have begun a number of initiatives, including:
- continuing to lobby central government for quality breach fines to be reinvested in our community to benefit customers
 - advocating for a regional energy efficiency fund for vulnerable households in collaboration with local Councils
 - maintaining tight control on future recruitment while ensuring we have the necessary capability to complete essential work.

1.5. WHAT CHANGED AS A RESULT OF INDEPENDENT VERIFICATION

12. An important part of the Commerce Commission's CPP framework is having an independent expert, known as the Independent Verifier, peer review our submission before we make our application. Following independent verification, and consistent with the above views expressed by customers, we made the following further adjustments to our expenditure plans:
- applied a series of efficiency adjustments to our spend plans that will lead to material reductions in costs over time, approximately \$5 million over five years

- deferred several non-critical renewal and growth projects, particularly those with a reliability driver, to later in the CPP period
- reduced future staffing costs to reflect likely productivity gains
- made a series of reductions in reactive and corrective maintenance to reflect potential improvements in overall asset condition and health.

1.6. THE IMPACT OF COVID-19 PANDEMIC

13. After our consultation concluded in late January 2020, New Zealand and the world responded to the Covid-19 pandemic. The long term implications are still emerging as this report is being written, but they are expected to affect the community and the local economy, with the hospitality and tourism sectors especially hard hit.
14. As an initial response, we have tried to reduce the price increase as much as possible and revised our growth-related investments in our final proposal. Steps we have taken in expectation of reduced demand and customer growth include:
- removing or deferring major growth projects to better match an expected reduction in demand as a result of the impacts of Covid-19. These were the Arrowtown-Frankton high voltage supply ring upgrade, Arrowtown 33kV switchgear and the new Omakau zone substation. We have also deferred a resilience project to install a new 33kV cable between our Smith St and Willowbank zone substations
 - reducing our customer connections forecast to reflect a likely reduction in connection applications.
 - deferring distribution reinforcement works to reflect reduced constraints on the network due to expected lower growth.

1.7. INDEPENDENT VERIFICATION OF CONSULTATION

15. The Independent Verifier also peer reviews our consultation before we make our application. The Independent Verifier concluded that we had undertaken substantial consumer consultation in preparing our CPP application and had prepared and made available significant material, consistent with the regulatory requirements. Much of our consultation was in line with best industry practice in New Zealand and other jurisdictions, such as Australia.

1.8. WHAT NEXT

16. Our customers and stakeholders will have a further opportunity to provide feedback on our future plans and to participate in the Commerce Commission’s own review process. More information on how to get involved will be provided on the Commission’s website www.comcom.govt.nz/aurora and our consultation website yoursay.auroraenergy.co.nz.

2. INTRODUCTION AND THE CONTEXT FOR CONSULTATION

2.1. PURPOSE, BACKGROUND AND STRUCTURE OF REPORT

17. This report is a key supporting element of our customised price-quality path application for the three-year period 1 April 2021 to 31 March 2024. The document summarises the consultation process we used to understand the needs and expectations of our customers and refine our future investment plans for the period, summarises the feedback we received and how we addressed it in our final proposal.
18. Our CPP consultation programme was designed to:
 - understand what our customers valued and expected from their electricity network
 - understand their experience of current services and priorities for the future
 - encourage customers to have their say on our future investment plans
 - consult customers to understand their views on our draft CPP proposal prior to finalising
 - understand customers' views regarding price and quality in relation to our proposed investment plans and gain feedback on a range of specific service options
 - advise customers of the alternatives we considered in arriving at our draft proposal.
19. This report expands on the material set out in Appendix C of our CPP Application.

2.2. CONTEXT FOR OUR CPP CONSULTATION

20. Aurora Energy is applying for a CPP to fund increased network investment at a level that keeps pace with replacing ageing equipment and the demands of a growing region.
21. Due to urgent action needed across its network, from 2017 on Aurora Energy has been investing significantly in corrective Actions to rectify renewal shortfalls. Unlike previous CPP applicants, Aurora Energy has been making material network investment over and above its regulated revenues and in advance of customised arrangements, with the shortfall being funded by its shareholder, the Dunedin City Council.
22. Since network safety concerns were raised in October 2016, there has been marked increase in public awareness of Aurora Energy and attention on the state of network. Media coverage, subsequent independent reviews, regulatory interventions – and our responses to these – have all brought public attention to the need for more network investment. Our annual customer surveys

found knowledge of Aurora Energy as the local lines company doubled from around 10% to 22% over five years to 2018.¹

23. The context leading into our CPP consultation was that our community had a low, but increased, awareness of Aurora Energy, a concern over network safety (particularly poles) and a desire to see improvements in network maintenance and renewal continue.

2.3. CHALLENGES IN ENERGY CONSUMER CONSULTATION

24. The complexity of the energy sector makes it hard for consumers to understand and have their say. Decisions about how future investment in the local electricity network will affect consumers are far removed from everyday experience. The issues are complex and technical in nature, particularly when it comes to making informed decisions about long term infrastructure.

25. We understood from the outset that our CPP consultation would face several barriers to meaningful and representative engagement by customers. There is low interest in engaging on electricity among consumers. Future network investment plans involve complex and detailed information which needs to be understood by participants for informed decision-making to happen. Some consumers may prefer to leave the regulator to provide oversight of the CPP process, satisfied its scrutiny will be adequate without their involvement. Awareness about the local electricity lines company is low and customers' primary service relationship is with the energy retailer, not us.

“At the beginning we didn't know anything about Aurora Energy and how things work.”
– Customer Voice Panel, Queenstown

26. Here, and overseas, research suggests that most consumers have a low level of interest in and knowledge about the electricity sector. In New Zealand, customer research carried out for the Electricity Networks Association in 2017 on electricity pricing plans found that most participants have limited understanding about their power bill and the structure of the sector, and that getting feedback on pricing options would first require education and information.²

27. With the exception of a few large users, most electricity customers only ever deal with their energy retailer. Electricity supply services are bundled into their overall energy service and are expected to be provided without direct input from the customer. Research carried out by Aurora Energy during 2018-2019 found that many are unaware of the lines component of their power bill and have little interest in what retail plan they are on.³ When researchers asked customers if they wanted additional information about Aurora Energy, only 20% said yes and of those only a fifth wanted information relating to network investment.⁴

¹ Data extracted from Gary Nicol & Associates phone survey, percentage of total respondents who recalled Aurora Energy as lines company, three year average 2013-2015 compared to 2016-2018.

² UMR, *Qualitative report for Electricity Networks Association*, April 2017.

³ UMR, *Exploratory consumer research: Summary report*, October 2019, page 5.

⁴ UMR, *Customer perception benchmark for Aurora Energy*, August 2018, page 21.

28. In conducting initial research on the value of network reliability, researchers found low engagement with Aurora Energy’s network users, making it hard to get workshop participants and fill survey quotas, despite using research methods that had worked well elsewhere. The results suggested that:
- “...customers value communication about planned and unplanned outages, but are less interested in engagement with Aurora Energy or being involved in network planning. Aurora Energy may find it challenging to get customers involved in consultation and may need to be proactive in its efforts.”⁵
29. We took deliberate steps in our approach to address the particular challenges facing the nature of this consultation.

2.4. OUTLINE OF APPROACH

30. Our consultation approach was based on best practice engagement, the International Association for Public Participation (IAP2) Spectrum of Public Participation, customer feedback on their communication preferences and what we learned from the experience of previous CPP applications and from other utilities in Australia and the United Kingdom, adapted for local circumstances.
31. A phased approach was used for consultation, starting with early engagement through to targeted consultation and providing feedback to customers on what they told us.

Figure 2-1: Engagement process



32. Our consultation approach involved deliberative engagement backed by quantitative research, used multiple feedback channels to suit a range of customer preferences and employed interactive digital engagement. We developed a consistent identity for the consultation, *Your Network, Your Say* to engage attention.
33. We used a broad range of engagement methods to overcome barriers to participation from customer and community representative panels, one-on-one meetings, stakeholder meetings, online engagement, video explainers, drop in sessions to surveys and in-depth research.
34. We identified stakeholders with an interest in the outcomes of future investment plans and targeted our consultation to those groups, summarised in the figure below (see Appendix B for a full list of those who participated). Our external stakeholder audiences include customers and stakeholders:

⁵ PricewaterhouseCoopers / Colmar Brunton, *Estimating the Value of Lost Load – report on the value of network reliability*, January 2018, page 6.

- we supply 90,600 connected **customers** with a resident population of 187,000⁶ plus visitors to the region
- our **stakeholders** include representative groups, government, industry participants, regulators and media
- in addition, our internal stakeholders are Aurora Energy employees and Board, our shareholder and owner.

35.

Figure 2-2: Identified customers and external stakeholders for our consultation



36. Awareness of our consultation was promoted by an integrated campaign strategy to inform customers of the consultation process and promote the engagement channels (see Appendix H). From March 2019, we ran the integrated awareness campaign using owned and paid media across a range of channels – print advertising in regional and community newspapers, social media posts, targeted online advertising, direct communication to stakeholders, newsletters, together with media releases and their resulting coverage. The awareness campaign was important to ensure customers were aware that consultation was happening, why, where to find out information, how to give

⁶ See Statistics New Zealand, [2018 Census](#), usually resident population for Central Otago District, Queenstown Lakes District and Dunedin City combined.

Introduction and the Context for Consultation



feedback and to promote engagement channels. The awareness campaign was complementary to our direct engagement with customers through our customer panels and public research. It was also used to notify of upcoming consultation events and the publication of the consultation document.

3. APPROACH AND OBJECTIVES

38. Customer engagement is a regulatory requirement for a customised price-quality path (CPP) application, as specified in the Commerce Commission’s Input Methodologies, or rules.⁷ Our aim was to achieve meaningful engagement with customers. Given the complexity of the topic and a generally low level of awareness among customers, that involved going beyond the minimum regulatory requirements.
39. Planning and design for our CPP consultation programme began early (from late 2017) and reflected customer insights from our exploratory research and the learnings from other successful consultations. A phased approach was used for consultation, starting with early engagement through to targeted consultation on our draft proposal and providing post-consultation feedback to customers on what they told us.
40. Key aspects to our consultation were:
- we designed a consultation approach incorporating deliberative engagement aligned to the IAP2 public participation framework, drew on the experience of previous CPP applicants and utilities and adopted best practice engagement adapted for the local context
 - we built awareness of Aurora Energy and educated customers and stakeholders on the CPP process and the need for network investment prior to formal consultation on our proposals
 - we targeted engagement directly to customers and using expert representatives to overcome barriers to participation
 - we used multiple engagement channels throughout our consultation process, supported by an integrated awareness campaign
 - we maintained an open and transparent relationship with our customers throughout the submission process and shared high level summaries of their feedback on our draft CPP proposal through the customer panels and publicly through social media and other online channels.
41. The figure below provides a high level overview of the consultation programme that is explained in the following sections.

⁷ Input methodologies are the rules, requirements and processes the Commerce Commission determines that must be applied to regulation under Part 4 of the Commerce Act. See, Commerce Commission, [Electricity distribution services input methodologies determination 2012 – consolidated 29 January 2020](#), 29 January 2020.

Figure 3-1: High level consultation programme and timeline

		TECHNIQUES	OUTPUTS								
PREPARATION Initial planning – insight into consumer preferences – learnings from other energy network consultation – signal intention to apply for a CPP – background customer research	PRIOR	Customer Voice Panels – Aug, Nov 2018, Mar 2019 A&P Shows – Jan-Mar 2019 Customer Perception Survey – Jul 2018 Customer Engagement Survey – Oct 2018 VOLL surveys – Sep 2017, Jan 2018	What do our customers value? Do they know us? What do they think of us? What value is placed on reliability?								
AWARENESS, STAKEHOLDER RECRUITMENT Awareness raising of Aurora Energy and plans – recruitment of stakeholders – best practice consultation discovery and design	MARCH 2019 APRIL MAY	INFORM Ad series Video series Stakeholder communication Consultation website set up FAQs Infographic on process Stakeholder events Customer Voice Panels Customer Advisory Panel recruitment	What do our customers value? Do they know us? Awareness of Aurora Energy Awareness of CPP process Awareness of engagement channels								
				BROAD ENGAGEMENT Theme development – understanding customer drivers better, building on voice panels – customer education – broad data set – exploratory research	JUNE JULY AUGUST SEPTEMBER OCTOBER	CONSULT/INVOLVE Survey development – phone/online/paper-based Customer Voice Panels Customer Advisory Panel Stakeholder engagement events Council engagement events Customer mail out Quick polls One-on-one meetings	What service attributes are important to consumers? What are consumers' views on safety, resilience, new technology, pricing? Awareness of our plans and drivers for network investment Awareness of CPP process Awareness of engagement channels				
								TARGETED CONSULTATION Consultation document – deliberative engagement with customer panels – customer views on price/quality tradeoff and service options – secondary research	NOVEMBER DECEMBER JANUARY 2020	COLLABORATE Consultation document Customer Voice Panels Customer Advisory Panel In depth interviews representing different consumer groups Video interviews One-on-one meetings	What price / quality tradeoffs do consumers prefer? What service measures to consumers prefer? What do different consumer types think about available options? Awareness of effect on revenue and quality
CONSULTATION REPORT, FEEDBACK Data collation and analysis – report generation – independent verification – closing the loop with customers and stakeholders	FEBRUARY MARCH APRIL MAY JUNE	CONSULT/INVOLVE Report Consultation summary Consultation journey infographic Video vox pops Consultation video footage Customer Voice Panels Customer Advisory Panel Interviews	Awareness of how consumer feedback influenced proposal Awareness of Commerce Commission assessment process								

3.1. CONSULTATION DESIGN

42. In developing our approach, we considered the experience of other distributors in their CPP consultation processes, including the feedback they received from the Commission, the independent verifier and customers. We also engaged directly with a number of Australian utilities and regulators to discuss their experience and advice on how best to engage with our customers and stakeholders. By taking these lessons into account, we were able to design a best practice engagement approach, tailored to our particular circumstances.
43. The following table shows how we incorporated learnings from previous CPP consultations into our engagement planning.

Table 3-1: Learnings from previous CPP applications

Source	Opportunities for improvement	How we responded
Commerce Commission direction	Early engagement with Commission	Commenced early and ongoing engagement with Commission in 2018, including a detailed workshop on high level plan in early April 2019
	Ensure a range of investment alternatives (around expenditure, prices and quality) are presented	Provided three alternatives ('Our proposed plan', 'Accelerated', 'Enhanced') with network spend, price and quality measures plus five priced service options
Independent verifier feedback on Powerco CPP	Avoid too much information discouraging consumer engagement	Provided information in digestible amounts and in accessible formats (for example, video, social media, dedicated consultation website) Engaged customer and community representative panel members early and worked with them over a long period of time, to build knowledge in a manageable way to encourage continued engagement)
	Ensure strong link between expenditure and service measures	For each option in our draft proposal for consultation we showed the customer pricing impact, reliability and/or customer service outcome (recognising that it is problematic to establish linear correlation between expenditure and reliability)
	Focus on current (rather than past) service performance when modelling future position	Justified by providing a relevant baseline for service performance when projecting future position

Source	Opportunities for improvement	How we responded
Suggestions from submitters to Commerce Commission	Use IAP2 Spectrum framework	IAP2 Spectrum used in developing consultation process
	Acknowledge low interest in engagement from some consumers	Recruited and incentivised consumer participation to gain a representative range of views using customer panels, qualitative and quantitative research Commenced engagement early to enable deeper understanding and to encourage engagement
	Early engagement with consumers	An awareness and education phase was planned prior to formal consultation
	Use deliberative forum on an EDB's business investments and solutions	Used Customer Advisory Panel (with independent facilitator and expert advisor) and Customer Voice Panels

44. The design of the consultation programme also reflected what we learnt from early stakeholder feedback, customer research and our own understanding of local conditions together with the experience of other organisations who had carried out consultations in the region and in the electricity sector. Accordingly, we incorporated the following principles in our approach:
45. **Incorporated customer feedback in consultation design.** We refined our approach through exploratory research and early engagement with local stakeholders and customers. Customer Voice Panels, preliminary research and stakeholder feedback gave us insight on what would make consultation effective: multi-channel engagement so customers could engage in their preferred way, using clear accessible language, using rich content such as videos and visual representation of concepts, giving feedback to customers at the end of the consultation.
46. **Applied best practice approach and techniques.** We adopted the IAP2 Spectrum Framework, regarded as best practice for public engagement, in designing our consultation approach. Central to IAP2 is public participation that involves those affected in decision-making, seeks input from participants in designing the process, provides information in a meaningful way and where the public's contribution influences the outcome. Our use of deliberative engagement, specifically through the customer panels, enabled customer views to shape our consultation programme and information materials, helped achieve meaningful participation on complex issues by taking the time to build knowledge and engagement and deepened our understanding of customer views that shaped aspects of our final proposal – all therefore aligning to IAP2 approaches and best practice recommendations.
47. **Engaged customers directly and recruited to fill gaps.** We sought to overcome a potential low interest in the consultation by including direct engagement methods and incentivised recruitment of participants. We established focus group Customer Voice Panels and a Customer Advisory Panel

of community representatives by direct recruitment and using incentives, and also used incentives to attract registration and engagement in our online consultation. Qualitative research enabled us to gain deep insights backed by quantitative research to verify understandings with a representative sample across our customer base.

48. **Consulted in an upfront and accessible manner.** Clear, accurate and accessible information is important so that the community can make its own judgements. By using an online consultation hub we could provide a range of consumer-friendly engagement options and engaging video content. We made every medium preferred by customers available for them to communicate and provide feedback to us (online, email, freephone, in writing, feedback form, reply-paid post, customer panels, one-on-one meetings, drop-in sessions, stakeholder briefings).

3.2. APPROACH

49. From the outset, we included deliberative engagement processes in our consultation, establishing customer panels with direct involvement from customers and consumer experts. We employed advanced digital engagement techniques alongside a wide range of in person and direct feedback channels.
50. Our approach is closely aligned with the extensive engagement typically undertaken by larger lines businesses in Australia and the United Kingdom in developing their business plans, adapted for local circumstances.
51. **Deliberative approach.** Rather than rely on high levels of participation, we took a deliberative approach that engaged a representative selection of customers and groups in meaningful conversation. Quantitative research was used to validate insights gained from our qualitative research.
52. **Multichannel feedback mechanisms.** Early feedback from our own customer voice panels and phone surveys, and the experience from other consultations, indicated multichannel engagement was important to provide effective reach. We offered a wide range of ways for the public to engage, face-to-face, online, in focus groups, through representative panels, drop-in sessions, survey research and in writing, phone or email, as individuals preferred.
53. **Digital engagement.** We made use of images, infographics, videos, social media and an online engagement website with multiple feedback tools to enhance our consultation and reporting.
54. **Consultation website.** A dedicated *Your Network, Your Say* consultation website was established to host all the project information and documentation and provide a platform for a range of interactive feedback tools, such as quick polls, surveys and online discussion forums. The website domain, yoursay.auroraenergy.co.nz, was promoted across all digital and print media used in the consultation to direct customers to the website as a central source of consultation information and feedback channel. A private area of the website was provided for the Customer Advisory Panel to use as a forum for members to discuss and share ideas.
55. **Consultation identity.** A clear identity helps provide context for the consultation process and communicate the consultation objective. The *Your Network, Your Say* consultation identity was

developed to give the CPP consultation a readily recognisable presence that could be applied consistently across all channels. The *Your Network, Your Say* brand identity combines what we do, with what we wanted from customers and where to provide feedback. The brand style was accompanied by a set of unique icons to represent the six areas of investment we were seeking feedback on (safety, reliability, growth, resilience, future technology, customer service) and pricing.

YOUR ⚡ NETWORK YOUR ≡ SAY

[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

3.3. OBJECTIVES

56. In broad terms, our consultation objectives were to:

- understand our customers' views and reflect these in our plans
- test alternative plans with our customers, so that they can consider different price/quality combinations and express their preferences
- achieve a meaningful consultation that meets the regulated requirements for consumer consultation to support a successful CPP application but goes above and beyond in seeking diverse and informed feedback.

57. To meet these objectives, we developed a phased approach to customer and stakeholder engagement that built awareness of Aurora Energy and the CPP process prior to commencing formal consultation on our proposed plans. We also engaged directly with customers and their representatives to overcome barriers to participation.

58. Key success factors for our engagement programme were:

- **representativeness** – hearing from a diverse range of customers in terms of location, energy use, customer type, life stage, income level
- **inclusion** – reaching the stakeholders and stakeholder groups identified as having key interests in the outcome
- **participation** – the level of responses achieved
- **engagement quality** – participants feel their views were heard
- **involvement** – giving feedback to customers on how their views were incorporated in the final proposal

- **meaningful engagement** – customer feedback influences the proposal and where possible is based on a foundation of knowledge.

3.4. PHASES

59. Our engagement process comprises five phases. The timelines and objectives for each phase are set out in the table below. At this stage, we have completed the first four phases of the process.

Table 3-2: Five phase engagement process

Phase	Timeline	Objective
1 Understanding	Aug 2018 - May 2019	Gain a high level understanding of our customers' views to help us design the consultation programme and prioritise our network investments. This feedback was reflected in the work programme for our 2018 AMP
2 Early engagement	Jun 2019 - Oct 2020	Seek customers' views on reliability, service expectations, pricing and future technology to shape our draft proposal
3 Consultation on draft proposal	Nov 2019 - Jan 2020	Share our draft proposal with customers and other stakeholders and obtain their feedback
4 Refining our proposal and closing the loop	Jan 2020 - Jun 2020	Consider customer feedback on our draft proposal and explain how we have taken it into account in our final proposal
5 Regulatory review	Jul 2020 - Dec 2020	Provide customers with a further opportunity to comment on our proposal, primarily through the Commission's review

3.5. HOW WE CONSULTED – ENGAGEMENT CHANNELS

60. As evidenced by successful consultation processes conducted by other utilities, and confirmed by our own research, using a range of engagement channels was important so that customers were able to choose their preferred method of communicating with us. The table below sets out the engagement channels we employed, including a brief description of how each channel was used in our process.

Table 3-3: Overview of our engagement channels

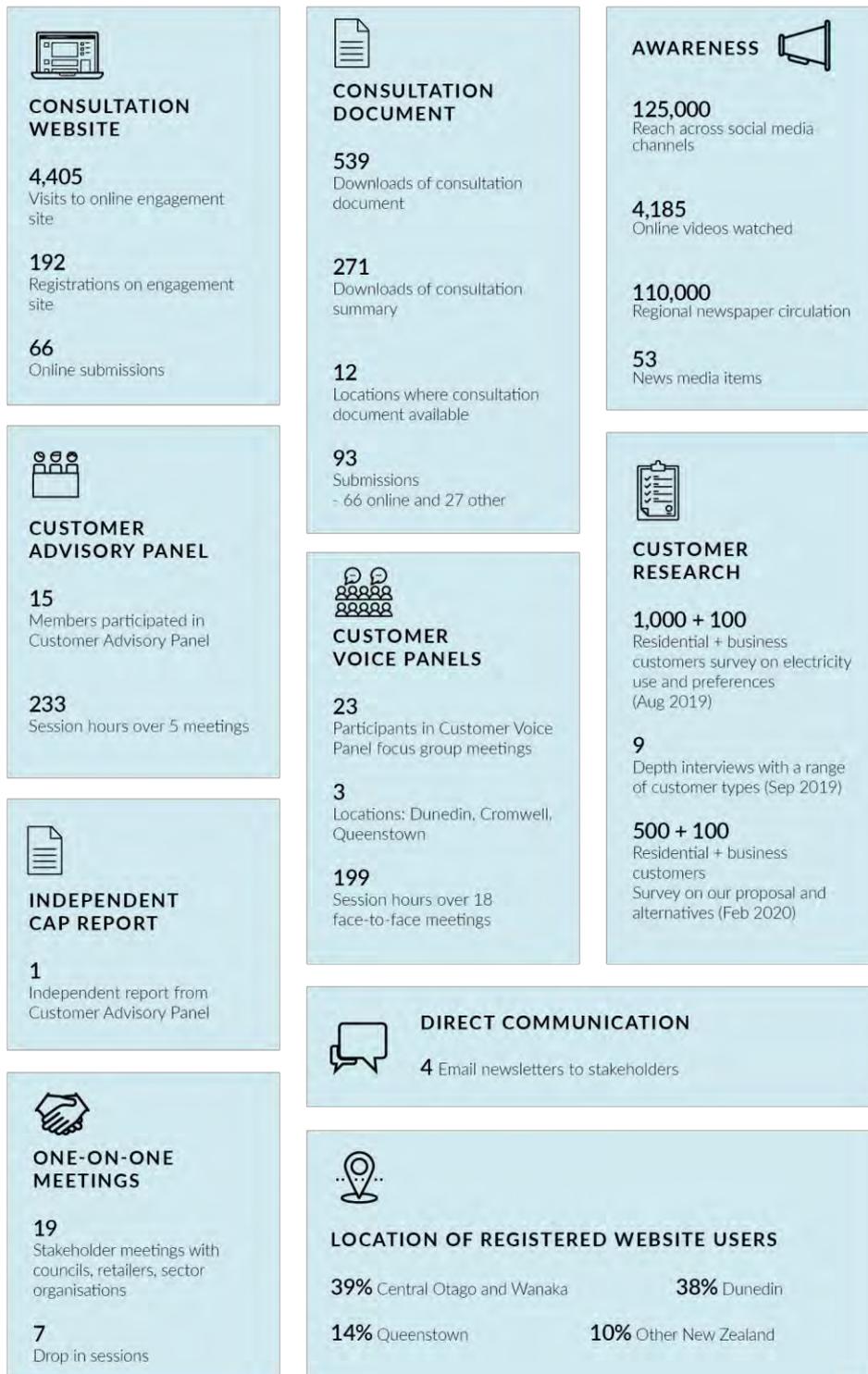
Engagement channels	Description and application in this consultation process
Customer research	Customer surveys and qualitative research have been an important source of information, both in designing our engagement approach, in developing our CPP proposal and verifying understanding across a representative sample of customers. For example, our 2018 phone survey of 1,000 customers found that the top three essential features were for Aurora Energy to be reliable, safety conscious and resilient. Our 2019 phone survey asked specifically about the level

Engagement channels	Description and application in this consultation process
	of customer support for our proposed plan and for their views on alternatives and service options.
Customer Voice Panels	<p>As part of our commitment to better understanding the needs of our customers, we set up Customer Voice Panels to hear directly from local electricity customers. The Customer Voice Panels bring together a cross-section of residential and small business customers, with sessions held in each of our key service regions of Dunedin, Central Otago and Queenstown Lakes.</p> <p>Our first sessions were held in August 2018 and members of the Panel met on six occasions to help us understand what our customers expect from us, how we can best communicate the information they require and to review our draft proposal.</p>
Customer Advisory Panel	<p>The Customer Advisory Panel was established in June 2019 to advise and represent to Aurora Energy the perspectives and preferences, including the service measures, that are important to customers. The Customer Advisory Panel brought together senior leaders from a range of organisations representing consumer and community interests.</p> <p>Our first session was held in June 2019 and members of the Panel met on four occasions to help us understand what our customers expect from us, investment and regional priorities and to review our draft proposal. Our engagement process with the Panel culminated in publication of their independent report and recommendations in December 2019 (see Appendix C)</p>
Stakeholder briefings	<p>Stakeholder briefings provided an opportunity to engage one-on-one with key stakeholders, including local councils, major customers, electricity retailers, Government organisations and consumer advocacy groups. These engagement sessions allowed a two way exchange of information on issues that were of most importance to each stakeholder.</p>
<i>Your Network, Your Say</i> website	<p>This dedicated interactive website enabled online engagement in relation to the development of our CPP proposal. Using the EngagementHQ platform, the site’s engagement and information-sharing tools provided an online hub for the consultation to complement offline engagement tools, and powerful reporting capability. The site was also where the Customer Advisory Panel members could collaborate with each other and the independent expert, in their own dedicated private area. There were 4,400 visits to the website, 539 downloads of the consultation document and 66 online submissions.</p>
Consultation document	<p>The consultation document – published in November 2019 – set out our proposed plan, the alternative options we considered and their price-quality implications for customers. It provided a further opportunity for stakeholders to provide feedback that we took into account in finalising our plans.</p>
Drop-in sessions	<p>Drop-in sessions provided an opportunity for customers to ask us questions or provide feedback in person. We organised seven drop-in sessions across our networks during November-December 2019.</p>

3.6. HOW CUSTOMERS RESPONDED – CONSULTATION METRICS

61. The figure below provides a summary of the depth and breadth of engagement from our customers and stakeholders, as indicated in the key consultation metrics.

Figure 3-2: Key consultation metrics



3.7. HOW WE FULFILLED REGULATORY REQUIREMENTS FOR CONSULTATION

62. Our CPP application is part of regulatory process designed to promote the long term interests of consumers. The regulatory requirements for a CPP consultation and the contents of a CPP application are set out in Part 5 of the Input Methodologies.
63. In our view, our consultation has met those requirements which, in general terms, is to consult customers on our proposed plans including the impacts on price and reliability and to notify customers on the price versus quality trade-offs made in the expenditure alternatives we considered. In its report, the Independent Verifier indicated that we had complied with the consumer engagement requirements of the Input Methodologies (see Section 8).
64. Here we identify how we have addressed the specific regulatory requirements in our consultation, and where it is described in our application.

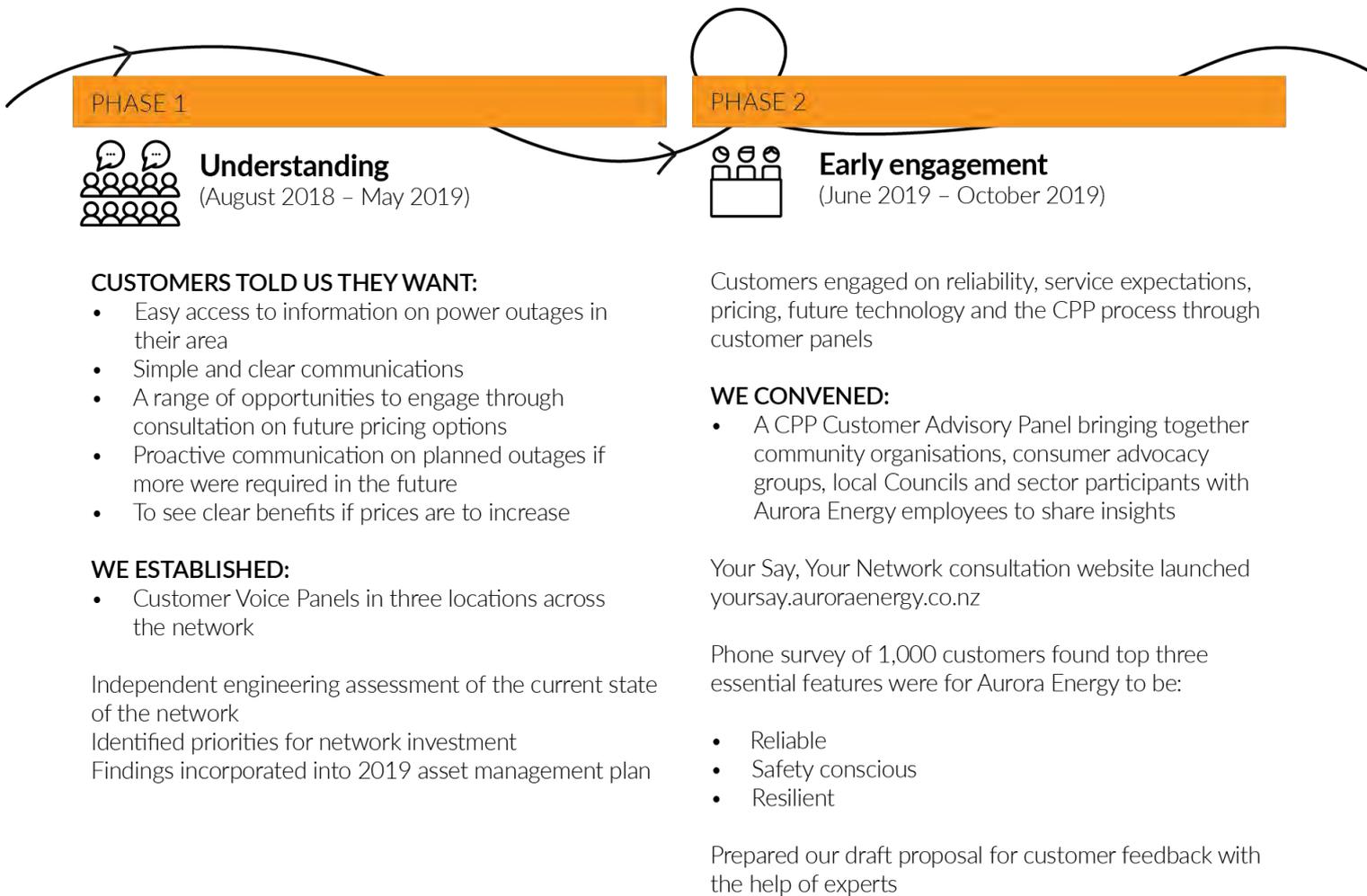
Table 3-4: How we fulfilled the regulatory requirements for consultation

Description	▶ Document reference / ▶ Consultation process
Contents of a CPP application: 5.1.2 Evidence of consumer consultation	
(a) a description as to how the requirements of clause 5.5.1 were met	▶ CPP Application, Appendix C; Consultation Report, Sections 1-9 & Appendices A-I
(b) a list of respondents to the consultation required by that clause;	▶ Consultation Report, Appendix B
(c) a description of all issues raised by consumers in response to the CPP applicant's intended CPP proposal;	▶ Consultation Report, Appendix E
(d) a summary of the arguments raised in respect of each issue described in accordance with paragraph (c); and	▶ Consultation Report, Appendix E
(e) in respect of the issues described in accordance with paragraph (c), an explanation as to whether its CPP proposal accommodates the arguments referred to in (d); and (i) if so, how; and (ii) if not why not.	▶ CPP Application, Appendix C; Consultation Report, Section 7 & Appendix E

Description	▶ Document reference / 📄 Consultation process
Contents of a CPP application: 5.5.1 Consumer consultation	
(1) By no later than 40 working days prior to submission of the CPP proposal, the CPP applicant must have adequately notified its consumers-	▶ CPP Application, Appendix C; Consultation Report, Sections 3 & 5, Appendix I
(a) that it intends to make a CPP proposal;	▶ Consultation Report, Sections 3 & 5 & Appendix G 📄 Consultation document p7 <i>Your Network, Your Say</i> website
(b) of the expected effect on the revenue and quality of its electricity distribution services were the Commission to determine a CPP entirely in accordance with the intended CPP proposal;	▶ Consultation Report, Appendix G 📄 Consultation document pp24-27
(c) of the price versus quality trade-offs made in the expenditure alternatives considered in the intended CPP proposal, where these are directly associated with the rationale for seeking the CPP proposal, which are required to be disclosed under clause 5.4.2;	▶ Consultation Report, Appendix G 📄 Consultation document pp44-47
(d) if it intends to propose to include a quality standard variation under clause 5.4.5, why the proposed quality standard variation has been chosen over alternative quality standards;	▶ Consultation Report, Appendix G 📄 Consultation document pp24-25, 44-47
(e) where and how further information in respect of the intended CPP proposal may be obtained;	▶ Consultation Report, Appendix G 📄 Consultation document pp2,48, 51 <i>Your Network, Your Say</i> website
(f) of the process for making submissions to the EDB in respect of the intended CPP proposal; and	▶ Consultation Report, Appendix G 📄 Consultation document pp2, 7, 49-51 <i>Your Network, Your Say</i> website
(g) of their opportunity to participate in the consultation process required of the Commission by s 53T of the Act after any CPP proposal is received and considered compliant by the Commission.	▶ Consultation Report, Appendix G 📄 Consultation document pp12, 15 Consultation summary <i>Your Network, Your Say</i> website Stakeholder and media updates on 17, 24 and 27 January and 6 March 2020

Description	▶ Document reference / 📄 Consultation process
(2) For the purpose subclause (1)(e), where further information is available in hard copy only, the applicant must have ensured that any further information was readily available for inspection at the stated location.	Not applicable.
(3) For the purpose of subclause (1), the CPP applicant must- (a) provide all relevant information; (b) provide information in a manner that promotes consumer engagement; (c) make best endeavours to express information clearly, including by use of plain language and the avoidance of jargon; and	<p>▶ CPP Application, Appendix C; Consultation Report, Sections 1 to 9, Appendices C to I</p> <p>📄 Your Network, Your Say website</p> <p>Consultation document, consultation summary</p> <p>Customer voice panels, customer advisory panel, stakeholder briefings, drop-in sessions.</p>
(d) provide consumers with (or notified them where to obtain) the information through a medium or media appropriate to the natures of the consumer base.	<p>▶ Consultation Report, Appendices G to I</p> <p>📄 Print and digital advertising.</p> <p>Direct email to stakeholders.</p> <p><i>Your Network, Your Say</i> website, video series.</p> <p>Customer voice panels, customer advisory panel, stakeholder briefings, drop-in sessions.</p> <p>Media relations.</p>

4. OUR ENGAGEMENT JOURNEY



PHASE 3



Consultation on draft proposal (November 2019 – January 2020)

WE SHARED:

- Our draft proposal for customer feedback in the Your Network, Your Say consultation document.

WE ASKED:

- For customers' views on our draft proposal and whether we have the balance right between the services they expect and the price they pay

CUSTOMERS TOLD US:

- The need for essential work was accepted
- Price increases are unwelcome
- They do not want better reliability if it means higher prices
- Regional pricing was felt to be unfair

PHASE 4



Refining our proposal and closing the loop (January 2020 – June 2020)

(January 2020 – June 2020)

- We shared what we heard from customers in a consultation summary
- We considered the customer feedback we received during consultation and refined our draft proposal before finalising our application to the Commerce Commission.
- We explained how our draft proposal has incorporated customer feedback, or where that wasn't possible, why not
- We shared the results with the customer panels

Our final, revised proposal was submitted to the Commerce Commission in June 2020 for review

WHAT'S AHEAD

PHASE 5



Regulatory review (July 2020 - December 2020)

(July 2020 - December 2020)

- The Commerce Commission will hold its own consultation on our CPP application
- Customers will have further opportunity to provide feedback

| The Commerce Commission provides its draft decision on our CPP application in late 2020

| The Commerce Commission makes a final decision on our CPP application by March 2021

| Once approved, Aurora Energy starts on its CPP from 1 April 2021

5. CUSTOMER PANELS

65. As part of our preparation for a CPP, we needed input from a diverse range of customers to truly understand their preferences and service expectations. We established representative customer and community panels to connect us directly to individual customers and consumer experts. These participants then had the opportunity to influence our proposals, as individuals and as representatives of wider constituencies, through the development of a more detailed base of knowledge and direct engagement.

5.1. CUSTOMER VOICE PANELS

66. The Customer Voice Panels were established as focus groups where we could interact with a range of individual customers in different locations and situations on topics ranging from electricity use, network development to customer service.

67. We established the Customer Voice Panels mid-2018, with the first sessions held in August 2018 in three locations, Dunedin, Cromwell and Queenstown. All participants were customers on the Aurora Energy network and were recruited through a print and online advertising campaign supplemented by specialist recruitment where necessary. Participants were selected to provide a cross-section of customer experience, life stage and backgrounds.

68. We held six sessions between August 2018 and November 2019. The first three covered preferred communication and engagement methods; our pole programme, WSP independent review findings, pricing and reliability, and; CPP education materials, consultation mechanics and pricing/investment scenarios. The last three sessions covered service expectations and pricing; future trends, and; our proposed plan for consultation. (These same topics were discussed in the Customer Advisory Panel sessions, see Section 5.2.3 below.)

69. Our commitment to early engagement before the formal consultation process began gave us early insights into customer expectations and preferences both in relation to the electricity services we provide and customer preferences for engagement methods. Regular communication between sessions, and retaining largely the same group of people throughout the process, helped build understanding and foster two-way dialogue.

70. The Customer Voice Panels enabled direct customer engagement over a period of time and built knowledge among participants to a point where they could influence our future investment plans from an informed position. Summaries of the discussion and insights we gained from the Customer Voice Panels are included in Appendices D and F.

5.2. CUSTOMER ADVISORY PANEL

71. The Customer Advisory Panel was set up as a deliberative forum to harness the insight of experts who could represent the views of a range of consumer groups and enrich the conversation.

72. The figure below summarises our engagement process with the Panel, which culminated in an independent report and recommendations from the Customer Advisory Panel in December 2019.

Figure 5-1: Our engagement with the Customer Advisory Panel



5.2.1. Purpose and establishment of Customer Advisory Panel

73. The Customer Advisory Panel was established in June 2019 to advise and represent to Aurora Energy the perspectives and preferences, including the service measures, that are important to customers.

74. The Panel brings together a diverse, representative group of community and consumer representatives, selected as experts and influential decision-makers in their sector. It used detailed background material to identify ideas and concerns regarding our future investment plans from the perspective of constituent groups and assigned relative priorities where trade-offs exist.

75. As a deliberative forum, the Panel complemented the direct engagement we achieved through our existing Customer Voice Panels, which focused on the views and interests of individual residential customers and business owners or operators.

76. In devising the Panel, we learnt from other utilities and regulators in New Zealand, Australia and overseas and adapted their approach to suit our local situation. Particularly relevant was the experience of the electricity distribution sector in the United Kingdom and

“I have been sitting on the consumer advisory group that Aurora has assembled to support their Commerce Commission application that will allow them to invest more and charge more. This has been the most extensive and in-depth engagement process that I have ever been a part of.” – Customer Advisory Panel member

Australia where panels of experts in energy consumer interests have been involved in business plan challenges.⁸

77. We took care in the composition of the Panel to achieve a balance of interests and consumer groups with a regional mix. Our Panel members brought perspectives on vulnerable, rural and urban, residential and business customers, on sustainable energy and included energy retailers and local Councils (see Appendix B for the full membership).

5.2.2. Role and operation

78. The role of the Customer Advisory Panel, set out in its terms of reference (see Appendix C), is to:
- advise on and represent the perspectives and preferences, including the service measures, that are important to consumers
 - provide meaningful input into Aurora Energy’s proposal for a customised price-quality path application, including its future investment plans and pricing options
 - advise Aurora Energy on the possible impact of new technologies on electricity users
 - provide feedback on communication strategies to enhance Aurora Energy’s engagement with its community, consumer groups and electricity consumers
 - provide input into Aurora Energy’s customer service process improvement ideas.
79. The Panel was supported in their consideration by a series of four interactive sessions on topics related to the CPP application and background information. Each session had an independent facilitator to encourage full and frank discussion.

5.2.3. Panel member experience

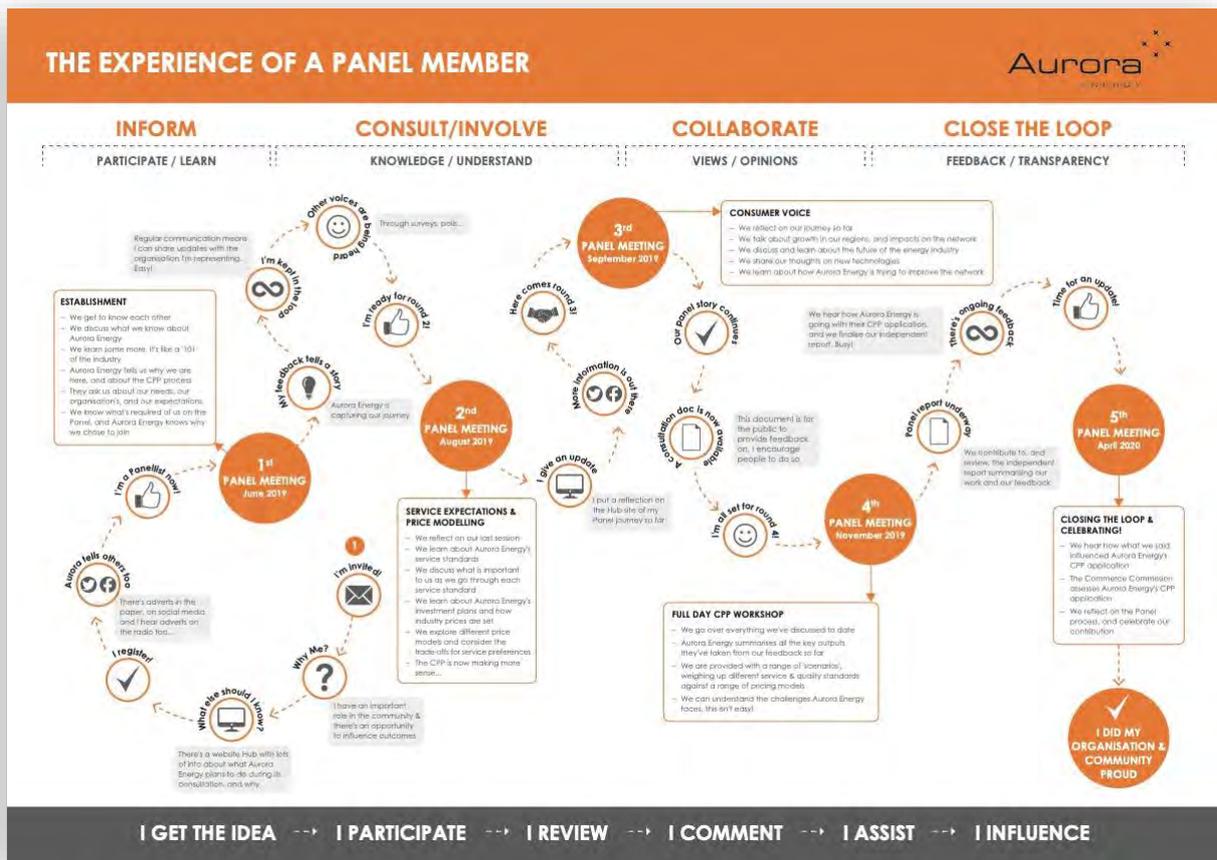
80. The Customer Advisory Panel process was designed to help members overcome knowledge barriers and enable their informed participation across four half-day sessions and one full-day workshop.
81. Throughout their deliberations the Panel had the assistance of an expert advisor, John Hancock, to provide an independent view on what they were hearing from Aurora Energy. The expert advisor attended all sessions and held a closed session without Aurora Energy present at the end of each session.
82. Between sessions, ongoing discussion between Panel members and the expert advisor was encouraged through a dedicated online discussion forum for Panel Members. Background information, meeting summaries and detailed minutes were all shared on via the online forum, plus regular email updates. Topics discussed via the online forum included:
- how network prices are calculated
 - the need for Aurora Energy to integrate new technologies and support decarbonisation
 - whether customers wanted to pay more for better reliability

⁸ For example, in the United Kingdom, Ofgem’s Consumer Challenge Group of experts in energy consumer interests on the electricity distribution price control R10-ED1 and, in Australia, Jemena’s Customer Council on its 2021-26 Regulatory Proposal (among others).

- the impact of price rises on vulnerable customers
- how retailers pass on network price changes
- whether Aurora Energy could do other things to pay for the network investments.⁹

83. Before the first session began, confirmed Panel members were provided with background information on Aurora Energy, the CPP process and the role of the Panel. Included was an 'Experience Map', see figure below, that outlined the engagement process ahead and the structured building of knowledge combined with interaction and discussion. At the start of each session, the Experience Map was used to focus on the point of the process the Panel had reached and what was ahead. The process was refined as the engagement process evolved and in response to feedback from the Panel. For example, the Panel clarified that future technologies would include existing technologies with future growth potential, and we added an extra briefing for the Panel on the consultation document before it was publicly released.

Figure 5-2: The experience of a Customer Advisory Panel member



84. The first Customer Advisory Panel session welcomed Panel members and introduced them to each other, gave an overview of the electricity sector and Aurora Energy and an understanding of the CPP

⁹ Independent expert summary presented at Customer Advisory Panel Session #4, 25 November 2019.

process. Panel members considered a range of customer personas with different backgrounds, needs and attitudes and their likely views on reliability, safety and value for money.

85. The **second session** discussed electricity network pricing, reliability and customer service initiatives. We explored a range of specific customer service improvements and quality measures such as notification of power cuts, new connections and complaints processes and asked Panel members to rank them by importance. The personal experience of reliability was discussed, then network reliability standards and performance was explained before exploring how different customer groups would experience reliability. The Panel heard from the independent expert advisor about how industry pricing works, the role of regulation and pricing allocation. The concept of the six network investment drivers - safety, reliability, growth, resilience, future technology and customer service - was introduced and Panel members participated in an exercise to allocate spend according to their priorities.
86. The **third session** explored the challenges facing each region and future trends in technology, society, environment and the economy. The Panel discussed managing population growth, the impacts of climate change and the affordability of rising energy prices. The Panel heard from fellow panellist Dr Michael Jack and the independent expert advisor on future technologies, consumer energy choices and the uncertainties of future prediction. Industry expert Dr Allan Miller led a discussion on the network's role in accommodating distributed energy resources such as rooftop solar, storage batteries and electric vehicles and the decisions Aurora Energy needs to consider.
87. The **fourth session** was a full day workshop where we discussed our proposed plan with the Panel and listened to their feedback on whether we had the right balance of reliability and price. We also discussed additional service options and asked whether the Panel thought we should include these in our final proposal. Prior to the workshop, we gave an interim briefing on our draft proposal and the expected price path ahead of the public release of our consultation document. We also invited Panel members on a tour of the network so they could see network equipment in place, better understand how it worked and its current condition. Two Panel members participated in a tour of the Dunedin network guided by a senior manager experienced in network operations.
88. The **fifth session** will be to close the loop on the consultation with the Panel. Originally planned as face-to-face session in May 2020, we had to defer the meeting as a result of Covid-19 restrictions on social contact. In the interim, we provided an update to the Panel via email on how customer feedback and the independent verifier review shaped our final CPP proposal and asked for feedback on their experience of the consultation. When we are able to hold this final session, we plan to update the Panel how all the feedback from the Panel, customers and independent verifier shaped our final CPP proposal. We will ask the Panel about their experience of the consultation, how the Panel functioned and what we can learn for future consultations. We will outline the next steps in the Commerce Commission's consultation and thank the Panel for their contribution to our consultation.
89. The summaries prepared for the first four sessions are included in Appendix C. These were made publicly available via the consultation website.

5.2.4. Summary of independent report

90. The Customer Advisory Panel prepared an independent report to capture their response to our draft proposal and recommendations. Their report was prepared after the all-day workshop on our draft CPP proposal in November 2019, with the assistance of their independent expert advisor. The full report is included in Appendix C.
91. The key themes and recommendations of their report as expressed by the Panel were:
- **need for essential work and minimising price increases accepted.** “We understand Aurora Energy’s proposal and accept its clear focus on minimising price increases while remediating the underinvestment of the past to make it safe.”
 - **strong concern about price impacts on consumers.** “Despite this we have strong concerns about the impact that such large and sudden increases in network prices will have on customers across the region – not just the most vulnerable in our community but businesses and those who manage on tight budgets.”
 - **implement a fund to help households in energy hardship become more energy efficient.** “Because of this we have suggested accelerating the implementation of a fund to help households in energy hardship become more energy efficient as recommended by the government’s Electricity Price Review. We have also suggested that the fines that Aurora Energy will pay for breaching its regulated quality threshold and the Dunedin City Council Consumer Electricity Fund could contribute to it in the short term.”
 - **review regulation to prevent network degradation occurring elsewhere.** “In accepting Aurora Energy’s proposal, we are acknowledging the difficult trade-off that current management have made between safety and reliability. The network should never have been allowed to degrade to the state that it is now in. This points to shortcomings in company governance and the regulation it is subject to. We believe that these regulations should be reviewed in the light of experience at Aurora Energy to ensure that this situation does not recur elsewhere.”
 - **ensure network transition to low carbon future is given high priority post-CPP.** “Aurora Energy’s proposal explicitly defers expenditure to integrate small-scale renewable generation and demand response, to minimise price shocks in the short term. While we accept this trade-off, we believe that giving customers more local options about how they meet their energy needs will see electricity distributors like Aurora Energy play an important enabling role as New Zealand decarbonises. We expect this work to have a high priority in the subsequent CPP period.”
 - **develop a communications plan for CPP period.** “The industry is highly fragmented and it does not engage with customers simply enough to maintain their confidence and trust. Aurora Energy will need to develop a communications plan for all stakeholders in which it integrates messages from other companies in the electricity industry if it is to achieve the level of community support on which a successful CPP will depend.”

6. WHAT WE CONSULTED ON

92. We presented our proposed plans and options for customer feedback in the *Your Network, Your Say* consultation document in November 2019, see Appendix G. The consultation document was structured to give customers the opportunity to provide feedback on a range of options and understand the different trade-offs in price and service.

6.1. DESIGNING THE CONSULTATION WITH CUSTOMER INPUT

93. We initially tested the approach of using investment scenarios with Customer Voice Panels in March 2019, where we asked for feedback on three examples of network investment ('less work', 'some work', 'more work') with corresponding safety, reliability and resilience outcomes at three different pricing levels.¹⁰ The scenarios and pricing were not actual cases, but examples that were realistic enough to be meaningful and simplified to snapshot view that participants could easily understand.
94. We then developed a conceptual model that combined customer feedback and with emerging network investment models. The model reflected price as a customer concern and the importance of a clear explanation of what any new spend would be used for. The consultation framework and inputs were reviewed and refined by the CPP Management Team and the CPP Board Governance Group during July-September 2019.¹¹
95. Following those reviews, we arrived at a final consultation framework to show alternative investment scenarios and their price/quality impacts, see figure below. This was then populated with forecast expenditure, reliability outcomes and pricing impact by the network expenditure team.

¹⁰ Refer UMR, *Qualitative report, Aurora Energy Customer Advisory Panel round three*, March 2019.

¹¹ Including CPP Management Team workshop on 29 August 2019 and review by CPP Governance Committee at its meetings of 31 July, 28 August and 20 September 2019.

Figure 6-1: Structure of consultation document

Our Proposal	OUR PROPOSED PLAN \$404m	OPTION A: Improved reliability for worst-served customers \$10.5m	Achievable in 3 years
		OPTION B: Improved customer service \$2.4m	
Considered But Rejected	ACCELERATED \$437m	Improved regional resilience \$6m	Hard to achieve in 3 years and would cost more
	ENHANCED \$483m	Improved future technology readiness \$37m	
		Improved visual amenity for communities \$15m	

6.2. DRAFT PROPOSAL FOR CONSULTATION

- 96. The feedback and information gathered through our engagement with customers and stakeholders was reflected in our draft proposal for consultation, published in November 2019. The *Your Network, Your Say* consultation document was designed to be simple and easy to interpret, see Appendix G.
- 97. In the consultation document, our future network investment was explained in relation to six key aspects that were important and meaningful to customers - safety, reliability, growth, resilience, future technology and customer service - plus pricing. The descriptions from consultation document are included in the following figure.

Figure 6-2: Investment drivers and pricing from consultation document

Safety:

Electricity is dangerous and we need to make sure that our network equipment is safe for the public and people working on or near the network. A safe network means that you can feel confident that our services will be safe for you and your community.



Reliability:

Nobody likes a power cut. Improving the reliability of the network means you can expect fewer unexpected power cuts and the power gets back on quicker when there is a fault. When we do need to turn the power off to do planned work, you will be well informed in advance about the reason and length of these events.



Growth:

Our region is growing fast, especially in Central Otago and Queenstown Lakes. More homes, farms and businesses connecting to the network requires more capacity to get the power where it is needed, when it is needed. By planning and building for growth, we can cater for higher electricity demand and continue to service growing areas as they expand.



Resilience:

Our Otago climate is changing with more frequent adverse weather events, and more extreme weather highs and lows. Like anywhere in New Zealand, there is potential for a major earthquake in our region. A more resilient network is better able to withstand a severe storm or major natural disaster.



Future technology:

The way people access and use our network is changing thanks to the advent of technologies such as electric vehicles, solar panels and battery storage. A network that adapts to a changing future allows you, the customer, to have greater choice to make and store your own energy and power your life with sustainable choices. You will also have the confidence to know that the Aurora Energy network is future proofed and can accommodate changing demands.



Customer service:

As an electricity customer your main point of contact is with your chosen energy retailer. Most of the time, our services work quietly in the background. On occasion you will need to deal with us directly for information about power cuts, to request a new connection, get safety advice, arrange for tree trimming away from power lines or when we need to access your property for maintenance. When you do, it's important you get the information and service you expect and need.



Pricing:

You pay the costs of electricity supply via our network through line charges as part of your power bill. Changes in network investment ultimately flow through to you as an electricity consumer. We want to hear your feedback on investment options proposed in this document and what you think is the right balance between the services you want and the price you pay.

98. The consultation document described our proposed plan, possible service options, alternative investment plans we considered but had rejected as unachievable within a three-year CPP period, along with pricing impact and reliability outcomes. It was set out as follows:
99. **Our proposed plan.** In consultation, we presented our proposed plan to make our network safer, prepare it for future growth, improve reliability for customers and meet our regulatory and legal requirements. We showed the price / quality trade-off in terms of the future reliability achieved and forecast line charges for a range of customer groups, average residential and small business for each of our three pricing regions of Dunedin, Central Otago and Queenstown.
100. In those draft plans, we presented our forecasts for planned and unplanned outages. These indicated that unplanned outages are expected to reduce slightly by 2024, while planned outages would likely increase in order to allow for the required work.

Table 6-1: Current and forecast unplanned outage duration under our draft plans (forecast unplanned minutes off per year by 2024, SAIDI)

Unplanned power cuts - average minutes off per year	Urban	Rural	Remote rural
Now	75	440	960
By 2024	70	410	860
Improvement	7%	7%	10%

101. **Alternatives.** We outlined two alternatives to our proposed plan that would cost more but achieve greater improvements in reliability. These were the ‘Accelerated’ and ‘Enhanced’ alternatives. Our consultation document explained that we had considered these alternatives, but decided not to pursue them further. Both involved significantly higher levels of investment in order to deliver better reliability outcomes, as follows:

- under an ‘Accelerated’ alternative, we indicated that an extra \$34 million invested over three years would be focused on network capacity and network automation
- under an ‘Enhanced’ alternative, we could spend an extra \$80 million over three years, including everything in the ‘Accelerated’ programme plus more on vegetation management and the renewal of ageing overhead power lines.

102. The price-quality trade-offs considered in these alternative investment options are set out below.

Table 6-2: Alternative price-quality trade-offs (forecast unplanned minutes off per year by 2024, SAIDI)

	Now	Our proposed plan	Accelerated	Enhanced
Urban	75	→ 70	→ 65	→ 60
Rural	440	→ 410	→ 390	→ 360
Rural remote	960	→ 860	→ 790	→ 680

103. We decided not to pursue these alternative investment plans because we considered that the price impact for customers would be too significant which was in a line with earlier feedback about the overall affordability of electricity being important. In addition, we were also concerned that an increased level of investment would be very hard to deliver in three years. As a consequence, our draft investment plans in our consultation document reflected our view that:

- some growth-related security of supply (reliability) projects should be deferred
- we should not significantly increase the number of reclosers or remotely operable switches
- fleet renewals should be safety-related, rather than being driven by reliability considerations.

104. **Service options.** In addition to our proposed plan we described two investment options. One would improve reliability for our worst-served customers, the other would improve overall customer service. Whether we included these in our draft proposal depended on whether customers were willing to pay the additional costs. We showed the price / quality trade-off for each option by providing the additional cost to customers and what service improvements they would receive.
105. **Other ideas we considered, but rejected.** We also outlined some other ideas we considered but decided we could defer while we focused on our main priorities of safety and reliability. These were improving future technology readiness, regional resilience and visual amenity (undergrounding at community locations). We showed the price / quality trade-off for each option by providing the additional cost to customers and what service improvements they would receive.
106. **Pricing.** The forecast pricing impacts for each element was provided and, where applicable, the reliability impact. As noted above, we included further detail on the average pricing impact of our proposed plan for six different customer groups, residential and small business customers in each of our three pricing regions. We also asked customers for feedback on pricing transition, whether they preferred an increase in line charges by a similar amount each year (smoothed) or a larger increase upfront followed by smaller annual increases (stepped).

7. WHAT WE HEARD AND HOW IT SHAPED OUR PROPOSAL

107. As explained in our consultation document, the draft expenditure plans we presented for consultation were not fixed. They were changed as a result of customer and stakeholder feedback and further internal and external challenges (including from the independent verifier) and subsequent events, specifically the anticipated impacts of the Covid-19 pandemic response.
108. The Commerce Commission will also invite customers to give feedback on our final proposal, providing a further opportunity for feedback and direct engagement with the regulator.
109. Here we summarise the feedback we received from customers during our early engagement and consultation phases and how customers in turn helped us design a successful consultation programme and shaped our final proposal submitted to the Commerce Commission.

7.1. CUSTOMER FEEDBACK DURING EARLY ENGAGEMENT AND WHAT CHANGED

110. During the pre-consultation phase we developed awareness of the need for future network investment, our intention to apply for a CPP and what that process involved. We deepened our understanding of what customers needed and expected from engagement in order for it to be effective and to reflect customers' preferences in relation to the services we provide. Later, we tested and refined our plans in light of the feedback received before finalising our draft proposal for consultation (see Section 6).

7.1.1. What we heard from customers

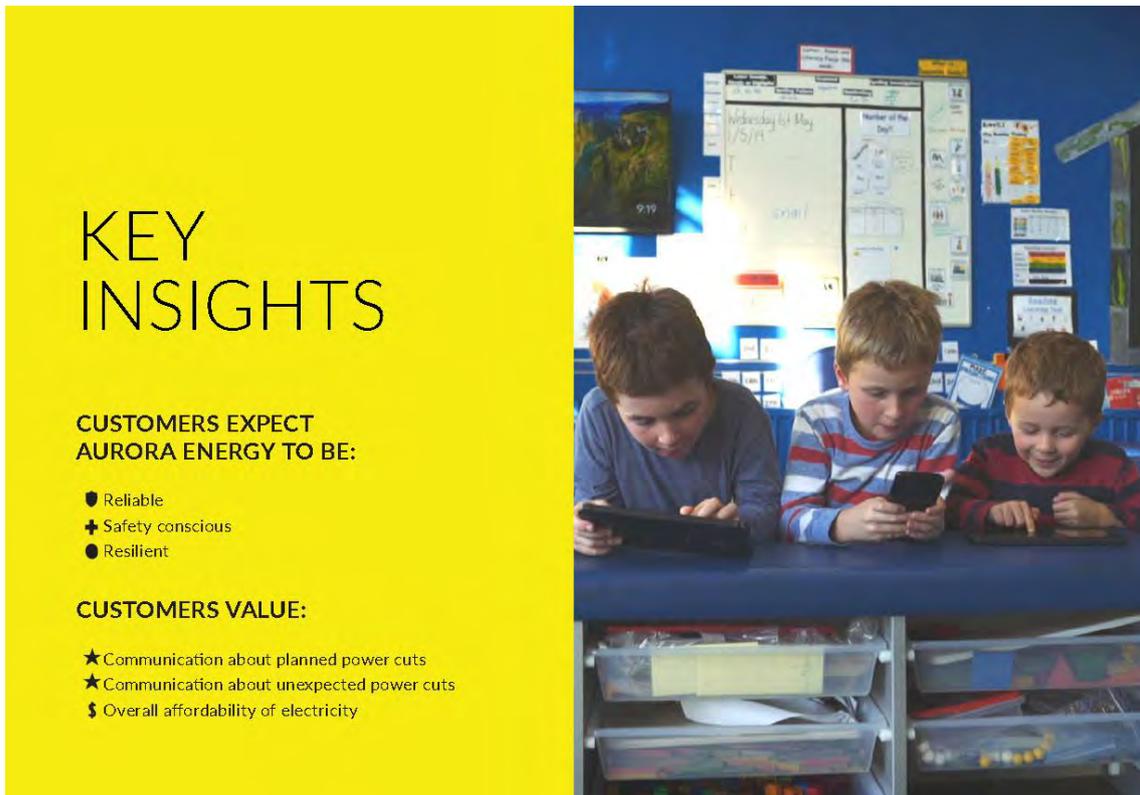
111. During the early phase of our consultation process, our customers and stakeholders through the Customer Voice Panels, 2019 phone survey and in-depth interviews, explained how they expected us to engage with them:¹²
- easy access to information on power outages in their area
 - simple and clear communications
 - a range of opportunities to engage through consultation on future pricing options
 - proactive communication on planned outages if more were required in the future
 - when comparing differing levels of future network spend, to see clear additional benefits at the highest levels of expenditure.
 - in terms of consultation material, Customer Voice Panels wanted:¹³

¹² UMR, *Qualitative report, Aurora Energy Customer Voice Panels round one*, September 2018; UMR, *Qualitative report, Aurora Energy Customer Voice Panels round two*, November 2018; UMR, *Qualitative report, Aurora Energy Customer Voice Panels round three*, March 2019; UMR, *Customer perception benchmark for Aurora Energy*, September 2019, page 29; UMR, *Exploratory consumer research: Summary report*, October 2019, page 7.

¹³ UMR, *Qualitative report, Aurora Energy Customer Voice Panels round two*, November 2018, page 27.

What We Heard and How It Shaped Our Proposal

- details on pricing options
 - being presented with a range of clear choices (perhaps three of these)
 - a simple description of the current situation and challenge
 - a clear explanation of what any new spend would be used for
 - some assurances of fairness of pricing and process.
112. In a 2019 phone survey based on a representative sample of 1,000 customers, we asked customers what they **expected** from Aurora Energy as their lines company¹⁴. Customers told us the top three essential characteristics were that Aurora Energy is ‘reliable’, ‘safety conscious’ and ‘resilient’.
113. We also asked what customers **valued** as essential in relation to their electricity supply.¹⁵ Customers told us the top three essential features were ‘communication about planned power cuts’, ‘communication when there is an unexpected power cut’ and the ‘overall price of electricity’.



KEY INSIGHTS

CUSTOMERS EXPECT AURORA ENERGY TO BE:

- Reliable
- ✦ Safety conscious
- Resilient

CUSTOMERS VALUE:

- ★ Communication about planned power cuts
- ★ Communication about unexpected power cuts
- 💰 Overall affordability of electricity

¹⁴ UMR, *Customer perception benchmark for Aurora Energy*, September 2019, page 26.

¹⁵ UMR, *Customer perception benchmark for Aurora Energy*, September 2019, page 29.

114. Through our customer panels, we had the opportunity to discuss and explore a range of topics in depth. The following summarises the feedback themes that emerged from the first three Customer Advisory Panel sessions¹⁶, themes that were broadly consistent with the views expressed in the first three Customer Voice Panels:
- **knowledge** of Aurora Energy and the electricity industry had risen considerably over the course of these sessions
 - broad consensus was found around three major future regional challenges: **growth/infrastructure** challenges, **climate change**, and the **rising cost of living**
 - general support for Aurora Energy playing a **more active role** in leveraging its expertise in ways that might help address these challenges
 - prioritisation of core focus areas for Aurora Energy to be: **reliability, safety** and **supporting growth**
 - **cost** and the **effects of potential price rises on consumers** were highlighted as particularly important to concerns
 - questions raised, in the context of **price**, around **who should rightfully pay?**
 - in terms of reliability, priority was consistently flagged for **reliability for businesses** and for **vulnerable customers**
 - in terms of customer service, broadly, **accessibility, responsiveness** and **advance communication on outages** were the most important areas on which to focus
 - some frustration at Aurora Energy’s need for immediate network investment but for the most part there was agreement that **doing nothing isn’t an option**
 - particular attention was asked to be focused on **new technologies** like distributed generation that may help reduce network pressure.

7.1.2. How customer feedback shaped our consultation approach and draft proposal

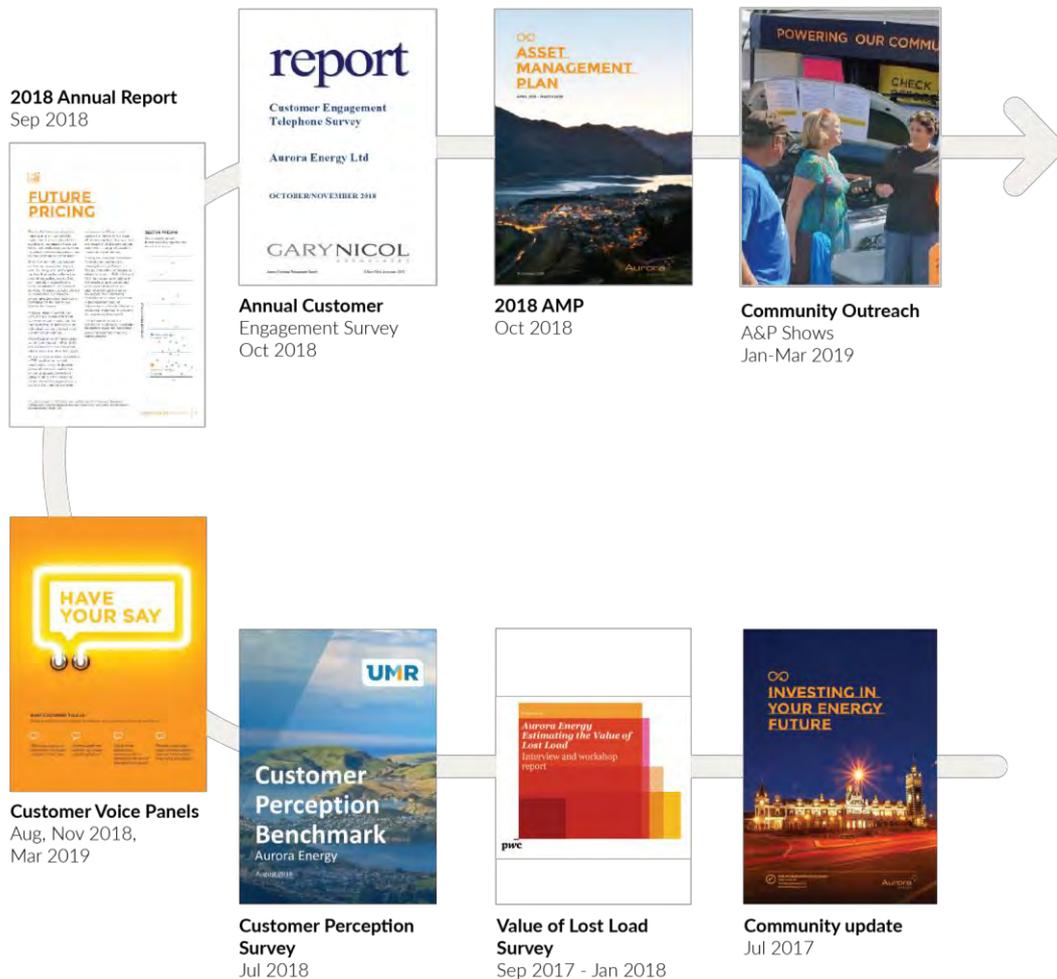
115. Early on, in May 2017, we signalled our intention to apply for a CPP¹⁷ and communicated that to 80,000 households throughout our network region via newsletter drop¹⁸.
116. By the time we commenced the first phase of our CPP engagement programme in March 2019, we had already gained a good understanding of our customers’ preferences by commissioning surveys and reports, including surveys on the value of lost load in August 2017 and on customer perceptions in July 2018. We had also gained initial feedback from community stakeholders and held the first two Customer Voice Panels.
117. As shown below, the information gathered through these exploratory reports and during our early engagement phase provided important insights into our customers’ preferences, which shaped our approach to targeted consultation and how we drafted our proposed plan. (We describe in detail how customer feedback influenced the design of the consultation programme in Section 3.1.)

¹⁶ UMR summary of feedback themes presented at Customer Advisory Panel Session #4, 25 November 2019.

¹⁷ Media release, *Aurora Energy seeks pricing change from 2020 to fund network investment*, 26 May 2017.

¹⁸ Community update, *Investing in your energy future*, July 2017.

Figure 7-1: Pre-consultation customer surveys and reports



7.2. CUSTOMER FEEDBACK DURING CONSULTATION AND WHAT CHANGED

118. Our engagement programme culminated in the publication of the *Your Network, Your Say* consultation document in November 2019, which set out our draft expenditure plans, customer benefits and proposed prices. We sought feedback on these plans through to January 2020, so that the feedback received could be taken into account in our final proposal for submission in June 2020.

7.2.1. What we heard from customers

119. We heard some consistent themes in response to our draft proposal during the consultation round, summarised below. We have provided greater detail on all the feedback received during consultation in Appendix E, plus the Customer Advisory Panel’s Independent Report (see Section 5 and Appendix C and summaries of research in Appendices D-F).

Figure 7-2: Key themes in response to our consultation document



120. Some questions and feedback came up repeatedly in our discussions with stakeholders and feedback from customers:

- the need for essential work was generally accepted and that network investment needs to be made for renewal and for the future
- the size of the price increases was unexpected and unwelcome with widespread concern, especially the impact they would have on vulnerable households
- nearly 9 out of 10 households are satisfied with the current reliability of their power supply. Very few want to pay more for improved reliability
- regional price differences were felt to be unfair by those paying most, though once explained, the principle was understood, even if the outcome remained unacceptable
- who pays was raised with many suggesting the owner (Dunedin City Council) and not consumers should pay for deferred maintenance
- suggestions that line charges went to pay dividends instead of necessary maintenance and that consumers would be paying twice

- some wanted reassurance that the network would be ready for a low-carbon future and/or greater use/incentives for renewable energy (e.g. solar)
- retailers sought early indication of price increases as the proposal is finalised to assist in their own price-setting cycle.

7.2.2. How customer feedback shaped our final proposal

121. We welcome the feedback we have received from our customers and stakeholders, which has been taken into account in finalising our CPP proposal.
122. The feedback we have received from our customers and stakeholders through our consultation channels has confirmed that there is very limited appetite for additional investment above the level set out in our draft plans. The key themes that emerged were:
- the need for essential work is accepted
 - price increases are not welcome
 - customers do not want better reliability if it means higher prices.
123. We summarise how we have changed our draft plans in response to customer feedback in the following table. We have provided greater detail on how we responded to feedback received during consultation in Appendix E.

Table 7-1: How have we changed our plans in response to customer feedback

Customers told us....	In response, we have....
Increased investment is supported but affordability is a concern	Adopted 'Our proposed plan' rather than the 'Accelerated' or 'Enhanced' alternatives. This position is consistent with the feedback received that essential work is supported, but affordability is a significant concern.
Existing levels of reliability are acceptable	Targeted our investment plans to improve network safety and asset health (noting there will be consequential improvements in unplanned reliability).
The magnitude of price increases raises concerns	Excluded any options that would have cost more (the 'Accelerated' or 'Enhanced' alternatives and additional service options). Reduced our proposed expenditure by \$20.4 million where this could be achieved without compromising safety or increasing future expenditure requirements. Specific initiatives are also proposed to assist customers to manage their electricity costs and address hardship issues.
Asset degradation should be avoided in future	Committed to improve our approach to asset management, which should ensure that the historical degradation of assets is not repeated in future.

What We Heard and How It Shaped Our Proposal



Customers told us....	In response, we have....
Regional price differences raised concerns	Accepted that our pricing regions and cost allocations should be reviewed and we will explain to customers how prices are derived and the relative differences are fair and equitable.
Some customer services are expected as fundamental, but affordability is a primary concern	Excluded the 'Improved customer service' option, but retained investment in priority customer service initiatives and ongoing improvement during the three-year CPP period. Priorities identified by customers were improved outage information (e.g. real time updates for unplanned outages) and the new connections process.
Readiness for a low carbon future is valued by some customers, but affordability is a primary concern	<p>Excluded the 'Improved future technology readiness' option, but retained sufficient investment during the three-year CPP period to remain prepared for technology change. Developed a <i>Network Evolution Plan</i> to support the network's transition to a low-carbon future and the uptake of distributed energy resources.</p> <p>Adopted a non-network solution for forecast network constraints in the Upper Clutha area at a lower lifetime cost. Under the solution, a contracted partner will provide distributed energy resources through the installation of solar panels and battery storage in customers' homes or small businesses.</p>
Smoothed price increases are preferred, so that the impact on customers is managed	Opted for a smoothed pricing transition to manage the price impact on customers.

8. INDEPENDENT VERIFIER

124. An important part of the Commerce Commission’s CPP framework is having an independent expert, known as the Independent Verifier, check over our submission before we make our application.

8.1. THE INDEPENDENT VERIFIER’S ROLE

125. Among the roles and responsibilities of the Independent Verifier is to provide “*an opinion on the extent and effectiveness of the CPP applicant’s consultation with its customers*” prior to the Commerce Commission’s assessment of the CPP proposal.¹⁹

126. At a high level, the verification process is intended to improve the quality of CPP proposals and to help the Commission’s decision-making by testing the information and assumptions in the proposal.

8.2. THE INDEPENDENT VERIFIER’S ASSESSMENT OF OUR CONSULTATION

127. We welcome the verifier’s comments in its draft and final reports that:

- “*Aurora Energy has undertaken substantial consumer consultation in preparing its CPP application, and has prepared and made available significant material, consistent with requirements of the IM. Much of this consultation is in line with best industry practice in New Zealand and other jurisdictions, such as Australia.*”²⁰

128. In the process of verification, we provided clarification to the Independent Verifier on two issues.

129. The first related to **drop in sessions**, how the invitation to attend drop in sessions had been promoted and how the relatively low attendance at these sessions compared to other engagement methods had been interpreted. We clarified that we had not interpreted the low attendance rate as a lack of concern about the proposed price increases, a concern that was a consistent theme throughout the consultation, see Section 7 and Appendix E.²¹

130. The second was to detail the consultation processes and customer feedback that supported our conclusion not to provide additional **quality measures** beyond those already prescribed for DPP3.²² We outlined how we had explored customer preferences in relation to quality of supply (reliability measures) and quality of service (customer service measures):

- **reliability experience**, asking about customers’ own experience of reliability and their level of satisfaction

¹⁹ Commerce Commission, *Electricity distribution services input methodologies determination 2012 – consolidated 29 January 2020*, 29 January 2020, Schedule G2 (g), page 237.

²⁰ Farrierswier, *Draft Verification Report*, 6 April 2020, Section 1.4.8, page 17 and Farrierswier, *Verification Report*, 8 June 2020, Section 1.5.8, page 21.

²¹ Aurora Energy Response to Independent Verifier, 30 March 2020, RFI W497.

²² Aurora Energy Response to Independent Verifier, 22 May 2020, PR-84.

- **price/quality trade-off**, seeking customers' views on the price/quality trade-off for future network investment in our consultation ('Our proposal', 'Enhanced', 'Accelerated')
- **targeted reliability improvements**, seeking customers' view on specific reliability improvements ('Improving reliability for worst-served customers' option' and the 'reliability zones' of urban, rural and remote rural)
- **customer service**, seeking feedback on a range of customer service measures, initiatives and improvements and asking customers what they saw as priorities.

131. We have set out in Section 7 and Appendix E how customer feedback from drop-in sessions and on quality measures shaped our final proposal.

9. CONCLUSION

We thank customers for their time and generosity in contributing their views on our future investment plans. Your feedback has shaped our final proposal and given us better insight into what was important to you and what you expect from your electricity supply.

132. What we heard was that customers want us to do the essential work, but that affordability is an overriding concern. A consistent theme throughout our engagement has been that most customers are satisfied with their current reliability. They do expect, as a priority, customer service that delivers good communication when the power goes off, either unexpectedly or planned in advance to carry out work.
133. First and foremost our proposal addresses network safety compliance to ensure the safety of the public and those working on the network. These are minimum expectations of the community, required by regulation and our duty as the infrastructure owner. While there was some scope to modify our draft proposal before we finalised it for review by Commerce Commission, some key safety and renewal investments that simply have to be done to ensure compliance and the safety of our people and communities, and that is what our final proposal reflects.
134. We also heard that additional areas of spend, beyond what was in our proposed plan, were important, but could wait to ease the increase in pricing. Customers still want progress in the areas of targeted reliability improvements for worst-served customers, network resilience, catering for future growth and preparing the network for a low carbon future.
135. The value of our consultation has gone beyond the CPP process and will be of enduring benefit to Aurora Energy in bringing the voice of the customer into our decision-making. In particular, we wish to acknowledge the contribution of our customer panels to deepening our understanding and for their engaged participation throughout our journey with them. We were fortunate to have a group of participants who were willingly to share their views openly and who took seriously their role in representing wider consumer interests. Their insight has improved the quality of our final proposal and its relevance to customers' priorities. Their participation has forged the way for future collaboration on issues where there is a common interest in the outcome.

Conclusion

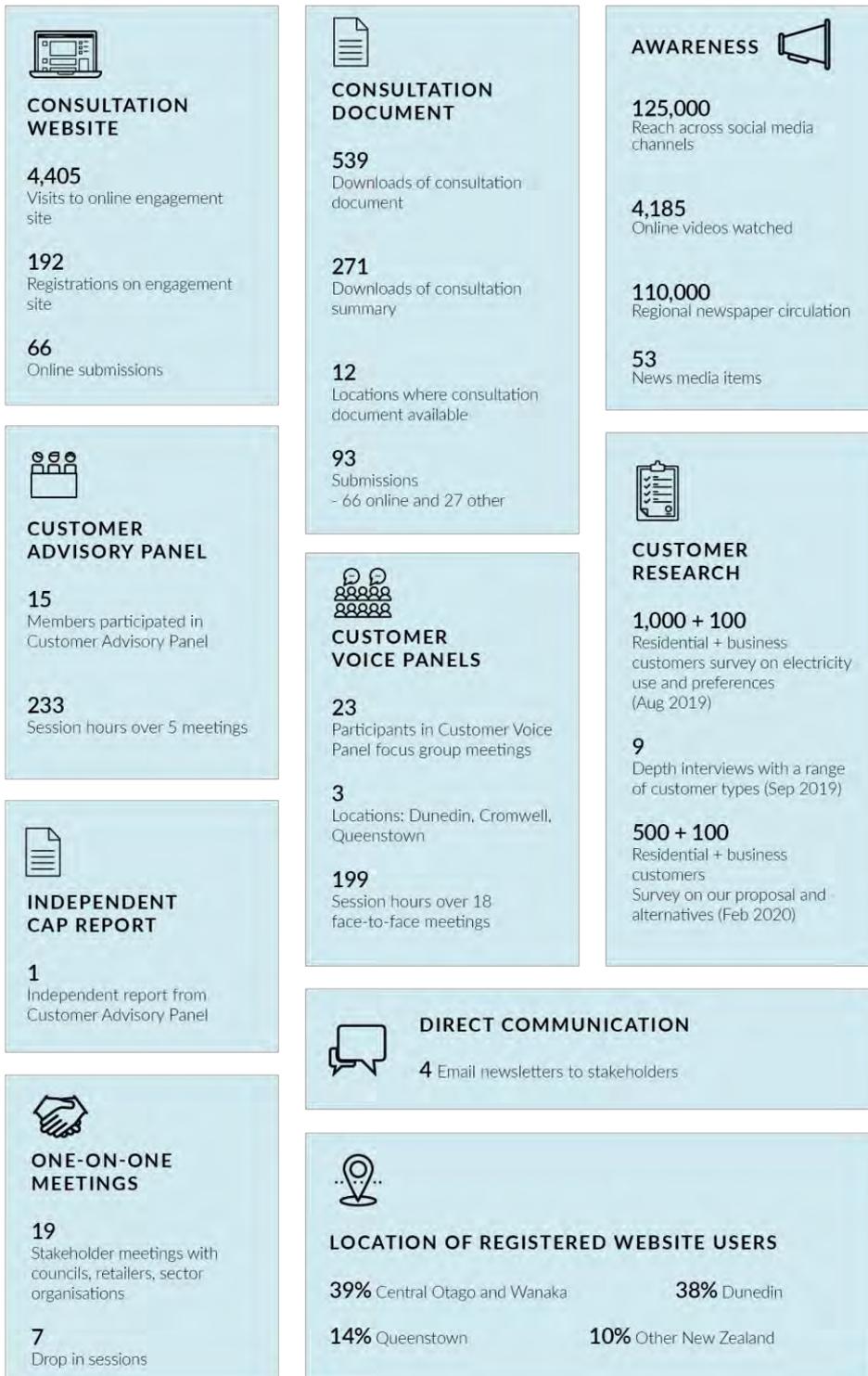
136. From here, there will be further review by the Commerce Commission and further opportunity for customers' views to be considered before they make their final decision on our CPP application. We encourage any who are interested to participate. Given the longer term implications of the Covid-19 pandemic were still emerging as we completed our application, the Commission's review process and consultation will enable further consideration of its impact in relation to our planned investment.
137. Once the Commerce Commission has reviewed and made a decision on our CPP application, we expect customer engagement to continue to be an integral part of ongoing monitoring of our performance and plans. Oversight by the regulator and the ongoing participation of customers in our planning over the next three years will provide continued assurance that our network investment is prudent and that our services continue to meet the needs of customers now and in preparation for a changing energy future.



PART B – APPENDICES

Appendix A. CORE CONSULTATION – WHAT WE DID

A.1. KEY CONSULTATION METRICS



Appendix B. PARTICIPANTS

B.1. LIST OF STAKEHOLDERS WHO PARTICIPATED IN CONSULTATION

138. The following stakeholders participated in the consultation, by providing feedback or engaging in one or more of the consultation channels. We have not identified individual participants by name as their involvement was on the basis of anonymity.

B.1.1. Submissions on consultation document

139. We received a total of 93 submissions on the *Your Network, Your Say* consultation document:

- 66 online submissions via *Your Network, Your Say* website
- 22 email submissions via yoursay@auroraenergy.co.nz
- 4 submissions via freepost Aurora Energy CPP Consultation
- 1 phone submission via freephone 0800 22 00 05.

140. The consultation document was downloaded from the consultation website 539 times, 80 printed copies were distributed and it was available at 12 public locations across the network region.

B.1.2. Consultation website

141. The *Your Network, Your Say* website yoursay.auroraenergy.co.nz had the following engagement:

- 4,405 visits
- 192 registered participants
- 171 activated participants (39% from Central Otago and Wanaka, 38% Dunedin, 14% Queenstown, 10% Other New Zealand).

142. There was a range of ways that visitors could engage when visiting the consultation website from reading information, downloading a document, participating in surveys, asking questions or suggesting ideas. Visitors the website engaged as follows:

- 62% aware visitors – visited at least one page
- 34% informed visitors – clicked something (e.g. downloaded a document, viewed a video)
- 3% engaged visitors – interacted via an engagement tool (e.g. participated in survey, contributed to a forum).

B.1.3. Research participants

143. We had more than 3,800 respondents participate in qualitative and quantitative research leading up to and during consultation:
- 2020 CPP phone survey, 600 respondents (500 residential and 100 business)
 - 2019 CPP depth interviews, 9 interviewees
 - 2019 CPP customer perception phone survey, 1,100 respondents (1,000 residential and 100 business)
 - Customer Advisory Panel, 15 Panel members
 - Customer Voice Panels, 23 participants
 - 2019 A&P Show Survey, 61 respondents
 - 2018 Annual customer engagement survey, 400 respondents
 - 2018 Customer perception phone survey, 1,000 respondents
 - 2017 Value of Lost Load online survey, 600 respondents.

B.1.4. Videos

144. We produced 14 videos during consultation that were viewed 4,185 times, see Appendix I.

B.1.5. Drop in sessions

145. We held drop in sessions at seven locations in Dunedin, Mosgiel, Alexandra, Cromwell, Wanaka and Queenstown that were attended by 15 people.

B.2. CUSTOMER VOICE PANEL PARTICIPANTS

146. Panel participants were selected from to provide a range of residential, small business and rural customers at different life stages across three regions across Aurora Energy's network:
- Customer Voice Panel Dunedin (5-10 participants at each session)
 - Customer Voice Panel Cromwell (4-6 participants at each session)
 - Customer Voice Panel Queenstown (5-7 participants at each session)

B.3. CUSTOMER ADVISORY PANEL MEMBERS

147. Panel members represented a balance of customers across Aurora Energy's network representing a range of customer and community groups:
- Anna Mickell – Queenstown Chamber of Commerce
 - Bridget Legnavsky – Ignite Wanaka Chamber of Commerce
 - Debbie Gelling – Presbyterian Support Otago
 - Debbie George – Age Concern Otago

- Dougal McGowan – Otago Chamber of Commerce
- Jonathan West – Pioneer Energy
- Jordana Whyte – Cosy Homes Trust
- Louise van der Voort – Central Otago District Council
- Dr Marion Poore – independent medical consultant
- Dr Michael Jack – University of Otago
- Michael Robertson – Contact Energy
- Simon Davies – Federated Farmers Otago
- Simon Drew – Dunedin City Council
- Dr Stephen Batstone, succeeding Meaghan Miller – Queenstown Lakes District Council

B.4. NEWSLETTER RECIPIENTS

148. Direct communication via regular e-newsletters was issued to the following individuals and organisations.

B.4.1. Energy retailers

- Contact Energy
- Ecotricity
- Electric Kiwi
- Genesis Energy
- King Country Energy
- Mercury Energy (Mighty River Power)
- Meridian Energy
- Nova Energy (Nova Gas)
- Opunake Hydro
- Pioneer Energy
- Powershop
- Prime Energy
- Pulse Utilities
- Simply Energy
- Switch Utilities
- Trustpower

B.4.2. Members of Parliament and Ministers

- Iain Lees-Galloway, Minister for Workplace Relations and Safety
- Kris Faafoi, Minister for Commerce and Consumer Affairs
- Megan Woods, Minister of Energy and Resources
- Clare Curran, MP for Dunedin South
- David Clark, MP for Dunedin North
- Hamish Walker, MP for Clutha-Southland
- Jacqui Dean MP for Waitaki
- Rino Tirikatene, MP for Te Tai Tonga

B.4.3. Manawhenua

- Aukaha (Kāi Tahu ki Otago)

B.4.4. Local government

- Dunedin City Council (DCC)
- Dunedin City Council Community Energy Fund
- Dunedin City Holdings Limited
- Central Otago District Council (CODC)
- Queenstown Lakes District Council (QLDC)
- Otago Regional Council
- Cromwell Community Board (CODC)
- Maniototo Community Board (CODC)
- Teviot Valley Community Board (CODC)
- Vincent Community Board (CODC)
- Mosgiel-Taieri Community Board (DCC)
- Otago Peninsula Community Board (DCC)
- Saddle Hill Community Board (DCC)
- Strath Taieri Community Board (DCC)
- Waikouaiti Coast Community Board (DCC)
- West Harbour Community Board (DCC)
- Wanaka Community Board (QLDC)

B.4.5. Major customers

- Major Electricity Users Group
- Cardrona Alpine Resort

Participants

- Dunedin Airport
- NZSki (Coronet Peak and The Remarkables)
- Port of Otago
- Queenstown Airport
- Treble Cone
- University of Otago

B.4.6. Community and advocacy groups

- Albert Town Community Association
- Cardrona Valley Residents and Ratepayers Society
- Central App
- Central Otago Sustainable Living
- Centre for Sustainability, University of Otago
- Consumer NZ
- Department of Conservation - Wakatipu
- Dunedin Electric Vehicle Group
- Grey Power
- Guardians of Lake Hawea
- Guardians of Lake Wanaka
- Hawea Community Association
- Heritage New Zealand Pouhere Taonga
- Ignite Wanaka Chamber of Commerce
- Jack's Point Residents and Owners Association
- Luggate Community Association
- Makarora Valley Community Incorporated
- My Little Local
- Otago Chamber of Commerce
- Otago Community Trust
- Otago Southland Employers
- Property Council NZ (Otago Chapter)
- Wanaka App

B.4.7. Sector

- Transpower
- Utilities Disputes

- WorkSafe New Zealand
- Electricity Authority
- Electricity distribution businesses (x25)
- Electricity Networks Association (ENA)
- Electricity Retailers' Association of New Zealand (ERANZ)
- South Island EBD CEO Forum

B.5. STAKEHOLDER BRIEFINGS

149. One-on-one meetings were held with the following organisations.

B.5.1. Local government

- Central Otago District Council (twice)
- Dunedin City Holdings and Dunedin City Council
- Queenstown Lakes District Council

B.5.2. Energy retailers

- Electricity Retailers' Association of New Zealand (ERANZ) (twice)
- Meridian Energy
- Genesis Energy
- Electric Kiwi
- Trustpower
- Flick Electric
- Pioneer Energy

B.5.3. Major customers

- Southern District Health Board
- Queenstown Airport

B.5.4. Advocacy groups

- Grey Power Queenstown
- Major Electricity Users' Group (MEUG)

B.5.5. Government agencies

- Ministry of Business Innovation and Employment
- WorkSafe

Appendix C. INDEPENDENT CUSTOMER ADVISORY PANEL REPORT

150. Here is the Independent Report prepared by the Customer Advisory Panel in response to our draft proposal, summaries of each of the Panel's face-to-face meetings and the terms of reference for the Panel at its establishment. See also Section 5 above.

C.1. CUSTOMER ADVISORY PANEL INDEPENDENT REPORT

- Customer Advisory Panel response to Aurora Energy CPP consultation document

C.2. CUSTOMER ADVISORY PANEL MEETING SUMMARIES

- Customer Advisory Panel Update – Session 1, 19 June 2019
- Customer Advisory Panel Update – Session 2, 13 August 2019
- Customer Advisory Panel Update – Session 3, 24 September 2019
- Customer Advisory Panel Update – Session 4, 25 November 2019

C.3. CUSTOMER ADVISORY PANEL TERMS OF REFERENCE

- Customer Advisory Panel Terms of Reference

Customer Advisory Panel response to Aurora Energy CPP consultation document

1. Aurora Energy is the natural monopoly lines business serving Dunedin and most of the Central Otago and Queenstown Lakes districts. The network has deteriorated to the point that substantial reinvestment will be necessary to ensure its continued safety and reliability. Aurora is preparing a Customised Price Path (CPP) application to the Commerce Commission to allow it to recover the increased level of costs it will incur in restoring the network in the 3 years 2022-2024.
2. This report covers
 - Our job
 - Our response to Aurora's proposal
 - Customer perspectives on the proposal
 - Impact of new technology and decarbonisation and
 - Our feedback on the process to date.

Panel members and their employers are listed at the end of the report.

1. Key messages

3. We understand Aurora's proposal and accept its clear focus on minimising price increases while remediating the underinvestment of the past to make it safe.
4. Despite this we have strong concerns about the impact that such large and sudden increases in network prices will have on customers across the region – not just the most vulnerable in our community but businesses and those who manage on tight budgets.
5. Because of this we have suggested accelerating the implementation of a fund to help households in energy hardship become more energy efficient as recommended by the government's Electricity Price Review. We have also suggested that the fines that Aurora will pay for breaching its regulated quality threshold and the Dunedin City Council Consumer Electricity Fund could contribute to it in the short term.
6. In accepting Aurora's proposal, we are acknowledging the difficult tradeoff that current management have made between safety and reliability. The network should never have been allowed to degrade to the state that it is now in. This points to shortcomings in company governance and the regulation it is subject to. We believe that these regulations should be reviewed in the light of experience at Aurora to ensure that this situation does not recur elsewhere.
7. Aurora's proposal explicitly defers expenditure to integrate small-scale renewable generation and demand response, to minimise price shocks in the short term. While

we accept this tradeoff we believe that giving customers more local options about how they meet their energy needs will see electricity distributors like Aurora play an important enabling role as New Zealand decarbonises. We expect this work to have a high priority in the subsequent CPP period.

8. The industry is highly fragmented and it does not engage with customers simply enough to maintain their confidence and trust. Aurora will need to develop a communications plan for all stakeholders in which it integrates messages from other companies in the electricity industry if it is to achieve the level of community support on which a successful CPP will depend.

2. Our job

9. As part of its CPP application, Aurora is required to consult with and take account of its customers' views. It has convened a Customer Advisory Panel to:
 - advise and represent to Aurora Energy the perspectives and preferences, including the service measures, that are important to consumers
 - understand Aurora Energy's business in order to provide meaningful input into Aurora Energy's proposal for a customised price-quality path application, including its future investment plans and pricing options
 - advise Aurora Energy on consumer perspectives, and perceptions, of the possible impact of new technologies on electricity users
 - provide feedback on communication and engagement strategies to enhance Aurora Energy's communication with its community, consumer groups and electricity consumers and
 - provide input into Aurora Energy's customer service process improvement ideas, to ensure Aurora Energy is able to capture systemic customer issues and improve the customer experience it provides.
10. This report is the Panel's response to Aurora's initial consultation document, released in November 2019, which we refer to as the "proposal".
11. Aurora will use our feedback and that of other customers and stakeholders in refining a final proposal which it will submit to the Commerce Commission in June 2020.

3. Our response to Aurora's proposal

12. Aurora's proposal document and the briefing we have had on it are high level. We accept Aurora's emphasis on ensuring network safety in the short term and their deliberate decision to defer work that is solely required to improve reliability and build wider capabilities until later periods, in order to minimise the level of price increases in the short term.

Needs case

13. Aurora have explained to us that the safety of their network has been robustly reviewed by the consultancy WSP and that the work they are proposing for the CPP period is almost exclusively what it is necessary to do to make the network safe by the end of the CPP period, allowing for growth and future asset degradation. Aurora have deliberately deferred discretionary work and initiatives that improve reliability alone, to minimise the scale of the investment, and the price rises that would result from it, over these years.
14. Aurora have explained that there will be some reliability improvements as a result of the proposed plan – even if projects are undertaken to manage the risk of poles falling over and people being harmed, the result of the projects will be that the power stays on for more of the time.
15. We accept Aurora’s proposal to base the needs case for this CPP on safety but are not experts in how “safety” in this context is determined. Aurora have explained that they have applied a well-established risk-based engineering model for managing safety based on an assessment of the condition of all assets in the network, the risk of those assets failing if nothing was done to them and the consequences of any failures.
16. This is a complex and technical matter that we are not qualified to challenge but must involve some judgement. It is essential that Aurora’s assessment is subjected to robust challenge and peer review by the independent engineering verifier appointed by the Commerce Commission. They should ensure that a conservative definition of “safety” is not being used to justify a scope of work that is larger than what Aurora’s customers would consider necessary to make the network safe by the end of the CPP period.

Future investment plans

17. When we were initially briefed by Aurora on their proposed process for developing the CPP, we were led to expect that we would be presented with a range of options for investments over the period – each one demonstrating a trade-off between price impact and the improvements in service (or “quality”) that would result from each.
18. Aurora’s proposal does include 2 alternative investment plans – the “accelerated” and “enhanced” options but has rejected both of them because they result in higher prices and do not contain projects necessary to make the network safe.
19. We accept Aurora’s proposal to limit the scope of work in the CPP to the minimum work required to make the network safe, with the caveat that this must be peer-reviewed against a commonsense view of what “safety” means.

20. The proposal also contains five discrete projects that could be undertaken as part of any of the investment plans. Again, Aurora have suggested that three of them are deferred to minimise the price increases that would result from the proposal as they are discretionary. They have asked for feedback on two initiatives:

Option A: Improved reliability for worst served customers

21. We have learned that the economics and reliability of networks is heavily driven by customer density: towns and cities have lower costs per customer and fewer outages. This is because the cost of assets required to serve a large number of customers is driven more by the size and nature of the terrain they cover rather than the amount of electricity that they carry so there are more customers for each dollar invested in an asset in a town than in the country. Equally, these scale economies mean that distribution businesses can design their urban networks with redundancy for little extra cost and so offer better supply reliability there.

22. Because of this, Aurora have segmented their network into 3 densities: “urban”, “rural” and “remote rural”, with progressively lower target reliability levels. The majority of the worst served customers are classified as remote rural: the costs of improving service to them will be high relative to more dense parts of the network. Given the guiding principle of minimising the scope of Aurora’s CPP proposal to safety-related initiatives, our view is that Option A should be deferred to later periods and considered alongside other initiatives to improve reliability. We note that distributed generation and storage offer non-network options for which customers can improve their supply reliability but avoid the need to upgrade assets which are paid for by all connected customers, some of whom would rather pay less for a lower level of service.

23. We do have concerns with the categorisation of recently completed and proposed new subdivisions and developments on the urban fringe in Dunedin, Queenstown and Wanaka. These are currently segmented as “rural” when the reliability expectations of future customers in those new developments will be “urban”. When we were shown the map of worst-served customers, several seem to be in these zones.

24. New developments change the use of electricity in an area and the supply reliability that customers expect there, both residential and commercial. Rather than pursuing Option A as it is currently described, we would support a CPP option to reinforce those network areas where supply will not meet “urban” reliability standards after redevelopment. Aurora should communicate a clear policy for how it rezones areas and the length of time customers will have to wait for reliability to improve when it does.

Option B: Customer service improvements

25. The other option which Aurora has asked us to assess is related to improved customer service. This is a package of five initiatives: improving new connections

process, providing better information during outages, adding account management for large customers, providing telephone support 24/7 and continuing the Customer Advisory Panel's challenge to Aurora's decision making after the CPP application is complete.

26. We support the first two initiatives in Option B. The time it takes to connect new supply is a persistent problem for customers of all sizes and Aurora's customer research confirms that timely and accurate outage information is as important as how long it takes to restore supply.
27. The benefits of the other three initiatives is less clear to us. The cost of Option B is less than 0.5% of the total proposal so trimming back options will not make a noticeable difference to the prices customers pay but for us to support it, Aurora needs to provide more detail so we can be confident that these initiatives would result in outcomes that customers are actually prepared to pay more for.

4. Customer perspectives on the proposal

28. Overall, we accept Aurora's clear emphasis on minimising the scope of any discretionary work beyond that related to safety. Despite this, we have real concerns about the impact of the estimated increase in lines charges on customers of all types and sizes.

Transparency of pricing

29. We have learned a great deal about network regulation and pricing through the panel process. It is technical, complex and difficult for non-specialists to understand as it relates to the calculation of efficient costs under rules set by one regulator and splitting those costs between customers under different rules set by another regulator. If Aurora is to maintain the goodwill of its customers through the CPP, it must be able to explain how the prices that it will charge every customer, and the relative differences between them, are fair and equitable.
30. The industry is highly fragmented and it does not engage with customers simply enough to maintain their confidence and trust. Aurora will need to develop a communications plan for all stakeholders in which it integrates messages from other companies in the electricity industry if it is to achieve the level of community support on which a successful CPP will depend.

Price impact

31. Despite several sessions on Aurora's pricing methodology, we still don't understand why Aurora has 3 pricing regions rather than 2 or 5. It is clear that Dunedin is a physically distinct network from those in Central Otago, with a different ownership history and different service territory but the two pricing regions in Central Otago seem arbitrary. One contains two physically isolated networks, yet both are geographically congruent. Both contain more than one transmission grid exit point.

Customers would expect Aurora to be able to explain why prices between the two Central Otago pricing regions are so different from one another. If it can't then it should develop a simple, cost-reflective alternative approach.

32. At a more fundamental level, the price rises that go with the proposal are far bigger than other CPP applications, such as Powerco's, and will be hard for many customers to afford, not just the most vulnerable or small. Business growth and competitiveness will be negatively affected. Poor and struggling families and residential customers will have to go without other things in order to be able to pay their electricity bills.
33. We do understand the need for the investment as it is proposed but believe that the real consequences for the people paying for it must be tackled as rigorously as the proposal has been developed.
34. While we understand that Aurora's prices have been some of the lowest in the country, this is irrelevant for tomorrow's customers who will struggle to pay so much more than they have in the past.

Opening up new energy options for Aurora's customers

35. We believe that the solution to managing the consequences of network price increases is to create options for customers to lower their overall energy costs in the long term. We do not support the idea of a short-term subsidy which will simply delay the impact of price rises and do nothing to help customers deal with them when the subsidies expire.
36. Options to reduce overall energy costs do exist and will assist customers to develop skills and confidence to shop around for the best deal, improve their energy efficiency, shift their peak loads and understand what new technology options exist to supply their energy (local generation and storage) and change how they use it (automated demand response). In some parts of Aurora's network, customers can even receive supply from a different distribution business (PowerNet).
37. We understand that these ideas have also been suggested by the Electricity Price Review ("EPR"), whose recommendations have been accepted by the government and will be implemented in the next few years. In particular, the EPR recommends that the government establishes a network of community-level support services to help consumers in energy hardship and sets up a fund to help households in energy hardship become more energy efficient.
38. Aurora's customers already benefit from the work of the Cosy Homes Trust which coordinates healthy homes efforts across Otago, provides commercially neutral education, and advocates for policy change and financial resources that promote healthier, more energy efficient housing across Otago. The trust provides the community-level support services to help consumers in energy hardship that the EPR envisages but would require resources and new capabilities to be able to take on the

broader education and energy efficiency role that we recommend for all Aurora's customers.

The role of a Customer Fund

39. We understand that Aurora will be being fined by the High Court for multiple breaches of its "quality threshold" and that the money that the government will collect from these fines is not budgeted for any particular purpose. Although it is not what was intended when the Commerce Commission's price-quality regulation was designed, we would strongly support using this money to create options for Aurora's customers to lower their overall energy costs in the long term and so manage the impact of network price increases.
40. If these initiatives were designed as part of the implementation of the EPR, then the results of the work funded by Aurora's fines could be used to inform the design of the national implementation of these EPR recommendations which would benefit all New Zealanders, even those whose networks have not breached quality thresholds.

Pricing options

41. In order for Aurora's customers to have options to lower their overall energy costs when electricity network prices increase, those prices need to reward customers who do not use the network when it is close to its maximum loading. Prices when the network is fully loaded should reflect what it would cost to add new capacity. In the short term, because of the way Aurora is regulated, this would make the network more expensive for the customers who chose to use it at peak times. In the medium term, however, customers choosing not to use the network as much when it is close to its maximum loading will defer or avoid upgrades which will keep costs down. Aurora's current pricing does this in a simple way – using it is more expensive during the morning and evening peaks and cheaper the rest of the time.
42. We have learned that in most cases retailers will rebundle these network prices into different products for "delivered electricity" which may not vary as sharply as Aurora's charges do. For some customers this will be desirable, and they will pay a margin for the risk that the retailer manages. Other customers will be willing to change their use of electricity (or install technology) to minimise what they pay but will only be better off if the prices their retailer charges reflect changes in network costs.
43. Aurora (with help from regulators and the government, if necessary) must work with the retailers who trade on its networks to ensure there are retail products which reward customers who reduce demand (or generate) at times when networks are congested – or when generation is scarce around the country.
44. If cost-reflective retail pricing options are available in this way and customers are supported in developing the skills and confidence to shop around and how they can take advantage of these options (as described in paragraph 36) then they will be able

to manage the impact of network price increases on what they pay for delivered electricity. If Aurora's customers can't sign up to retail prices where they pay less by reducing demand when the network is congested then they will not be able to do anything to minimise the impact of the network price rises. This would be a market failure that would justify direct regulatory intervention. We believe the Electricity Authority should work with retailers on Aurora's networks to avoid the need for this.

45. We have learned¹ that customers are often reluctant to move to cost-reflective electricity prices and take time to change how they use electricity. Automation can make demand response easier but it is clear that customers will need support, both education and information, if they are learn how changing their behaviour around electricity use can benefit them. This is why we are suggesting, in paragraph 39, that Aurora's quality-breach fines are used to pay for a broad-based education and energy efficiency programme for all Aurora's customers.
46. This education and training will take time. For this reason, we suggest that Aurora delay its largest price increases until all of its customers have received that training and it has had a chance to take effect: phasing price changes with smaller increases in 2021 and the largest increase in 2023.

Pricing to keep network costs low in the long term

47. We have also learned that, while electricity networks are expensive, much of their capacity is only used for a few hours a year. The cost of adding more capacity for those peak periods is very high to little benefit but conversely the cost of using the capacity that is already built but rarely used is very low and would allow customers to use more electricity without needing to invest in (and pay for) new network capacity.
48. To avoid future step change increases in network investment like the ones being proposed for the CPP, it is essential that the prices that Aurora (and all networks) charge for their services reflect the costs of providing them, without making them unaffordable. Aurora's customers won't be able to take advantage of options to lower their overall energy costs in the long term if the prices of any inputs to the electricity they used are cross-subsidised or averaged.
49. We acknowledge the work that the Electricity Authority is leading on changing distribution prices to make them more cost reflective in this way but, as we note in paragraph 42, retailers will often rebundle these charges to suit customer preferences and minimise administration costs. Electricity customers everywhere in New Zealand must be able to choose between retail products which reward customers who reduce demand (or generate) at times when networks are congested – or when generation is scarce around the country if we are to avoid unnecessary overinvestment in future.

¹ Stenner, K., Frederiks, E., Hobman, E. V., and Meikle, S. (2015) *Australian Consumers' Likely Response to Cost-Reflective Electricity Pricing*. CSIRO, Australia.

5. Impact of new technology and decarbonisation

50. While we have been working as a panel, Aurora has released a tender for non-network options in the Upper Clutha. This is progressive and, to the best of our knowledge, the first example of a New Zealand electricity distribution business running a formal procurement process to pay people who can provide controllable generation, batteries or demand response as an alternative to building traditional network components.
51. We see great potential in network companies using these distributed energy resources to deliver their regulated service as cheaply as possible. We understand that the Commerce Commission will challenge Aurora's proposal to ensure that it has identified opportunities like this as part of the CPP process but that companies who are not applying for a CPP have weaker incentives to explore these options.

Creating future options

52. Looking ahead, we can see how new technology will keep costs down and increase choices for customers: distributed energy resources are getting cheaper and more powerful by the day and will increasingly be part of the options that customers take advantage of to meet their energy needs at least cost. It seems particularly important that customers who are very sensitive to the quality and reliability of electricity supply, particularly in the commercial sector, can use these sorts of solutions to reinforce the common level of reliability that all network users receive and pay for but equally important that all customers, even the most vulnerable, are able to take advantage of new ways of generating and managing their use.
53. Now that the government has passed the Zero Carbon Act with cross-party support, New Zealand's commitment to decarbonisation has become concrete. Energy is the second largest source of our national emissions and electrification will play an important role in decarbonising energy. The broad consensus that we can replace thermal fuels with renewable energy to power both our light vehicle fleet and industrial heat processes would double the size of the electricity industry by 2050, which will require the integration of renewable generation of all sizes. Electricity distribution businesses will play a key role in integrating these resources for our national benefit.
54. We note that Aurora's proposal includes an option for "improved future technology readiness" work which it is not including as part of its proposal. This is consistent with Aurora's broader prioritisation of activities in the proposal limiting it to the work that will create a safe network on which new technologies can be deployed in this CPP period. The option is expensive: \$37 million over 3 years, so we accept that it should be deprioritised for the current CPP but expect that it will be a high priority for the following period and note that the EPR has a recommendation to "encourage more energy sector innovation" which will only increase its importance in the medium term.

Protecting customers from future step changes

55. The expansion of the electricity industry as a means of decarbonisation is an opportunity but comes at the risk of avoidable future step change increases in electricity prices if customers don't have access to and information about all the options available to lower their overall energy cost.
56. As we note in paragraph 52, we can see that new technologies, and the business models that they enable, have an important role in a low-cost but much expanded future electricity industry, both on the supply and demand sides of the industry.
57. Cost reflective pricing will be fundamental to realising the potential for demand side flexibility in this future as we note in paragraphs 42 and 49 above.
58. On the supply side, networks will be able to be more targeted in how they spend their money and sweat the existing assets if they have more granular information about the condition and state of their networks, down to the low voltage circuits that connect customers to the rest of the system. This has great potential to increase the capacity of the networks to serve larger loads from more and diverse sources of generation at low incremental cost.
59. More granular network operation and asset management will require Aurora to monitor and analyse the flows at the very edge of its networks. It should be able to access electricity consumption data for this purpose at low cost as it is already collected for electricity billing and settlement purposes by retailers. We note that the EPR has a recommendation that the government ensure distributors have access to smart meter data on reasonable terms which the government has accepted and actioned the Electricity Authority to progress. If Aurora is unable to secure this data on reasonable terms, the Authority should intervene to regulate access.

Durability of the price-quality regulation in Part 4 of the Commerce Act

60. Aurora is an unusual electricity distribution business as its history is one of sustained underinvestment and very high levels of growth. Low growth networks can prudently defer investment with little adverse consequence to minimise costs to their customers, but high growth networks must ensure capacity is available ahead of demand if customers are not to be forced to curtail activities and initiatives that they would have been prepared to pay for.
61. As we decarbonise, the entire electricity industry will move into varying degrees of high growth with the risk that electricity distributors who are reluctant or slow to invest and innovate in the use of non-network options will hold back the economic growth and decarbonisation of their regions.
62. We have learned how the Commerce Commission's regulatory regime has matured during the last 10 years – initially focusing on protecting customers from monopolistic pricing, more recently ensuring that price-controlled companies do not

allow service levels to degrade by running their assets down. We would note that the 5 yearly reset cycle is slow to pick up on and solve problems. The mechanism for control-exempt owned companies (who are owned by their customers) seems to be even slower. The CPP process that Aurora is undertaking is extremely arduous – deliberately so, to encourage price-controlled companies to work within their default price paths. The risk of this is that companies, like Aurora, who need to spend more than the implied regulatory allowance in their DPPs don't and their networks degrade, unnecessarily. This sort of asset degradation should not be allowed to happen again.

63. The 2016 Deloitte report noted that *for an infrastructural asset such as an electricity network a longer term view (of business planning) is required*². For electricity distribution businesses, this is the Asset Management Plan that companies are required to publish under the Commerce Commission's Information Disclosure regime but the quality of these plans is not linked to the revenues they are allowed to earn. Our view is that the Commission's future work on asset management must create stronger incentives on regulated companies to undertake *what expenditure is required to ensure the network has the appropriate risk profile balanced with the long term returns over the life of the network*³ as Deloitte recommend.
64. As we move into a high growth decarbonisation phase in the electricity industry, the Part 4 regime will need to ensure that all electricity distribution businesses take advantage of new technologies to minimise the costs to their customers but also provide expanded network capacity. We understand that Aurora is likely to be required to submit CPP applications for several more regulatory periods, in which case its demand forecasts and expenditure proposals will be subjected to detailed expert peer review. Default price-quality regulated, and exempt companies will need to be subject to similar scrutiny if local constraints and problems are to impede customer choice and our national efforts to decarbonise.
65. We note that the EPR has a recommendation that the government explore new institutional arrangements for energy policy and regulation which the government has accepted and tasked officials with undertaking a review that includes objectives to 'ensuring the sector can accelerate investment in renewables, reduce emissions and maximise the consumer benefits from new technologies, all while ensuring consumers have affordable and reliable power'. Aurora's experience both in preparing and implementing the CPP will be important early signals of problems with and opportunities to improve the regulatory regime. We suggest that both MBIE and the Commerce Commission work with Aurora management to ensure that Aurora's programme is successful and the insights from it are widely shared and acted upon.
66. We note that the price increases from Aurora's CPP process will not be the only ones that impact its customers. We understand that Transpower is considering a major

² *Review of Aurora Energy Limited /Delta Utility Services Limited – Network Safety Concerns*, Deloitte, December 2016. p. 17

³ *Ibid.*

upgrade in Central Otago, most of the costs of which will be passed on to customers there resulting in further increases to electricity prices in that area which will be rebundled in Aurora's prices. Wholesale electricity prices are also likely to rise in the short term which would increase electricity prices even more.

67. We are concerned that electricity pricing is affected by all three components (distribution, transmission and energy) working together and that this is difficult for consumers either to understand or control. The sort of education and advice on energy efficiency and affordability that we are suggesting for Aurora's customers will be necessary for customers across the country as these changes play out.

6. Our feedback on the process to date

68. Many of us have been involved in all manner of stakeholder processes with mixed experiences but we have all been impressed with the process that Aurora has run with us. Staff have been genuine, professional and transparent in their dealings with us. Aurora's proactive rejection of both the more expensive accelerated and enhanced investment programmes is, in part, a response to the concerns that we have raised throughout our engagement with them about the impact of sudden and large increases in prices on customers.

69. All of us agree that Aurora's engagement process with us compares well with others that we have been involved with. The fact that every invited member has stayed engaged throughout the five months that we have been involved is a signal both of how valuable it has been and our confidence that it will result in a better CPP proposal than Aurora would have been able to develop without convening and engaging with a customer advisory panel.

Lack of engagement with the shareholder

70. Aurora's corporate separation from Delta and the need for a step change in network investment was a response to Deloitte's 2016 review of network safety concerns at Aurora for DCHL, which found that

Aurora's business planning/AMP has been influenced by two factors:

- *Equity ratio – the board's self-imposed requirement to maintain an equity ratio of between 50% - 42%*
- *Shareholder returns – the requirement to provide a short-term return to the shareholder. DCHL has requested annual dividends from Aurora.*

71. It is as clear to Aurora's wider stakeholders as it is to us that Aurora's previous decisions to deliberately degrade assets while maintaining low prices is responsible for the large and unavoidable step change in prices that Aurora's customers will all

have to pay. Customers expect their electricity networks to be managed prudently and rely on those companies' boards to make sure this is the case.

72. We are aware that there is a strong perception in the local community that Aurora's profits and the dividends that it paid its shareholder were excessive in the period to 2015. The advisory panel spent considerable time discussing this. Deloitte's 2016 report makes clear that Aurora's former management and board *have not approached the business planning process from the perspective of the infrastructural asset first*⁴ in deliberately degrading the asset to keep prices low and maintain normal dividend payments. An important consequence of correcting for this is the real hardship that will be experienced by some of Aurora's customers.
73. The company will be punished for this negligence: it will soon be fined for failing to meet the Commerce Commission's reliability targets and we have suggested, in paragraphs 39 and 40 above, that the money recovered from the fines could be used to fund energy education and efficiency initiatives to help Aurora's customers manage the impact of the network price increases. Aurora staff have been constructive and proactive in exploring this possibility with officials and politicians.
74. The shareholder has not taken any role in our process to date. We note that that Dunedin City Holdings has financed the catchup investment that Aurora has undertaken in the last 3 years, even though they will not receive a normal regulated return on it all. We believe that they, and ultimately the Dunedin City Council, can also play a role in finding solutions to the social consequences of Aurora's price increases. The Dunedin City Council Consumer Electricity Fund is a resource that is available to help people living within the DCC rateable area with a grant towards an electricity account. We would like a representative of DCHL or DCC to present options for expanding the scheme to support energy education and efficiency initiatives for all Aurora's customers at our final meeting in April 2020. The education initiatives will need to include greater transparency about how Aurora's business is financed and the payments that its shareholders receive if it is to gain the level of community support for the price shocks that will result from restoring the network to a safe and reliable state.

Continued involvement

75. A representative of the Commerce Commission attended our November meeting. We appreciated their proactivity in engaging with our process and have benefitted from his contribution to our discussions and wider explanations about the design and intent of the regulatory regime.
76. The Commission has indicated that it would be keen to continue to engage with the panel given the level of understanding of both Aurora's business and the regulations it operates under that we have reached.

⁴ Ibid p.4

77. We would welcome this, particularly to review the findings of the “verifier” – expert consultants who are critiquing the Aurora’s engineering assumptions.

7. Panel members

78. The panel has met 4 times since June 2019. 3 of the meetings were half-day workshops, with the November meeting lasting all day to give Aurora time to explain its proposal.

79. Panel members represent a balance of customers across Aurora’s networks:

- Anna Mickell – Queenstown Chamber of Commerce
- Bridget Legnavsky – Wanaka Chamber of Commerce
- Debbie Gelling – Presbyterian Support Otago
- Debbie George – Age Concern Otago
- Dougal McGowan – Otago Chamber of Commerce
- Jonathan West – Pioneer Energy
- Jordana Whyte – Cosy Homes Trust
- Louise van der Voort – Central Otago District Council
- Dr Marion Poore – Independent Medical Consultant
- Dr Michael Jack – University of Otago
- Michael Robertson – Contact Energy
- Simon Davies – Federated Farmers Otago
- Simon Drew – Dunedin City Council
- Dr Stephen Batstone, succeeding Meaghan Miller – Queenstown Lakes District Council

We were supported in our work by John Hancock, as an independent expert advisor, who was the lead author of this report.

The views expressed in the report are collective and without prejudice to any views individual organisations may submit to the Commerce Commission as part of its public consultation into Aurora’s CPP application.

Dunedin, December 2019

CUSTOMER ADVISORY PANEL UPDATE



ABOUT THE CUSTOMER ADVISORY PANEL

The independent Customer Advisory Panel draws on the knowledge and experience of community organisations to represent the diverse interests of residential, industrial, commercial and rural electricity consumers. The Panel is an important part of Aurora Energy's wider consumer consultation as we develop our future network investment plan for our customised price-quality path (CPP) application in May 2020.

This update reflects the first Customer Advisory Panel (CAP) session, held on Wednesday 19 June 2019 in Dunedin.

Topic	Discussion notes	Next steps (if any)
Welcome and introductions	<p>Welcome by Aurora Energy Chief Executive, Richard Fletcher and introduction to Aurora Energy team members in attendance.</p> <p>Customer Advisory Panel members introduced themselves and their organisation to the group, outlining their interest in joining the panel and what they hope to get out of the sessions.</p> <p>Members discussed and approved the draft Terms of Reference.</p>	<p>Panel members biographies will be available on the YourSay consultation website yoursay.auroraenergy.co.nz.</p> <p>Video narrative of each Panel member's organisation and representative interests was filmed and will be loaded on to the YourSay consultation site once approved and finalised.</p> <p>Terms of Reference will be available on the YourSay consultation site for the general public.</p>
Electricity sector and Aurora Energy overview	<p>Members discussed their knowledge of Aurora Energy and where it fits in the overall electricity industry.</p>	<p>Aurora Energy provided an overview of the electricity sector and the organisation.</p>
Understanding the CPP process	<p>Members heard about what the CPP is, why Aurora Energy needs to make an application to the Commerce Commission, and outlined the consultation timeline</p>	<p>Members to update their organisations on the CPP and encourage their own members/employees to register on the YourSay consultation website.</p>
Customer personas	<p>Members participated in an exercise to explore different types of customers and what was important to those electricity consumers as it related to their power supply, prices and safety.</p>	<p>Aurora Energy will reference these customer groups and others already established as part of their unique research programme for the CPP consultation process.</p>
Community feedback	<p>Members were given some questions to take back to their own organisations, to help Aurora Energy with their broader research and consultation process.</p>	<p>The responses will be used by Aurora Energy's independent research company as part of the wider consultation research project.</p>

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Further information, to get involved

Your Network, Your Say is an online forum where the communities Aurora Energy serves can get involved, explore plans, give feedback and join the discussion, as well as share thoughts on the future.

Register to get involved at:

[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

CAP meeting attendees

Debbie Gelling
Debbie George
Dougal McGowan
Jonathan West
Jordana Whyte
Louise van der Voort
Dr. Marion Poore

Meaghan Miller
Dr Michael Jack
Michael Robertson
Simon Davies
Simon Drew

Anna Mickell (apology)



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This update reflects the second Customer Advisory Panel (CAP) session, held on Tuesday 13 August 2019 in Dunedin.

Topic	Discussion notes	Next steps (if any)
Introduction	<p>Objectives of the session outlined:</p> <ul style="list-style-type: none">Information sharing/increasing knowledgeFeedback on service expectations from Aurora Energy with a focus on reliability and customer service initiativesUnderstanding how industry pricing is set and beginning to understand how customers / community organisations approach price/quality trade-offs	<p>All unanswered questions at each session will be gathered and posted/answered on the member's area of the consultation site when time is restricted at sessions. Aurora Energy will develop additional FAQs to help answer common questions, and to solicit deeper understanding of some of the more complex issues.</p>
Customer Service	<p>Aurora Energy GM Customer and Engagement provided a brief overview of Aurora Energy's service standards for members.</p> <p>Members participated in an exercise to rank 28 service initiatives by importance, with option to add more services considered of importance to them personally.</p>	<p>Results gathered up, summarised and used as part of Aurora Energy's broader consultation research. Results will be reported via Panel Members area of the consultation website.</p>
Reliability	<p>Members had a roundtable discussion about their own personal experiences of reliability in the last 12 months and their perception of whether reliability was improving or worsening.</p> <p>Members then heard from Aurora Energy GM Asset Management and Planning on reliability standards, regulatory metrics, and performance.</p> <p>Members then participated in a group exercise looking at different customer groups and their experiences of reliability.</p>	<p>Members to talk to their own organisations about perceptions and experiences of network reliability.</p>

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Topic	Discussion notes	Next steps (if any)
Pricing	<p>The Panel heard from Independent Expert Advisor, John Hancock, who outlined industry pricing and how prices are set. He discussed the relationship between revenue and lines charges, and the respective roles of the Commerce Commission and Electricity Authority in regulating revenue and pricing allocation respectively.</p> <p>John also discussed the reasons why different regions sometimes pay more, and who pays when future investment is needed.</p> <p>The Panel then heard from Aurora Energy's Head of External Relations about investment drivers (safety, reliability, growth, resilience, future technology, customer service) in the context of the pricing discussion.</p> <p>The Panel participated in an exercise to allocate spend across a range of investment areas in preparation for the real scenarios being developed as part of the formal consultation later in the year.</p>	<p>Members to provide an overview of how pricing is set to their own organisations and gather feedback and questions.</p> <p>Aurora Energy will develop additional FAQs to help answer common questions and these make publicly available via the consultation website.</p>
Wrap Up	Members invited to site visits to deepen knowledge of Aurora Energy's operational business	Members to advise if that is of interest



Further information, to get involved

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 Dougal McGowan

Anna Mickell
 Meaghan Miller
 Dr Michael Jack
 Michael Robertson
 Simon Davies
 Simon Drew

Observing

Eli Grace-Webb, Independent Verifier appointed by the Commerce Commission

CUSTOMER ADVISORY PANEL UPDATE



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This update reflects the third Customer Advisory Panel (CAP) session, held on Tuesday 24 September 2019 in Dunedin.

Topic	Discussion notes	Next steps (if any)
Introduction	<p>Objectives of the session outlined:</p> <ul style="list-style-type: none">• Future trends – discuss future directions and drivers for the regions Aurora Energy supplies• Future energy choices and technologies – discuss trends in energy technologies (distributed energy resources) and consumer energy choices• Network role – review the of role electricity networks/Aurora Energy in response to those trends and what actions need to be made• Customer survey – wrap up of the results from the recent quantitative survey on consumers' views on energy use, technology uptake, network priorities, regional issues and affordability.	<p>The Aurora Energy team will add answers to questions raised during this session to the evolving FAQ resource developed for Members.</p>
Future Trends	<p>Panel facilitator, David Talbot of UMR ran an open discussion and exercise with panel members, gauging their opinions on future trends affecting their region and their constituents. Themes identified by Panel members covered:</p> <ul style="list-style-type: none">• Social trends• Environmental trends• Economic trends• Technology trends• Growth and resilience. <p>The Panel discussed managing population growth, impacts of climate change and the affordability of rising energy prices.</p>	<p>Discussion points will be summarised by UMR and included as part of Aurora Energy's broader consultation. The discussion also sets the context for the next Customer Advisory Panel in November, the CPP workshop.</p>

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Topic	Discussion notes	Next steps (if any)
Future Energy Choices and Technologies	<p>The Panel heard from John Hancock, Independent Expert Advisor and Dr Michael Jack, Senior Lecturer at the Otago University Department of Physics. They discussed the following broad topics with the wider Panel:</p> <ul style="list-style-type: none"> • Where is the energy sector going? • Future technologies: EV, battery storage, network technologies, LV, two-way grid • Consumer choices: distributed technology, greater control over energy management and information, prosumer • The uncertainty of future prediction (certainty of change, uncertainty of pace and outcome) 	<p>Slide pack will be made available on the Panel Member's Only section of the YourSay website.</p> <p>Aurora Energy will add all questions raised to the Panel Member's FAQ reference document.</p>
Network Role	<p>Dr Allan Miller, an industry expert with over 30 years' experience in the energy and technologies sector who also led one of New Zealand's most significant research projects into boosting NZ's proportion of renewable energy (the GREEN Grid project) presented to the group about how Aurora Energy could transform its network in the face of these trends - specifically in relation to accommodating distributed energy resources, growth and network improvements. He discussed the following:</p> <ul style="list-style-type: none"> • What are the decisions Aurora Energy needs to consider? • How does Aurora Energy accommodate uncertainty (of long-lived assets becoming obsolete, of direction and pace of change)? • He presented how Aurora Energy could approach network transformation. 	<p>Slide pack will be made available on the Panel Member's Only section of the YourSay website.</p>
Customer Survey	<p>Panel Facilitator and UMR Director, David Talbot presented results from the first round of public quantitative field research. He outlined:</p> <ul style="list-style-type: none"> • What customers think about regional growth, future technology and affordability • A comparison of the field research results to how CAP members responded in the CAP Session 2 exercises • Survey feedback – customer preferences in terms of what is important to customers as it relates to resilience, reliability, safety, future technology, customer service, pricing • A comparison to the trends and priorities for the CAP members. 	<p>An abridged version of the survey is now available on the YourSay website, for Panel members to complete themselves, and share with their constituents.</p>
Wrap Up	<ul style="list-style-type: none"> • Members were reminded of details for full-day workshop on Monday 25 November in Dunedin. • Members were invited to review the FAQs from the last session, before they are loaded on to the Member's area of the YourSay website. • Site visits will be arranged directly for those who are interested. 	



Further information, to get involved

Your Network, Your Say is an online forum where the communities Aurora Energy serves can get involved, explore plans, give feedback and join the discussion, as well as share thoughts on the future.

Register to get involved at:

[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

CAP meeting attendees

Anna Mickell
Debbie Gelling
Dougal McGowan
Jordana Whyte
Louise van der Voort
Dr Marion Poore
Dr Michael Jack
Michael Robertson
Simon Davies
Simon Drew
Stephen Batstone

Apologies

Debbie George
Jonathan West
Bridget Legnavsky

0800 22 00 05

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CUSTOMER ADVISORY PANEL UPDATE



ABOUT THE CUSTOMER ADVISORY PANEL

The independent Customer Advisory Panel draws on the knowledge and experience of community organisations to represent the diverse interests of residential, industrial, commercial and rural electricity consumers. The Panel is an important part of Aurora Energy's wider consumer consultation as we develop our future network investment plan for our customised price-quality path (CPP) application in June 2020.

This update reflects the fourth Customer Advisory Panel (CAP) session, held on Monday 25 November 2019 in Dunedin. It was a full-day workshop with the CAP Members.

	Discussion notes	Next steps (if any)
Introduction	<p>Objectives of the session outlined:</p> <ul style="list-style-type: none">• Recap of why a CPP is needed.• Key insights Aurora Energy has taken from the CAP sessions so far, and discussions on the Members' Only online forum.• Our proposed plan – presentation of the range of options Aurora Energy has considered, outlining the trade-offs in price and quality for the proposed plan.• Pricing and affordability – Aurora Energy outlined its pricing methodologies and discussed impacts to customers.• Review and feedback with the Panel.	<p>All discussion points will be recorded as part of the consultation feedback.</p>
Recap	<p>Aurora Energy CEO Richard Fletcher provided a recap of why Aurora Energy was applying for a CPP and the need to consult consumers.</p> <p>UMR Facilitator, David Talbot and Independent Expert Advisor John Hancock also provided a summary of key points raised throughout the sessions (and on the online discussion forum) by the Panel.</p>	<p>Slide pack will be made available on the Panel Members' Only section of the YourSay website.</p> <p>All discussion points will be recorded as part of the consultation feedback.</p>
Commerce Commission Role	<p>Grant Weston from the Commerce Commission provided an overview of the regulation, the CPP process and the Commerce Commission's role in regulating electricity networks.</p>	<p>Slide pack will be made available on the Panel Members' Only section of the YourSay website.</p>

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Topic	Discussion notes	Next steps (if any)
Panel Q&As	Aurora Energy set up a Panel of its Executive Leadership Team at two periods in the course of the workshop as an opportunity for the Customer Advisory Panel to ask any further questions, seek clarification from, and offer insights to, the Aurora Energy team.	All discussion points will be recorded as part of the consultation feedback.
The Proposed Plan	<p>Aurora Energy's GM of Asset Management and Planning, Glenn Coates, provided an overview of Aurora Energy's proposed plan. He discussed the following with the Customer Advisory Panel:</p> <ul style="list-style-type: none"> • A high-level view of Aurora Energy's overall approach and how it has structured the options • Description of the proposed plan and what it delivers • Regional investment maps and the specific programmes/projects that would be undertaken as part of the plan • Reliability outcomes for urban, rural and remote rural customers • Other scenarios Aurora Energy considered, but rejected (the Accelerated and Enhanced options). <p>The Panel then participated in a feedback session regarding the plan, as well as proposed regional projects and programmes of work.</p>	Slide pack will be made available on the Panel Members' Only section of the YourSay website.
Price Impact	<p>Aurora Energy presented its proposed price increases by region and customer types. It showed the Customer Advisory Panel what this means for customers under a future CPP price path.</p> <p>The Panel then participated in a feedback session on the proposed pricing, and the impact to customers. Affordability considerations were discussed and the Panel explored what could be done in this area.</p>	<p>Slide pack will be made available on the Panel Member's Only section of the YourSay website.</p> <p>All discussion points will be recorded as part of the consultation feedback.</p>
Reliability Outcomes and Price Trade-offs	<p>Aurora Energy GM Asset Management and Planning provided an overview of the reliability outcomes under the proposed plan - explaining what happens under its preferred model with unplanned and planned outages, looking at:</p> <ul style="list-style-type: none"> • Current reliability - showing reliability maps for urban, rural and remote rural for three regions • Reliability outcomes at completion of the CPP period in 2024 and beyond. <p>The Panel then took part in a feedback session regarding their reliability preferences.</p>	<p>Slide pack will be made available on the Panel Members' Only section of the YourSay website.</p> <p>All discussion points will be recorded as part of the consultation feedback.</p>
Wrap Up	<p>Aurora Energy outlined the process for consultation with the broader public and its submission process to the Commerce Commission.</p> <p>The Customer Advisory Panel will now prepare its independent report with Independent Expert Advisor John Hancock.</p>	The Panel will re-group in April 2020 to review impact of consultation on the final proposal.

CUSTOMER ADVISORY PANEL UPDATE



Further information, to get involved

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Simon Davies
Simon Drew
Stephen Batstone

Guest

Grant Weston, Commerce Commission

Observer

Oshan Jayawardena, Ministry of Business, Innovation and Employment

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Customer Advisory Panel Terms of Reference

June 2019

**YOUR ⚡ NETWORK
YOUR ≡ SAY**

[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

1 Introduction

Aurora Energy, your local electricity network, is committed to provide a safe and reliable power supply for all our electricity consumers across Dunedin, Central Otago and Queenstown Lakes.

To deliver the service our customers expect, we need to address past levels of under-investment, replace ageing infrastructure and upgrade the network to cater for the needs of our growing region.

Our long term network investment plan outlines how we will continue to deliver safe, reliable electricity to consumers into the future. To achieve that will require extra funding to cover the cost of upgrading assets and an increase in the line charges consumers pay as part of their power bill.

Electricity networks, and what they can charge to recover the costs of providing electricity supply, are regulated by the Commerce Commission.

To change our pricing from the standard allowance, we need to gain approval from the Commerce Commission by submitting a customised price quality path (or CPP) proposal. We plan to put in our application in May 2020 to take effect from 1 April 2021.

As the people who use and pay for the service, feedback from electricity consumers is important and consumer consultation on our CPP proposal is a required step.

As we develop our proposal, we want to engage with customers on what they expect and value from their electricity network, what our network investment could mean for future network charges and their customer service preferences.

Where investment alternatives exist, we need to understand **customers' views on the trade-off** between the prices they pay and the service they receive for a range of possible options. And to make these options meaningful, we need feedback that reflects the diverse mix of customers connected to our network.

Aurora Energy is setting up a Customer Advisory Panel as part of this consultation to help us engage with organisations that represent the interests of a broad cross-section of consumers in our community. Consumer advisory groups like this are used in the electricity sector in New Zealand and overseas as a way to involve key community stakeholders directly in decision-making and situations that affect them.

The specific Terms of Reference for Aurora Energy's Customer Advisory Panel are set out below.

2 Purpose

The Customer Advisory Panel will act as an advisory panel with a customer advocacy focus. It is a fundamental channel through which to engage and consult consumers on our CPP application and to harness stakeholder input into future asset management plans.

The purpose of the Panel is to help us better understand the needs, expectations and service requirements of electricity customers as they relate to **Aurora Energy's** future asset management and customer service plans.

The Panel will be a forum for Aurora Energy to engage with organisations in our communities that represent the interests of a broad cross-section of consumers on our network.

This Panel of community representatives will also complement the direct engagement Aurora Energy has already achieved through its existing Customer Voice Panels, which focus on the views and interests of individual residential customers and business owners or operators.

3 Objectives

The Customer Advisory Panel gives a voice within Aurora Energy to people with a deep understanding of the groups they represent and enables us to explore topics and seek feedback on an ongoing and structured basis.

The objectives of the Customer Advisory Panel are:

- To advise and represent to Aurora Energy the perspectives and preferences, including the service measures, that are important to consumers
- To understand Aurora Energy's business in order to provide meaningful input into Aurora Energy's proposal for a customised price-quality path application, including its future investment plans and pricing options
- To advise Aurora Energy on consumer perspectives, and perceptions, of the possible impact of new technologies on electricity users
- To provide feedback on communication and engagement strategies to enhance Aurora Energy's communication with its community, consumer groups and electricity consumers.
- To provide input into Aurora Energy's customer service process improvement ideas, to ensure Aurora Energy is able to capture systemic customer issues and improve the customer experience it provides.

4 Roles and Responsibilities

Members of the Customer Advisory Panel will be asked to:

- Develop an understanding of Aurora Energy's business and the electricity industry, including our approach to managing the network
- Help Aurora Energy better understand customers by providing insight and raising key issues that customers face
- Help Aurora Energy understand our customer expectations and service needs and therefore what our priorities should be
- Provide feedback on Aurora Energy's plans or proposed work streams, including our CPP proposal, Asset Management Plan, customer strategy and engagement plans
- Support dialogue and share information with the communities they represent
- Act as the customer voice
- Suggest topics and ideas for discussion.

Aurora Energy will:

- Listen with an open mind to the views expressed
- Respect the diverse nature of the views expressed
- Be open with information, and planning, within commercial constraints
- Report back to the Panel, and the wider community, on how we have responded to feedback provided at the Panel sessions.

5 Membership

The Customer Advisory Panel will consist of at least six representatives from community organisations across the Aurora Energy service network, and up to a maximum of 15, plus an expert advisor. This may vary from time to time at Aurora Energy's discretion or depending on availability of Panel members.

Organisations will be identified and invited to participate in the Panel that represent the diversity of Aurora Energy electricity consumers. Potential membership could include individuals or organisations representing the views and interests of:

- Aged and vulnerable consumers
- Rural consumers
- Iwi

- Local Councils on behalf of their communities*
- Large electricity consumers (such as industrial or manufacturing users)
- Business consumers
- Young consumers
- Medically dependent consumers
- Large electricity retailers with a wide range of consumer types
- Small electricity retailers.

(*To remain apolitical, any Council representatives who choose to participate will be staff, preferably senior executives, and not elected members.)

The final membership will be determined by willingness to participate and availability, and Aurora Energy will appoint Panel members on an individual basis. Organisations may also choose to nominate an alternate representative.

Aurora Energy will also canvass the views of other stakeholders (including national and sector organisations based in Wellington, regulators and elected representatives) outside the Panel through direct engagement and updates.

The Aurora Energy Customer Advisory Panel will have an independent facilitator, with the option of an expert advisor. Subject matter experts may also be invited as required, and members of the Aurora Energy team, including its Chief Executive and Executive Team, may also participate as required.

6 Selection Criteria

The independence and authenticity of the Customer Advisory Panel members is of primary importance in the selection process.

Members must be fully independent of Aurora Energy and capable of credibly representing the perspective of **Aurora Energy's customers**.

The final Panel members (up to a maximum of 15) will be selected by willingness and availability to participate, and by ensuring a cross section of community groups is represented if numbers registered exceeds that of the maximum Panel membership. Aurora Energy will appoint Panel members on an individual basis.

Members of the Panel cannot:

- Be currently employed or engaged by Aurora Energy, its contractors, the Commerce Commission or Electricity Authority
- Have criminal convictions
- Have been disqualified from acting as a director, or
- Have undertaken activities deemed to have had major adverse consequences for consumers.

7 Term

The initial term of the Customer Advisory Panel will be for one year (12 months), after which the ongoing role of the Panel will be reviewed.

Membership may be ended by Aurora Energy at any time. Members can also resign from the Panel at any stage.

8 Panel Session Meetings

The Panel will be established in May 2019 and meet a total of 4-5 times in the period June 2019-April 2020, including one full day workshop.

The Panel session schedule will be aligned to the CPP consultation, with possible timings as follows:

- Panel Session 1 - Establishment workshop – June 2019
- Panel Session 2 – August 2019
- Panel Session 3 – September 2019
- Panel Session 4 - CPP full-day workshop – November 2019
- Panel Session 5 – CPP feedback – April 2020

All Panel session meetings will be facilitated by an independent researcher. Most panel sessions are expected to last 3-4 hours and held during working hours. It is envisaged a full-day session will be required for the CPP workshop in November.

Aurora Energy will pay a sitting fee of \$100 per session to each member's organisation or to a nominated charity (in accordance with Aurora Energy's existing donation policies). Panel members may opt to not receive payment.

In addition to this fixed amount, Aurora Energy will also reimburse members for reasonable out of pocket expenses such as travel and associated meeting costs, in accordance with Aurora Energy's existing expense policies.

It is expected the Members commit to the schedule and can regularly attend the sessions. Community organisation alternates may attend on behalf of the selected Panel Member representative, and notice of such must to be provided to the secretariat in advance.

It is expected all participants in the meetings conduct themselves in a courteous, responsible and constructive way. The facilitator will be the arbiter of this and can exclude those who are disruptive to the successful running of the session.

Members will respect information and treat it confidentially. Materials are provided in good faith and members should ensure that confidentiality is maintained.

9 Record of meetings

The secretariat function will be performed by Aurora Energy's External Relations team, and they will circulate or publish the agenda of each session one week in advance.

Minutes will be taken and circulated to Panel members by the secretariat. Commercially confidential or other information may not be minuted at Aurora Energy's discretion.

Minutes will be published on the Aurora Energy website, along with an outline of the role of the Panel, and its membership.

10 Facilitation and Reporting

Independent facilitation will be provided at each Panel session, and it is their role to ensure open dialogue and agenda structure is achieved.

An independent expert advisor may be used to assist the Panel in their deliberations and to prepare an independent engagement report for the CPP application – this report will formally capture feedback and deliberations of the Panel, and be included as part of CPP proposal in a variety of formats, including written and video.

11 Expectations of Members and Meeting Protocols

In becoming a Member of the Panel, you agree to:

- Being part of material required for a successful CPP application, including but not limited to - your name and organisation details being published on Aurora Energy material, photography being used to chronicle the Panel engagement journey, and - as part of providing individual feedback - testimonials, written and video interviews as part of the wider consultation and reporting process.
- Observers being present on the Panel, such as the Commerce Commission, as may be desired
- Communicate and canvass feedback from your organisation and its constituents
- Respect any confidential discussion or material provided to you as part of your Panel membership
- Conduct yourself in a way that is courteous, respectful and encourages open and meaningful dialogue
- Refrain from media commentary, unless there is prior agreement from the Panel and Aurora Energy to do so.

12 Amendment, Modification or Variation

This Terms of Reference document may be amended, varied or modified after consultation and agreement by Aurora Energy and Panel members.

Appendix D. CUSTOMER VOICE PANELS

151. Here is a summary of the key insights from our Customer Voice Panels. See Appendix F for more detail.

D.1. CUSTOMER VOICE PANEL #1 AUGUST 2018

152. Participants in our first Customer Voice Panels told us they want...

- easy access to information on power outages in their area
- communication on the plan for our power pole programme
- clarity on what distribution companies do in relation to the rest of the electricity sector
- simple and clear communications, with the information they really care about.

D.2. CUSTOMER VOICE PANEL #2 NOVEMBER 2018

153. Participants in our second Customer Voice Panels told us they want...

- updates on progress to date, and tracking progress made in the future, on the pole replacement and reinforcement efforts
- simple and clear infographics as a way of communicating about Aurora Energy's progress
- wide opportunities for customers to engage through consultation on future pricing options
- proactive and regular communication around planned outages if more were required in the future.

D.3. CUSTOMER VOICE PANEL #3 MARCH 2019

154. In our third Customer Voice Panels, we discussed CPP consultation. Participants told us they...

- want simple, clear information using visuals to present information for consultation and avoid wordy, complex material
- need to see clear benefits if prices are to increase
- prefer feedback questions that are unambiguous and offer choice to express how much they agree or disagree
- want to get feedback at the end of consultation - on the results of surveys or outcomes from consultation
- think we were taking steps to improve the network with much better communication, but more to do.

D.4. CUSTOMER VOICE PANEL #4 AUGUST 2019

155. In our fourth Customer Voice Panels, we discussed customer service expectations, reliability and introduced how industry pricing works...

- participants told us improving our service to help customers find or receive notifications about power cuts would be useful – like automated messages, apps, social media updates and proactive letters or phone calls
- participants shared their own experience of power cuts, which ranged from some to none, very similar to the range of reliability experienced by most of our customers on the network
- participants thought the regulatory compliance limits for reliability should distinguish between planned power cuts for preventive work and unplanned power cuts from faults, so that we can carry out the necessary work without being penalised
- we explained how the costs of providing electricity supply services were allocated and explained why it is cheaper to provide supply to densely populated, urban areas than to remote, rural areas
- participants helped us understand their priorities for investment across the six areas of safety, reliability, resilience, growth, future technology and customer service.

D.5. CUSTOMER VOICE PANEL #5 SEPTEMBER 2019

156. In our fifth Customer Voice Panels, we discussed future trends and new technologies...

- participants told us population growth, housing availability and affordability, climate change and infrastructure were all key challenges facing each of their regions – some more than others, but these were very consistent across all the groups.
- for most participants, the cost to purchase and range anxiety were the main inhibitors to moving to an electric vehicle, a majority would consider making the switch if these deterrents were removed. The environmental benefits, running costs compared to combustion engine vehicles and charging convenience were all attractive.
- solar panels were of interest to some participants, but capital outlay, battery cost and sunshine hours were mentioned as barriers to considering solar panels as an alternative to grid-supplied electricity. Those who were interested talked about generating and using their own energy and an environmentally friendly alternative as reasons for why they would consider solar.
- the rising impacts of population growth in their regions and an awareness of climate change were at the forefront of the discussion. Many could see the possibility of weather change affecting people's energy use, the rise of alternative energy resources impacting the electricity infrastructure and increased population and housing increasing demand on the distribution network.

D.6. CUSTOMER VOICE PANEL #6 NOVEMBER 2019

157. In our sixth Customer Voice Panels, we discussed our proposed plan for future investment on our network...
- while participants were surprised by the prices being proposed, they understood why the investment was necessary to ensure a safe and reliable network.
 - each of the groups were initially surprised by the higher prices in Central Otago and Queenstown, compared to Dunedin. We explained that Aurora Energy follows the regulated pricing guidelines outlined by the Electricity Authority, which requires our prices to reflect the costs of providing the service and to avoid cross-subsidy between groups of customers. As such, our prices reflect the value of the assets in each region (roughly the different length of network needed to serve the total number of customers in each region). The panellists thought others would also benefit from this explanation to avoid any perception of unfairness.
 - participants thought customers would like to see, and will benefit from, a breakdown of where the total expenditure is going “to make the big numbers more meaningful”.
 - participants thought it would be valuable to explain the role of regulators in determining the maximum revenue we can recover, setting guidelines on how prices are allocated and ensuring a robust process is followed in assessing our customised price-quality path application.
 - some participants questioned the capability of the business to deliver the programme being proposed and felt reassured to know the regulator would be measuring performance against the plan (if it is approved by the Commerce Commission).
 - on the whole, participants felt Aurora Energy demonstrating social conscience around energy hardship was very important and had differing ideas of how we could best do this.

Appendix E. FEEDBACK SUMMARY

- 158. Here we provide a summary of all the feedback we received during the consultation on our draft proposal and how we have responded.
- 159. The first section summarises the quantitative feedback from research and submissions, the second section summarises qualitative feedback by theme.
- 160. In the third section we outline where feedback topics related to our CPP proposal and were within the scope of the CPP process, or where they were outside the scope of a CPP. In last section we address some common misconceptions that arose through our engagement with customers on our future investment plans.

E.1. FEEDBACK ON OUR DRAFT PLANS FOR CONSULTATION (SURVEY)

Table 9-1: Feedback on our draft plans for consultation from phone survey²³

Topic	Res*	Bus*	Findings / Conclusion
Support for Aurora Energy’s future spend			
Support for ‘Our proposed plan’	32%	48%	‘Our proposed plan’ is the least opposed alternative
Support for ‘Accelerated’	28%	32%	
Support for ‘Enhanced’	22%	20%	
Essential work			
Support for essential work for safety, reliability and growth	92%	91%	Very high support for doing essential work, but most (60%) want someone else to pay
Service options			
Support for increasing reliability for worst served customers	78%	84%	There is strong support for improving reliability for worst-served customers, and support for customer service improvement
Support for improving customer service	59%	60%	
Satisfaction with current unplanned reliability	86%	79%	High level of satisfaction with current reliability
Acceptance for the same or higher level of unplanned power cuts	86%	76%	Price/quality trade-off: most respondents accept the current levels of reliability, with little support for paying more for higher reliability

²³ UMR, *Quantitative research – topline tables*, February 2020.

Topic	Res*	Bus*	Findings / Conclusion
Service options ranked by priority			
Improving reliability for worst served customers	60%	70%	When all service options are ranked, improving reliability for worst served customers and improving regional resilience come out top
Improving regional resilience	60%	60%	
Future technology readiness	53%	50%	
Improving customer service	37%	44%	
Improving visual amenity for communities (undergrounding)	35%	38%	
Preferred timing of price increases			
Smoothed out, same amount of increase each year	69%	83%	Most prefer a smoothed pricing transition, with that preference more strongly marked among businesses
Pay smaller increases for the first few years, then bigger increases	15%	4%	
Pay more upfront for the first few years, then smaller increases	6%	2%	
Support for Aurora Energy providing energy efficiency information or advice to vulnerable households			
Do something – information	64%	54%	Most support Aurora Energy doing something to help vulnerable households with energy hardship. Doing nothing on affordability is unacceptable to most respondents
Do something – energy coaches	58%	53%	
Do nothing	12%	13%	
Sample size	500	101	Associated margin error is 4.4% for residential and business 9.8%

*Res = Residential survey respondents, Bus = Business survey respondents

E.2. FEEDBACK ON OUR DRAFT PLANS FOR CONSULTATION (FEEDBACK FORM)

Table 9-2: Feedback on our draft plans for consultation via feedback form

Topic	Online*	Other*	Findings / Conclusion
Support for Aurora Energy’s future spend			
Support for ‘Our proposed plan’	8%	50%	Most reject proposal and options, with the primary reasons being price and that Aurora Energy should be responsible for fixing the problem it created
Support for including elements from alternative options			
No	57%	33%	‘Our proposed plan’ is the least opposed alternative, some support for greater investment post-CPP period
Yes – beyond CPP	27%	50%	
Yes – ‘Accelerated’	0%	0%	
Yes – ‘Enhanced’	5%	17%	
Service options			
Support for increasing reliability for worst served customers	29%	60%	Most reject proposal and options, primary reasons being price and that Aurora Energy should be responsible for fixing the problem it created
Support for improving customer service	15%	17%	
Service options ranked by priority			
Improving regional resilience	1.9	2.0	When all service options are ranked, improving regional resilience and improving reliability for worst served customers come out top
Improving reliability for worst served customers	2.6	1.2	
Future technology readiness	2.7	2.7	
Improving customer service	3.5	3.2	
Improving visual amenity for communities (undergrounding)	3.8	3.5	
Preferred timing of price increases			
Smoothed, a similar amount of increase each year	92%	86%	There is a strong preference for a smoothed pricing transition
Stepped, a larger increase upfront followed by smaller annual increases	8%	0%	
Neither	n/a	14%	
Sample size	66	7	

*Online = respondents via online feedback form on consultation website, Other = respondents via feedback form in consultation document (via post or email)

E.3. SUMMARY OF FEEDBACK AND RESPONSES

161. We received feedback from a wide range of customers and stakeholders in developing our future investment plans and during consultation on our draft proposal. Here we summarise the feedback we received, grouped by topic, and how we have responded to that feedback, either by modifying our final proposal, indicating how existing or proposed work addresses the issue, committing to mitigation outside CPP parameters, or where outside our control, noting the organisation accountable (e.g. the regulator). The feedback has been grouped under the following six broad themes:
- **pricing**, the price impact on customers’ line charges, affordability and the fairness of cost allocation
 - **funding**, how our future investment is funded and who should pay
 - **investment priorities**, for our overall programme and the options we consulted on
 - **local issues**, specific to parts of our network
 - **assurance and oversight**, how our proposal is checked and its implementation overseen
 - **sector innovation**, issues that relate to the wider sector and regulatory context.
162. We have indicated the source of the feedback and where it has come from one or more source/s:
- **early engagement**, before the consultation round started in November 2019 including stakeholder meetings, customer research and customer feedback
 - **customer research**, exploratory and secondary research using qualitative and quantitative methods
 - **Customer Advisory Panel**
 - **Customer Voice Panels**
 - **local government**, including Council and community boards in our network area from briefings, direct meetings and submissions
 - **general public**, submissions and feedback received via the consultation website or directly from customers and stakeholders
 - **advocacy groups**, submissions and feedback received via the consultation website or directly from representative advocacy groups
 - **major customers**, meetings with and submissions from large customers on our network and the Major Electricity Users’ Group
 - **energy retailers**, meetings with and submissions from energy retailers and the Electricity Retailers Association of New Zealand

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
		Early engagement	Customer research	Customer Advisory Panel	Customer Voice Panels	Local government	General public	Advocacy groups	Major customers	Energy retailers
PRICING										
<p>Price increase</p> <p>You felt the size of the proposed price increases was unexpected and unwelcome with widespread concern, especially around the impact on vulnerable households. You said that that the amount and rate of the increases were too high.</p> <p>Some major customers wanted to understand what individual price impact for them would be, as larger businesses generally have bespoke arrangements that are not reflected in averages.</p> <p>The Customer Voice Panels were surprised by the prices being proposed but understood why the investment was necessary to ensure a safe and reliable network.</p> <p>“Power is already high enough without adding to the line charge”²⁴</p>	<p>‘Our proposed plan’ chosen, all other options omitted. Our draft proposal was developed with an acute awareness of the potential price impact. We focused on future network investment we believe is essential to keep the network safe and reliable and meet the future needs of the community. We chose the cheapest option ‘Our proposed plan’ over the more expensive ‘Accelerated’ and ‘Enhanced’ alternatives. We omitted all additional service options from the three-year CPP period, as these would have cost more.</p> <p>Overall, we reduced our proposed expenditure by \$20.4 million where this could be achieved without compromising safety or future expenditure requirements. Relative to our draft proposal, that results in a reduction in average monthly distribution line charges of around \$6 to \$8 for households and \$8 to \$23 for small businesses in the final year of the CPP period.</p> <p>We provided indicative forecasts of prices under our proposed CPP plan for individual large customers when asked.</p>									

²⁴ Online submission, SL.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
<p>Affordability</p> <p>You said you wanted us to do something to help vulnerable customers with the impact of price increases. In the phone survey doing nothing on affordability was strongly rejected (80%).</p> <p>On the whole, the Customer Voice Panels felt Aurora Energy demonstrating social conscience around energy hardship was very important and members had differing ideas of how we could best do this.</p> <p>The Customer Advisory Panel recommended a fund be established to help households in energy hardship become more energy efficient (and that Crown allocate quality breach fines to pay for a broad-based education and energy efficiency programme).</p> <p>The Customer Advisory Panel supported quality breach fines being used to pay for a broad-based education and energy efficiency programme to manage impact of price increases.</p>	<p>‘Our proposed plan’ chosen, all other options omitted. We chose the cheapest option, ‘Our proposed plan’, over the more expensive ‘Accelerated’ and ‘Enhanced’ alternatives. We omitted all additional service options from the three-year CPP period, as these would have cost more.</p> <p>We have explored potential options for a regional energy advice initiative for consideration by our shareholder. We have urged the Crown consider allocating Aurora Energy’s quality-breach fines towards a regional energy fund.</p>								

Feedback Summary



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<p>Fairness</p> <p>Regional price differences were felt to be unfair by those paying most, though once explained, the principle was understood, even if the outcome remained unappealing. Many of you referred to the Dunedin City Council’s ownership of Aurora Energy and felt that Central Otago and Queenstown Lakes were subsidising Dunedin City.</p> <p>You wanted a fair deal for today’s customers so they did not pay for a lack of improvements in the past. You said developers or new customers should pay growth-related costs, not existing customers.</p> <p>A few wanted reassurance that the price allocation between business and residential customers and rural and urban customers was fair.</p> <p>One retailer asked for changes to our pricing structure relating to time-of-use and congestion pricing and network loss values.</p> <p>“...everyone on the network should pay the same for the same service”²⁵</p>	<p>No change. Pricing methodology and cost allocation are outside the scope of CPP regulation, but will be considered as part of the price methodology review required by the Electricity Authority, following our CPP application.</p> <p>As part of that review, we will consider pricing regions and cost allocation, explain to customers how our network prices are calculated and how the relative differences are between customer groups are consistent with Electricity Authority guidelines.</p> <p>The Electricity Authority gave Aurora Energy’s current pricing methodology one of the highest ratings among all electricity distribution companies.²⁶</p>									

²⁵ Online submission, RG.

²⁶ Electricity Authority, *Distributors’ Pricing: 2019 Baseline Assessment*, 19 November 2019.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
<p>Pricing transition</p> <p>You had a strong preference for the smoothed option, 69% in the phone survey and 92% of online submitters.</p> <p>You said that the cost of the investment programme should be spread over a longer period to reduce the immediate price impact on customers.</p> <p>The Customer Advisory Panel recommended we delay the largest prices increases until all customers have received training on energy efficiency.</p> <p>"I would prefer to see any proposed increase take place in smaller increments through to say 2020"²⁷</p> <p>"Smoothed is kinder"²⁸</p>	<p>Smoothed pricing chosen. We have smoothed price increases over the three-year period within the limited scope available. Delaying prices increases as suggested by the Customer Advisory Panel would result in a stepped pricing transition that was largely rejected by submitters and survey respondents.</p>								

²⁷ Submission, YO.

²⁸ Submission, CO.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
FUNDING										
<p>Who pays</p> <p>Many of you suggested Aurora Energy, our shareholder and/or owner should pay for deferred maintenance and not consumers. Some suggested that all or part of Aurora Energy’s network could be sold to fund the required investment.</p> <p>The Customer Advisory Panel advocated a role for Dunedin City Holdings Limited and Dunedin City Council in finding solutions to social consequences of Aurora Energy’s price increases.</p> <p>“While I appreciate we need upgrades, this should not be a cost to the consumer in such a short period of time”²⁹</p>	<p>No change. None of the independent reports and reviews of Aurora Energy since 2016 have pointed to the company’s dividends or financial capability as driving low network investment and maintenance, rather this has been attributed to the company’s asset management planning capability. As all of Aurora Energy’s activities, investment levels and revenues are regulated by the Commerce Commission, Aurora Energy’s revenue and investment should be considered completely separately to dividend payments, capital injections or its capital structure.</p> <p>Note here that, regardless, dividends paid by Aurora Energy to its shareholder have reduced each year since 2013, with no dividends paid in 2018 or 2019. There is no provision for any dividend to be paid in the company’s Statement of Intent or financial forecasts for the CPP period. In the years when Aurora Energy’s network expenditure has exceeded its regulatory income, this shortfall has been funded by the shareholder.</p> <p>We have shared the Advisory Panel’s recommendation for Dunedin City Holdings Limited and Dunedin City Council to support an energy advice initiative with those organisations. At its 10 December 2019 meeting, Dunedin City Council resolved to a) request that the Minister for Energy reinvest any non-compliance penalties handed down to Aurora Energy into energy efficiency initiatives in the Dunedin City Council, Central Otago District Council and Queenstown Lakes District Council areas; b) seek support from other funding and public agencies to further advance this work; and c) ask Council staff to identify options to broaden existing council mechanisms that deliver on its Cosy Homes’ ambitions.³⁰</p>									

²⁹ Submission, Local MP.

³⁰ Dunedin City Council, *Minutes of Dunedin City Council meeting of 10 December 2019*, Item 26 Notice Of Motion - Energy Efficiency Initiatives, 24 February 2020, pages 15-16.

Feedback Summary

You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Past profits and dividends</p> <p>Many suggested that line charges went to pay dividends instead of necessary maintenance and that consumers would be paying twice.</p> <p>“...Dunedin City has benefited from the funds that should have been invested in the network and the people and businesses of the entire network area are now being asked to pay for it.”³¹</p>	<p>No change. The network prices paid by consumers are not affected by what an investor decides to do with any profits. Where the costs of operating and maintaining the network are low, consumers pay lower prices. To protect consumer interests, the Commerce Commission caps the total revenue that regulated electricity networks like Aurora Energy can earn from their consumers to prevent excessive profits and encourage efficiency.</p>									
<p>Already paid</p> <p>You expected that the line charges you had already paid should have been sufficient to keep pace with renewals and that increasing line charges in future would therefore be “paying twice”.</p>	<p>No change. Under regulation, the prices paid by consumers are based on the value of fixed assets (such as substations, poles, lines and cables) and the costs of operating and maintaining the network. Accordingly, if Aurora Energy had invested more heavily in the network in the past, the value of fixed assets would have increased and the prices paid by consumers would now be higher than they currently are.</p>									
<p>Past negligence</p> <p>You suggested that future investment should be funded by reducing corporate salaries. You sought individual accountability for what you perceived as past mismanagement.</p>	<p>No change. In 2017, Aurora Energy’s owners made a series of changes to the Aurora Energy board and leadership and restructured the Aurora Energy and Delta companies. A new team is place and a multi-year, multi-million dollar repair and renewal programme is underway across the network. The company is also facing prosecution for historic quality-path breaches that carry financial penalty. The latest independent assessment of Aurora Energy and the current management of its network by an electricity market expert found that “the board, executive and staff of Aurora are working as hard as they can to get it [rehabilitation of the network] right and are up to the task.”³²</p>									

³¹ Submission, Central Otago District Council.

³² Toby Stevenson, Sapere Research Group, *2019 Review of Aurora: Report prepared for Dunedin City Council*, February 2020, page 6.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Weighted average cost of capital (WACC) MEUG sought an assessment of whether changes in WACC parameters might have a material effect on WACC (and consequently line charges) for the proposed three-year versus five-year CPP period.³³</p>	<p>No change. During the CPP period, the WACC for Aurora Energy will be the same as that set by the Commerce Commission for the relevant DPP period.</p>									

³³ Submission, Major Electricity Users' Group.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
INVESTMENT PRIORITIES									
<p>High level investment drivers</p> <p>You generally accepted the need for essential work, especially for safety reasons. You also agree that investment needs to be made to renew the existing network and prepare for the future.</p> <p>Local Councils and business groups in fast-growing regions wanted reassurance that the network would meet future growth. Queenstown Lakes District Council was concerned that ‘Our proposed plan’ would not meet its district’s growth needs.³⁴</p> <p>The Customer Voice Panels thought customers would like to see, and will benefit from, a breakdown of where the total expenditure is going “to make the big numbers more meaningful”.</p> <p>The Customer Advisory Panel supported ‘Our proposed plan’ and rejected the ‘Accelerated’ and ‘Enhanced’ alternatives based on sudden and large increases in customer prices.</p> <p>The Customer Advisory Panel accepted Aurora Energy’s emphasis on network safety and deferring work solely required to improve reliability and build wider capabilities.</p> <p>“Safety of the network should be the priority, followed by reliability of the supply.”³⁵</p> <p>“Any alternatives that would increase the already excessive cost increases must be rejected.”³⁶</p>	<p>‘Our proposed plan’ chosen, all other options omitted. Initial feedback confirmed that our priorities on keeping the network safe and reliable while meeting the future needs of the community were in line with customer expectations and our proposal reflected this focus.</p> <p>Our proposal caters for expected demand growth during the three-year CPP period. We prepared demand forecasts by region out to 2029 and our ten-year asset management plan accommodates the forecast growth, though the certainty of forecasts diminishes further out into the future.</p> <p>We have not changed our underlying priorities. We chose the cheapest option ‘Our proposed plan’ over the more expensive ‘Accelerated’ and ‘Enhanced’ alternatives and omitted all additional service options from the three-year CPP period, as these would have cost more.</p> <p>We expect that a delivery plan with a breakdown of total expenditure will be a requirement of our approved CPP.</p>								

³⁴ Submission, Queenstown Lakes District Council.

³⁵ Online submission, SE.

³⁶ Submission, Central Otago District Council.

Feedback Summary

You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Our proposed plan and alternatives</p> <p>‘Our proposed plan’ was the least opposed of the available alternatives in both phone surveys (32 % of households and 48% of businesses supported) and among online submitters.</p> <p>One submitter, Queenstown Lakes District Council, lacked confidence in ‘Our proposed plan’ being adequate to meet the urban growth needs of its district over the next three years.³⁷</p> <p>The Customer Advisory Panel supported ‘Our proposed plan’ and rejected ‘Accelerated’ and ‘Enhanced’ alternatives based on sudden and large increases in customer prices.</p>	<p>‘Our proposed plan’ chosen over the ‘Accelerated’ and ‘Enhanced’ alternatives. This plan will continue to meet the expected demand growth across the network, including high growth areas in parts of Queenstown Lakes and Central Otago during the three-year CPP period (see ‘Local Issues’ in this table below).</p>									
<p>Option A: Improved reliability for worst-served customers</p> <p>Most of you in the phone survey gave strong support for this option (78% of households and 84% of businesses in favour). Most online submitters rejected this option (59% did not support), but ranked it second highest of the five service options.</p> <p>The Customer Advisory Panel wanted us to defer Option A: ‘Improve reliability for worst-served customers’ to later periods and consider it alongside other initiatives to improve reliability.</p>	<p>Option omitted from final proposal. We omitted all additional service options from the three-year CPP period to keep the price increase lower. Overall unplanned reliability will improve as a result of our proposed safety investment. See ‘Reliability Zones’ below which outlines our plan to identify urban, rural and remote rural areas on the network that are not performing as expected.</p> <p>We are planning future investment in unplanned reliability improvement in post-CPP periods as a high priority, noting that additional consultation will inform our decisions at that time.</p>									

³⁷ Submission, Queenstown Lakes District Council.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Option B: Improved customer service</p> <p>Most of you in the phone survey supported this option (59% of households and 60% of businesses in favour), but ranked it fourth out of the five service options. Most online submitters rejected this option (72% did not support) and ranked it fourth out of the five service options.</p> <p>Some argued that parts of this option should be included, specifically providing 24/7 real time information about unplanned outages was considered by one submitter as an essential service.³⁸</p> <p>The Customer Voice Panels told us improving our service to help customers find or receive notifications about power cuts would be useful – like automated messages, apps, social media updates and proactive letters or phone calls.</p> <p>The Customer Advisory Panel supported the first two initiatives under Option B, improving new the connections process and providing better information during outages. The Panel wanted more detail on the other three initiatives (adding account management for large customers, providing telephone support 24/7 and continuing the Customer Advisory Panel post the CPP application) to be confident customers would be prepared to pay for them.</p> <p>“It would be great to be able to get unplanned outage info on your website after hours. This would benefit customers and your call centre staff.”³⁹</p>	<p>Option omitted from final proposal. We omitted all additional service options from the three-year CPP period to keep the price increase lower.</p> <p>Our final proposal retains provision of those customer services that customers felt were essential or valued highly:</p> <ul style="list-style-type: none"> – Communication of planned and unplanned outages, continue to provide call centre and outage notification service with further enhancements to real-time updates for unplanned outages with cause and restoration times – New connections process, continue improvements to the process for new connections and establish service level targets – Customer Charter credit scheme, continue compensation scheme for unmet service levels, review complaints process and compensation policy, further policy development in regard to the Aurora Energy approach to customer experience. <p>We are planning future investment in customer service improvement in post-CPP periods as a high priority.</p>									

³⁸ Submission, JE.
³⁹ Online submission, SA.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
<p>Improved regional resilience</p> <p>Most of you in the phone survey supported this option (60% of households and 70% of businesses), online submitters ranked this highest of the five service options.</p> <p>The Customer Advisory Panel made no recommendations on this idea.</p>	<p>Option omitted from final proposal. We omitted all additional service options from the three-year CPP period to keep the price increase lower.</p>								

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Improved future technology readiness</p> <p>Around half of you in the phone survey supported this option (53% of households and 50% of businesses), online submitters ranked this third of the five service options.</p> <p>Some submitters wanted reassurance that the network would be ready for a low-carbon future and the impacts of climate change, and that the proposed investment in this area was sufficient.</p> <p>Some also advocated for greater use of or incentives for renewable energy (e.g. solar).</p> <p>Many Customer Voice Panel participants could see the possibility of climate change affecting people’s energy use, the rise of alternative energy resources impacting the electricity infrastructure and increased population and housing increasing demand on the distribution network.</p> <p>The Customer Advisory Panel recommended we defer this additional targeted investment, but make a high priority for subsequent CPP period.</p> <p>“I feel that Aurora has some responsibility to encourage consumers, especially in Central Otago, Wanaka and the Queenstown area to invest in solar power as we tend to have more sunshine days”⁴⁰</p>	<p>Option omitted from final proposal. We omitted all additional service options from the three-year CPP period to keep the price increase lower.</p> <p>We have retained sufficient investment during the three-year CPP period to remain prepared for technology change. We plan future investment in this area post the CPP period as a high priority.</p> <p>We have developed a <i>Network Evolution Plan</i> to support the network’s transition to a low-carbon future and the uptake of distributed energy resources. We will share our network evolution plans with stakeholders as part of CPP delivery.</p> <p>We have adopted a non-network solution for forecast network constraints in the Upper Clutha area at a lower lifetime cost. Under the solution, a contracted partner will provide distributed energy resources through the installation of solar panels and battery storage in customers’ homes or small businesses.</p>									

⁴⁰ Submission, KI.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Improved visual amenity for communities (undergrounding)</p> <p>Around half of you in the phone survey supported this option (53% of households and 50% of businesses) and you ranked it last of the five service options, as did online submitters.</p> <p>One submitter said undergrounding should be considered to reduce maintenance, improve unplanned reliability and remove unsightly equipment from view.⁴¹ Another advocated for decisions on undergrounding to be based on a full lifetime-cost comparison, for priority-area underground conversion to be included in the CPP proposal and for joint development of undergrounding plans with local authorities.⁴² Others suggested specific places where you wanted to see undergrounding happen.</p> <p>The Customer Advisory Panel made no recommendations on this idea.</p> <p>“The CPP clearly sets out the work that must be prioritised by Aurora following a long period of under-investment and poor asset management. Significant level of service increases (particularly undergrounding programmes) will sadly have to be deferred.”⁴³</p>	<p>Option omitted from final proposal. We omitted all additional service options from the three-year CPP period to keep the price increase lower.</p>									

⁴¹ Online submission, MY.

⁴² Submission, JE.

⁴³ Online submission, AN.

Feedback Summary

You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>Avoiding a repeat of circumstances</p> <p>Some of you wanted reassurance that underinvestment in the network would not be repeated.</p> <p>The Customer Advisory Panel stated that “this sort of asset degradation” should not be allowed to happen again.</p> <p>“Don’t ever create a situation like this again.”⁴⁴</p>	<p>No change – already addressed. We have committed to improve our approach to asset management, which should ensure that the historical degradation of assets is not repeated in future. The draft proposal and Aurora Energy’s ten-year Asset Management Plan are based on a changed and improved approach to asset management to better anticipate emergent risks, manage lifecycle renewal and assess future network investment needs. Our proposal includes investment in organisational capacity to continue asset management improvement. We have begun the pathway to certification in ISO55001, an asset management system standard that helps organisations manage the lifecycle of assets more effectively. With a CPP, Aurora Energy will be subject to closer, ongoing scrutiny by the regulator and required to provide transparent, additional reporting on the delivery of our plan.</p>									
<p>Deliverability and efficiency</p> <p>Some of you questioned whether our planned programme work could be successfully delivered in the timeframe given constraints on capacity, availability of skilled workforce and timely supply of equipment.</p> <p>Some asked how we would ensure our network investment was done efficiently.</p> <p>Some Customer Voice Panel participants questioned the capability of the business to deliver the programme being proposed and felt reassured to know the regulator would be measuring performance against the approved plan.</p>	<p>Choose ‘Our proposed plan’. We recognise that our proposal is a large-scale investment programme and that efficient delivery will be critical to its success and providing long-term value to customers.</p> <p>We have addressed the deliverability risk and cost effectiveness in two ways. First, we have limited our proposal to essential work (choosing ‘Our proposed plan’ and rejecting options that require additional work or that would be beyond available resources). Second, we address deliverability and efficiency through our asset management approach, life cycle cost analysis, asset standardisation and competitive procurement practices. Our approach is summarised here and outlined in detail in <i>Delivering Our CPP</i>, Appendix M of our CPP Application.</p> <p>1. Our asset management approach takes a long term view to anticipate risks, manage lifecycle renewal and assess future network investment</p>									

⁴⁴ Online submission, SH.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
<p>"We are not convinced that Aurora (or any firm) would have the capacity and capability to complete this programme of work within 3 years"⁴⁵</p>	<p>needs so we can make cost-effective decisions on when to replace, retire or extend assets.</p> <p>2. Life cycle cost analysis on new equipment. We take a whole-of life view of assets to arrive at the optimal balance between the initial capital cost of an asset and its ongoing maintenance. For example, the initial cost of a piece of equipment could be higher than a competing product, but have lower overall lifetime costs, as the equipment requires fewer repairs, less maintenance or lasts longer.</p> <p>3. Standardisation. Where practical, we standardise the types of asset we use on the network as reducing variation in the types of equipment we maintain creates efficiencies in operation, maintenance, staff training and inventory management.</p> <p>4. Competitive procurement. In July 2018, we appointed three key service providers to work on our network to introduce greater competition in the local contractor market and scale up the available contracting resource to deliver the works programme efficiently over the next five years. Our procurement processes across each of the three main areas of network spend (customer-initiated works, large capital projects, routine renewal and maintenance) supports cost-effective purchasing of services and assets.</p>									

⁴⁵ Online submission, SG.

Feedback Summary

You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
<p>Price/quality trade-off</p> <p>You had little appetite for improving current unplanned reliability if that meant prices would increase.</p> <p>In the phone survey, nearly 9 out of 10 households, and 8 out of 10 businesses, said they were satisfied with their current level of unplanned reliability. Only a very few households (8%) wanted better reliability if this meant paying more.</p> <p>The Customer Voice Panels thought the regulatory compliance limits for reliability should distinguish between planned power cuts for preventive work and unplanned power cuts from faults, so that we can carry out the necessary work without being penalised.</p> <p>"I will be happy to retain existing reliability and minimise the increase"⁴⁶</p>	<p>Choose 'Our proposed plan'. Our proposed plan forecasts modest reliability improvements as a consequence of planned safety and asset renewal investment.</p> <p>Satisfaction with current unplanned reliability indicates customers would generally accept maintaining current reliability performance (and regulated reliability limits that more closely match actual performance).</p> <p>In its 2020-2025 default price-quality path (DPP3) for electricity distributors, the Commerce Commission has separated planned and unplanned reliability standards and set the higher planned reliability standard at three times the historical average.⁴⁷ We would expect Aurora Energy's CPP reliability standards to be consistent with the DPP3 approach that distinguishes between planned work and unplanned faults.</p>								

⁴⁶ Online submission, FR.

⁴⁷ Commerce Commission, *Default price-quality paths for electricity distribution businesses from 1 April 2020 – Final decision – Reasons paper – 27 November 2019*, 27 November 2019.

Feedback Summary



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<p>Disaggregated estimates using DPP as counterfactual MEUG suggested it would be helpful to have disaggregated estimates of changes in price, quality and trade-offs using DPP as the counterfactual.⁴⁸</p>	<p>No change. While we acknowledge the point, we have not historically measured reliability on a pricing area basis, and this would have presented an insurmountable challenge to do so in the short amount of time available post-consultation. This is compounded by renewals forecasting being conducted on a network-wide volumetric basis for a number of asset fleets, where we are unable to disaggregate by pricing area.</p>										
<p>Reliability zones The Customer Advisory Panel supported a CPP option to reinforce new subdivisions and developments to meet urban reliability standards.</p>	<p>Reliability zones revised. We have rezoned the ‘rural’ areas identified by the Customer Advisory Panel as ‘urban’. We will seek to address poor performing urban areas during reinforcement investment to meet growth. More widely, we have deferred investment in reliability over the CPP period. We will use the CPP period to refine our mapping of urban, rural and remote rural locations, monitor reliability performance in each zone and develop a plan to remediate any areas of poor performance in the medium term.</p>										

⁴⁸ Submission, Major Electricity Users’ Group.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback							
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ
LOCAL ISSUES									
<p>Growth regions Local Councils and business groups in fast-growing regions wanted reassurance that the network would meet future growth. Queenstown Lakes District Council in its submission was concerned that ‘Our proposed plan’ was potentially inadequate to meet the urban growth needs of its district over the next three years.⁴⁹</p>	<p>No change – already addressed. ‘Our proposed plan’ caters for the expected demand growth across the network, including high growth areas in parts of Queenstown Lakes and Central Otago. We commissioned independent demand forecasts to model expected network demand and will continue to work closely with local Councils to align their growth projections with our demand forecasts, infrastructure requirements and the impact of Covid-19. As part of the solution, we have already adopted a non-network solution for forecast network constraints in the Upper Clutha area at a lower lifetime cost. Under the solution, a contracted partner will provide distributed energy resources through the installation of solar panels and battery storage in customers’ homes or small businesses to manage demand growth in the area.</p>								

⁴⁹ Submission, Queenstown Lakes District Council.

Feedback Summary



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		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
ASSURANCE AND OVERSIGHT										
<p>Independent assurance</p> <p>The Customer Advisory Panel wanted assurance from the independent verifier that the Aurora Energy’s assessment of essential safety work is peer-reviewed and not unduly conservative (that is, whether safety-related investment could be lower).</p>	<p>Changes made following independent verification. The independent verifier has peer-reviewed Aurora Energy’s assessment of planned work. As a result, we made the following changes to our final proposal:</p> <ul style="list-style-type: none"> – applied efficiency targets across a number of our renewals and maintenance programmes – deferred major projects and reduced network reinforcement programmes where growth was likely to be impacted by Covid-19 – deferred 6.6kV indoor switchgear renewal at South City substation - this led to a reprioritisation of other zone substation projects in the plan – reduced renewal expenditure forecast for low voltage enclosures to reflect a longer asset life expectation – revised our reliability forecasts to better reflect reliability outcomes associated with our expenditure plan. <p>A summary of the findings of the Independent Verifier were communicated back to the Customer Advisory Panel in June 2020.</p>									
<p>Oversight of asset management practices</p> <p>The Customer Advisory Panel advocated for the Commerce Commission’s future asset management work to create stronger incentives on regulated companies to make required investment in future.</p>	<p>No change – outside our control. We will share the recommendation with the regulator, the Commerce Commission.</p>									

Feedback Summary

You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
Risk assessment MEUG suggested there would be benefit in the CPP application having a reconciliation of WSP's asset risk assessment and Aurora Energy's proposed CPP work programme. ⁵⁰	No change – already addressed. We have detailed how the risks identified by WSP will be assessed, prioritised and treated in our <i>Action Plan Subsequent WSP Independent Review</i> (30 September 2019) and <i>Delivery Status Update</i> (31 December 2019). ⁵¹									
True cost underestimated One submitter (Queenstown Lakes District Council) said that the total cost of network renewal was likely underestimated and the investment required beyond the three-year CPP period had not been shown.	No change – already addressed. Our CPP proposal is for a three year period. Our longer term network investment plan is set out in our ten-year <i>2020 Asset Management Plan</i> that accompanies our final proposal. Our asset management plans are disclosed publicly and updated annually.									
Length of CPP period Central Otago District Council questioned the customer pricing impact of a three-year versus a five-year CPP, assuming that it would be significantly different. ⁵²	Committed to 3+5-year CPP. The Board has committed to Aurora Energy applying for a three-year CPP for the regulatory years 2022-2024 (the current application) followed by a five-year CPP for the years 2025-2029. We have estimated the impact of a five-year CPP period on prices. Owing to the treatment of regulatory incentives, the five-year CPP would result in higher prices than the three-year CPP counterfactual. We have also included indicative long-term pricing forecasts in Appendix K of our CPP Application.									
Change management Most retailers wanted an early indication of changes in network pricing from a CPP to assist them in their retail pricing planning. The Customer Advisory Panel recommends a communications plan for all stakeholders to maintain goodwill of customers through CPP.	No change – already planned. We will continue to keep retailers updated on our expected future pricing path as we work through the regulatory CPP process. We will continue our customer and stakeholder engagement during the CPP period. We expect that a delivery plan including stakeholder input will be a requirement of our approved CPP.									

⁵⁰ Submission, Major Electricity Users' Group.

⁵¹ Both reports, and future status updates, are available from Aurora Energy's website here <https://www.auroraenergy.co.nz/about/independent-review/>.

⁵² Submission, Central Otago District Council.

Feedback Summary



You told us...	How we addressed in our final proposal (moderations and adjustments)...	Source of feedback								
		EE	CR	CAP	CVP	LG	PUB	ADV	MAJ	RET
SECTOR INNOVATION										
Demand reduction The Customer Advisory Panel advocated Electricity Authority working with retailers to incentivise demand reduction.	No change – outside our control. We will share the recommendation with the regulator, the Electricity Authority.									
Energy usage data The Customer Advisory Panel advocated for electricity distribution businesses’ access to smart meter data to be on reasonable terms to encourage energy sector innovation.	No change – outside our control. We will share the recommendation with the regulator, the Electricity Authority.									

Feedback Summary

E.4. SCOPE

167. The consultation had a defined scope, as did our draft proposal for a CPP application. We received a range of feedback, some of which was not directly related to a CPP or factors within Aurora Energy’s direct control. Here we show what was in and out of scope.

	In CPP scope	Out of CPP scope
In Aurora Energy’s control	<ul style="list-style-type: none"> Investment priorities for future network plans Price/quality trade-off Pricing impact and transition Service options in our final proposal Reliability performance Service measures Deliverability of our plan Company management and asset management governance 	<ul style="list-style-type: none"> Pricing methodology (Electricity Authority review) Regional cost allocation and network pricing (Electricity Authority review)
Out of Aurora Energy’s control	<ul style="list-style-type: none"> Independent verification of Aurora Energy’s asset management priorities in draft proposal Commerce Commission oversight Shareholder injection of funds Continuous improvement in regulatory regime for electricity distribution companies 	<ul style="list-style-type: none"> Quality path breach fines used to establish an energy fund in Otago region Long term transmission capacity into Queenstown area Retailer incentives for demand reduction Smart meter data access on reasonable terms to encourage energy sector innovation Past investment decisions and dividend payments Shareholder divestment of all or part of Aurora Energy Electricity sector structure and past deregulation

Feedback Summary

E.5. MISCONCEPTIONS

168. A number of misconceptions were made clear through consultation. Understandably, few stakeholders have an in-depth knowledge of the electricity sector and how electricity distribution businesses are regulated and what is within the scope of a CPP consultation.
169. Below are the key misconceptions noted during our review of the feedback received and an explanation of why we believe they are incorrect assumptions or based on incomplete information.
- **Network investment is fully revenue-funded.** Some submitters assumed that Aurora Energy was funding network investment from revenue and that we should consider borrowing to fund future investment plans. In fact, Aurora Energy’s distribution revenue funds annual operating expenditure and annual financing costs of long term capital investment. Aurora Energy has been and will continue to use term borrowings to fund capital works and as a way to manage lumpy investment demands and allocate costs over the lifetime of assets to the consumers using them.
 - **Developers not paying the costs of new connections.** Some submitters felt that costs related to new developments should be user-pays. This is already the case where a new customer or developer pays for the costs of their new connection through a combination of upfront capital contribution and future distribution line charges.
 - **Dividends paid at expense of network investment.** Most submitters attributed past underinvestment in the network to Aurora Energy paying dividends to its shareholder. In fact, past underinvestment was an asset management decision (more should have been spent earlier). Customer revenues were invested in the network, but they were too low to keep pace with renewals. Under regulation, had network investment been higher, then distribution revenues (and customer prices) would have been higher to match. Any investor would take a return on invested capital and under regulation, this must be reasonable. Aurora Energy’s ROI has been consistently below the industry average.
 - **Future growth not adequately catered for.** Some submitters suggested that, with our investment priorities on safety and clearing asset renewal backlogs, there was not enough investment to accommodate expected future growth. In fact, our proposed plan does cater for expected demand growth during the three-year period, as does our longer term ten-year asset management plan. We prepared demand forecasts by region out to 2029 and our proposal (and longer term plans) accommodate the expected growth.
 - **The shareholder has not contributed to network reinvestment.** In fact, in recent years Dunedin City Holdings Limited has foregone dividends and effectively funded the shortfall between what Aurora Energy has spent over its regulated revenue allowance and what it can recover through distribution line charges.

Customer Research

Appendix F. CUSTOMER RESEARCH

170. Here we provide the executive summaries or full reports of the customer research for the CPP process conducted by UMR, our independent research provider.

F.1. CUSTOMER ADVISORY PANEL RESEARCH REPORTS

171. UMR executive summaries

- UMR CAP 1 Qualitative - June 2019
- UMR CAP 2 Qualitative - August 2019
- UMR CAP 3 Qualitative - September 2019
- UMR CAP 4 Qualitative - November 2019

F.2. CUSTOMER VOICE PANELS RESEARCH REPORTS

172. UMR executive summaries

- UMR CVP 1 Qualitative - September 2018
- UMR CVP 2 Qualitative - November 2018
- UMR CVP 3 Qualitative - March 2019
- UMR CVP 4 Qualitative - August 2019
- UMR CVP 5 Qualitative - September 2019
- UMR CVP 6 Qualitative - November 2019

F.3. CPP PHONE SURVEY 1 (SEPTEMBER 2019)

173. UMR executive summaries

- UMR 2019 households quant report #1
- UMR 2019 vulnerable quant report #1
- UMR 2019 businesses quant report #1

F.4. DEPTH INTERVIEWS (OCTOBER 2019)

- UMR Exploratory Consumer Research: Summary Report - October 2019

F.5. CPP PHONE SURVEY 2 (FEBRUARY 2020)

- UMR Quantitative Research Report: Households and Businesses - February 2020



CAP qualitative report

Aurora Energy: Customer Advisory Panel #1

June 2019

Panel introduction

- The following is an overview qualitative report on the first of Aurora Energy’s “Your Network, Your Say” Customer Advisory Panel sessions.
- The 11 panel members (there were two apologies for the first session) included representatives from a range of organisations from in and around the geographical area supplied by Aurora Energy – a full list is available on the consultation website at: <https://yoursay.auroraenergy.co.nz>
- Community organisations, consumer advocacy groups, local Councils and sector participants were all represented.
- An independent advisor was also in attendance. This role was outlined to the advisory panel. In future sessions, this advisor will meet separately with panel members to discuss issues and investigate perceptions of the process and will assist in the production of an independent panel report.
- There were several requests from panel members in this first session:
 - There was a request from panel members to be provided with communications guidelines in case they are approached by their own communities, lobby groups or media around the work of the panel.
 - Panel members also requested that all session content was made available to them. Members were advised that all information would be available on the website in the “members only” area.
- Panel members informally signed off on the proposed Terms of Reference (available via the site above) though queried the extent to which Aurora would be likely to base decisions on their feedback.
 - Panel members were reassured that Aurora Energy would not only listen to panel suggestions but also be open to negotiating and being influenced by the panel’s recommendations. It was noted that the Commerce Commission would also be looking for evidence of this interaction. The role of the independent advisor was also reiterated at this stage.

Panel member objectives

- Panel members were asked to write down what they were hoping to gain from their involvement in the Customer Advisory Panel for themselves or the communities they represent.
- Full text of the notes is illustrated on the slides which follow (a few minor edits have been made for sense), along with the verbatim handwritten comments from the members themselves.
- Broadly there were five territories covered:
 1. To represent communities of interest
 2. To better understand Aurora options, plans, pricing, and how decisions are made
 3. To contribute ideas, and influence investment decisions
 4. To better understand the future of the industry: low carbon, low cost, efficiency, transition
 5. To help make the CPP process more transparent for others.



Qualitative report

Aurora Energy, Customer Advisory Panels – round two

August 2019

Executive summary

Service initiatives

- There wasn't much to separate the top nine service initiatives – all were very popular
- There are a variety of ways of judging the most important of the service initiatives, the list below incorporates preference and strength of preference, and was fairly consistent across each of the groups:
 1. Provide customers with the option to talk to a staff member when they call the contact centre
 2. Limit the number of abandoned customer calls
 - 2= Notify all planned outages direct to affected consumers in advance
 3. Provide real time updates for unplanned outages with cause and restoration times
 - 3= Improve call centre operations, including customer outages tracking, surveys and CRM implementation
 4. Develop an automated outage management system
 - 4= Establish service level targets for new connections
- There were five initiatives that were a long way behind the others, though these were typically judged “overkill” rather than “a waste of time”:
 - Answer phone calls within two seconds (overkill)
 - Send out a quarterly customer newsletter
 - Improve community liaison and attendance at community events
 - Host a quarterly customer panel with CEO
 - Create more opportunities for customers to have their say on important Aurora Energy initiatives

Executive summary

Experiences of reliability

- Broadly, respondents had experienced a range of outages in terms of frequency from zero to eight in the last year
- These were approximately evenly split between those lasting under an hour, and those between 1 and 12 hours
- More respondents felt things were getting better than worse, and current experiences were not judged ‘unreasonable’
- Tourism, business losses, intergenerational fairness of investment were all issues that were raised when considering acceptable service levels
- Many thought that the reliability requirements from the Commerce Commission could be considered punitive during a phase of network renewal
- There was frequent discussion of the difference between planned (manageable) vs unplanned (more difficult) outages

Reliability expectations

- For the first scenario (20 outages) the weight of opinion was skewed fairly heavily to the “unacceptable” end of the spectrum
- This was the case regardless of customer type: family, vulnerable consumer, business, or rural user
- For the second scenario (3 outages), the weight of opinion in this scenario was skewed far more heavily towards “acceptable”
- Family, rural and business consumers were largely thought to be able to manage, with “unacceptable” only applying from the vulnerable perspective

Pricing

- Overall, “Reliability” topped the spend preference of participants, with on average, 24% of people’s investment going there
- “Safety” and “Growth” were second and third on 21% and 19% respectively
- “Customer service” took our fourth spot on 13%
- “Resilience” and “Technology” (both on 11.5%) occupied the final two places

The background of the slide is an aerial photograph of a large, multi-story stone building with a prominent tower, situated on a hillside. The building is surrounded by lush green trees and a well-maintained lawn. In the distance, a large body of water (likely a bay or fjord) is visible, surrounded by rolling hills and mountains under a clear sky. The overall scene is bright and scenic.

Qualitative report

Aurora Energy, Customer Advisory Panel – round three

September 2019

Executive summary

Regional challenges

- There was broad consensus amongst panellists in terms of identifying key regional challenges:
 - Population growth
 - Decarbonisation/climate change
 - Resilience/emergency preparedness
 - Environmental impacts
 - Infrastructure capacity constraints
 - Affordability/energy hardship
- While people frequently noted that these factors were all connected, “growth” for many was the issue of most interest/concern, and seen as leading to many others
- All of these issues were felt to intersect with Aurora Energy’s interests and concerns to some degree
- In group discussion, the strongest request to emerge was for Aurora Energy to play a more active role in facilitating discussion, using its expertise and connections to aid in areas like education, decision-making, and policy development – this was seen as potentially spanning a range of issues from affordability through to infrastructure

Future technology

- Self-generation, electric vehicles, peer-to-peer trading, and energy-efficient appliances generated the most interest and questions
 - Self-generation, or community generation was seen by many as a way to relieve potential network pressure
 - Energy-efficient appliance were seen as an important part of dealing with climate change and affordability issues

Knowledge exercise

- All but one participant moved up the knowledge continuum, indicating higher levels of awareness and understanding about Aurora Energy and industry issues



Qualitative report

Aurora Energy, Customer Advisory Panel – round four

November 2019

Executive summary

- Overall there was general acceptance of the bulk of the proposal
- The proviso here was that several participants felt that they lacked detailed engineering knowledge needed to determine what should be in or out, but were reassured that Aurora had this and that appropriate oversight appeared to be in place
- The detailed role and involvement of the Commerce Commission had previously not been talked about in as much detail as it was in this session, and most panel members expressed increased confidence in the overall CPP process as a result of this new knowledge
- However, increased costs remain a sticking point for many, particularly with regard to low-income households
- Potential interventions in terms of price mitigation were all well-supported, though one or two felt that this wasn't Aurora's core business
- A lack of understanding around, or resistance towards, cost-reflective pricing is a strong driver of feelings of "unfairness" in relation to the differences in prices across the network regions
- Participants were highly engaged in terms of asking questions of the Aurora senior executive panel – these covered a wide range of topics from relationship with the DCC to potential price changes post CPP
- Reliability outcomes were generally endorsed, with some questions as to specific areas and measures arising in regional discussions



Qualitative report

Aurora Energy, Customer Voice Panels – round one

September 2018

Executive summary

- Opening questions to Aurora from respondents broadly fell into four categories: electricity cost, future technology (including renewables), Aurora’s future plans, and an explanation of the perceived poor state of company assets
- Perceptions of Aurora overall were generally fairly superficial with “reliability of supply” mostly driving positive sentiment and the “poles/asset issue” driving negatives
 - The latter was considerably stronger in Dunedin where respondents tended to be more informed
 - As is usual with distributors, there was a fairly high level of confusion (particularly outside Dunedin) about exactly what the role of a lines company involves
- Overall, respondents were positive about the Community Update though were not short of suggestions to improve it
 - Many felt that the main purpose of the communication wasn’t sufficiently clear and that more focus needed to go on why it was worthy of their attention
 - Several felt that there was often too much content on a single page and noted that it would be challenging to read on a smartphone (for many, their most-used consumption device) or anything printed much under A3
 - Page one appealed particularly to those for whom the image was “local”
 - The second page of text was almost unanimously felt to be too long, with too much jargon, and while the apologetic tone ran well in Dunedin, it made less sense to respondents in Cromwell and Queenstown (due to their lack of background knowledge)
 - The third page was strongly endorsed overall, but many thought that the best content (on new projects, ongoing plans, and maintenance) is being partially obscured by other less-relevant material

Executive summary

- AMP messages were perhaps slightly less well-received by respondents but likely as a result of appearing both “out of context” and following an infographic-heavy communication, thus seen as “quite technical”
- Nevertheless three messages performed strongly:
 - *We have an ageing network that needs renewing and we have committed to significant planned investment in network assets, systems and people to achieve that.*
 - *We have a backlog of assets in poor condition that need renewing (in particular poles, overhead lines and zone substations) and our priority over the next three years is to bring that backlog under control.*
 - *A reliable energy supply is important to customers - we have not met our reliability targets in recent years and we are committed to targeted investment to improve reliability.*
- In terms of communication channels there was no consensus, though community papers and social media combined probably have the ability to cover a fairly broad spectrum of consumers
 - Several thought that social media would be a particularly good channel to distribute components of the community update piece
 - For many, more attention still needs to be given to the perceived relevance of the communication, and this was often flagged as the main barrier to consumption



Qualitative report

Aurora Energy, Customer Voice Panels – round two

November 2018

Executive summary

1. Poles

- Recall on media in relation to the poles issue since last workshop was low
- Most significantly overestimated the percentage of red-tagged poles
- That only 1000 poles or so remain red-tagged was seen as unexpectedly good progress
- Overall, participants felt that care needed to be taken around the distinction between totally replacing poles (with new ones), and strengthening or reconditioning poles - in the interests of total transparency
- Respondents were keen to see the progress towards the renewal goals publicly tracked

2. Independent review

- The graphic representing overall network risks tended to convey negative immediate connotations in relation to network safety
- On reflection, this illustration was thought by many to be insufficiently clear
- A range of questions about what, specifically was being represented, and what conclusions could be drawn from it were raised
- Aurora's increased network investment was strongly endorsed in light of respondents' growing understanding of current and future challenges
- Much of the content of the Aurora 'report card' was endorsed but there was a general feeling that the language could often be simplified, and that more "easy to digest" infographics would help readability and public comprehension

Executive summary

3. Pricing

- Many participants started from the point of being strongly reluctant to see household electricity bills potentially rise
- Nevertheless most were also keen to see Aurora undertake the necessary immediate steps required to address current and future network issues, and understood that there would be costs to this
- Consultation as part of the CPP process was felt to need very wide opportunity for public input
- A broad range of consultation options were endorsed including: town hall meetings, online surveys, stalls, newspaper ads, radio ads, and flyers
- Respondents were keen for communication around potential options to include justifications and trade-offs and to be simple, clear, and direct

4. Outages

- Outages were considered fairly infrequent, and overall were of low concern
- Most were very accepting of the potential need for more and longer outages if parts of the network are to be upgraded in the coming years
- There was fairly widespread desire for as much warning as possible to let them plan around outages



Qualitative report

Aurora Energy, Customer Voice Panels – round three

March 2019

Executive summary

EDUCATION MATERIALS

- Of the three forms of education material (graphical/text/video), the graphical and video treatment tested strongest, though people also flagged many potential improvements to both
- The visual treatment was shown first across the groups and was well-received, frequently praised for being clear, interesting and engaging
- While weaker, the text option was nevertheless felt to have some merit, and parts of it (the sections on consultation and engagement in particular) were thought to be worth keeping
- Overall though, people felt it was long and wordy, and thought the strategic focus component needed to be much clearer
- Generally, the video was praised for being informative, but several people felt on reflection that it was too long, and couldn't necessarily imagine where it would be shown that they would a) see it and b) engage with it
- The suggestion to edit it into smaller clips for easier consumption was fairly common

CONSULTATION MECHANICS

- Overall the consensus was for both wide opportunity for engagement supported by robust quantitative opinion data
- This setup was felt to best meet the dual needs for both openness as well as credibility of results
- The need to avoid focussing too exclusively on “all the usual people who engage” was seen as a top priority
- Across the range of options, the preference was for a fairly broad selection that balanced access of a variety of different demographics: social media, surveys, newspaper advertising etc
- Participants were also keen to be able to see how their feedback had been integrated into the overall project, and stressed the need for transparency of the process
- Keeping survey questions concise, easy to understand, and fairly quantitative was considered important, at the same time as including enough open-ended questions to allow people to feel like they are able to truly have their say

Executive summary

PRICING SCENARIOS / INVESTMENT

- Across the groups, the weight of opinion was mostly fairly strongly against the “spend less” option, with evidence of current pole issues raised as evidence against that approach (particularly in Dunedin)
- The highest spending option was also not particularly popular, with many people feeling that it didn’t offer sufficient additional value over the middle option to justify the potential extra expense
- While nobody unreservedly endorsed potential price rises, the middle option was the preference of the majority of the respondents, with the balance there felt about right between cost and additional resilience, safety, and reliability
- However, the prospect of monthly bill rises over about \$20/month did cause some concern, particularly when people were thinking about potential impacts on lower and fixed income households
- Resistance to the potential price rises as tested was particularly strong in Cromwell where lines charges tend to be higher already to start with

SLOGANS

- There wasn’t consensus around the potential consultation slogans
- Respondents were generally lukewarm on the material presented
- Several territories were felt to be too cliched e.g. “Have your say”, with others perhaps more appropriate for generators

AURORA PERCEPTIONS

- With a few exceptions, there were generally modest improvements in terms of favourable perceptions of Aurora across the sessions
- Improvements in scores were driven largely by impressions that engagement was genuine and that historic problems are being addressed



Qualitative report

Aurora Energy, Customer Voice Panels – round four

August 2019

Executive summary

Service initiatives

- There are a variety of ways of judging the most important of the service initiatives, the list below incorporates preference and strength of preference, and was fairly consistent across each of the groups:
 1. Provide real time updates for unplanned outages with cause and restoration times
 2. Develop options for customers to find information online
 3. Establish service level targets for new connections
 4. Notify all planned outages direct to affected consumers in advance
 5. Review complaints process and compensation policy and enhance retailer engagement
- There were two initiatives that were a long way behind the others:
 1. Answer phone calls within two seconds (overkill)
 2. Host a quarterly customer panel with CEO (waste of time)

Experiences of reliability

- Respondents reported experiencing a range of outages in terms of frequency from zero to four in the last year
- Impressions were that outages appeared to be have been a little shorter in duration overall in Dunedin
- Most respondents felt things were getting better than worse, though many said ‘about the same’
- Nobody felt that their experiences were ‘unreasonable’, and overall they felt they had been kept well-informed

Executive summary

Reliability expectations

- For the first scenario (20 outages) there was significant similarity in the responses across the three groups
- In each, the overall weight of opinion was skewed fairly heavily to the “unacceptable” end of the spectrum (3/4 on the 4-point scale)
- Around a third of each group went with a 2 on the scale: “somewhat acceptable”
- Only one respondent picked “totally acceptable”, and only once, for one consumer group: rural
- Generally, respondents were more likely to rate situations less acceptable for the vulnerable consumer, followed by the young family, business, then rural consumer

- For the second scenario (3 outages), respondents were again more likely to rate situations less acceptable for the vulnerable consumer, followed by the young family, business, then rural consumer
- However, overall the weight of opinion in this scenario was skewed far more heavily towards the “acceptable” end of the spectrum
- Opinion was broadly consistent across the three workshops, with very similar considerations driving sentiment

Pricing

- When asked to allocate a finite spend over six areas: reliability, resilience, safety, customer service, new technology, and growth - reliability topped people’s spend, with on average 25% of people’s investment going there
- Resilience, new technology, and safety were all, on average, in a similar place - around 20%
- Investment in growth tended to be just slightly behind these
- And customer service, despite the earlier focus in the workshop, trailed across all groups, attracting just 6% of the spend on average

The UMR logo is located in the top right corner of the image. It consists of the letters 'UMR' in a bold, sans-serif font. The 'U' and 'M' are blue, and the 'R' is orange. The logo is set against a white background with a rounded rectangular border.

UMR

Qualitative report

Aurora Energy, Customer Voice Panels – round five

September 2019

Executive summary

- Climate change, growth/infrastructure, and cost of living all arose frequently as top regional challenges
- All three were thought to intersect with Aurora’s concerns and activities
 - On climate change, this was mainly envisaged as household behaviour change that Aurora would need to accommodate including higher electricity use, and peak demand (there was no real mention of “societal” moves towards decarbonisation)
 - Cost of living was felt to relate fairly directly to electricity (lines) prices
 - Growth and infrastructure was tied in people’s minds to the necessary maintenance and development of the network that participants are already familiar with from past sessions
- Overall, participants were strongly supportive of solar and EV use
 - Benefits of both arose easily and both are increasingly perceived as viable and “mainstream”
 - Current barrier to both is the initial cost
 - Downstream environmental benefits, cost savings, and independence are the major positives people cite
- When solar and EVs are compared in terms of personal interest against a range of other things, “energy-efficient home appliances” performs most strongly
 - This is largely because solar and EVs remain out of reach for participants for the near future, whereas home appliances are typically less expensive and have a direct tangible benefit



Qualitative report

Aurora Energy, Customer Voice Panels – round six

November 2019

Executive summary

- Respondents, especially those in Dunedin and Cromwell, are now engaging with the proposal material in a confident and relaxed manner – there has been a clear progression in engagement over the course of these sessions
- Based on what they now know, there is almost unanimous support for the kinds of interventions proposed in the document, though price is still flagged as a concern by many respondents
- They are also at pains to point out that without their background knowledge and association, engagement from the public is likely to be low and superficial, with potentially excessive focus on price rather than benefit and need
- Throughout the course of these discussions they flag the need for a clear narrative, something like:
 - *“Previous underinvestment means we inherited serious problems. Poles are the most visible example. They and other equipment need fixing immediately to keep people safe and the lights on. But we also need to future-proof the network for population growth and new technologies like EVs and solar.”*
- There are key facts that seem to make a material difference to the acceptability of the proposal:
 - Need to explain cost reflective pricing and constraints. Not tested in detail but the strongest messages on this appeared to be something like: “One company, three networks” or clarification that “Consumers only pay for their region”
 - Admission of previous under-investment, but focus on “a need to get things sorted once and for all”
 - Clarification around recent/current profits and dividends

Executive summary

- Overall, much of the communication in the proposal works well
- The major improvements flagged were around ensuring that information is highly consumer-centric: “Big numbers boiled down” and “Needs to be very clear because we’re all busy”
- Ideally, significant future communications around the CPP should be tested in advance with these or similar groups, even informally
- For those that are prepared to accept the current proposal, they nevertheless need some reassurance that this process (price rises) will not continue year on year at the same rate. Some future rises are accepted.
- There was strong support (partially driven no doubt by stronger identification with Aurora) for an increased corporate voice in the debate – and some suggested the CEO would be the appropriate person
- Investment pie chart worked well by the last session, having been through progressive revisions based on participant feedback
- The idea of relativity of price compared to other networks nationally was a strong driver of acceptance
- Strong overall support for mitigation measures but split on whether this role should be filled by Aurora or specific social agencies – general agreement that Aurora aiding or supporting those agencies in some capacity “made sense”



Quantitative research report: Households

Aurora Energy

September 2019

Executive summary – CPP

Customised price-quality path (CPP) – Network Priorities

- All respondents were introduced to this section of the survey by interviewers providing a brief description about how electricity lines companies need to strike a balance between the costs of spending money on their network against things like interruptions to the supply of electricity to consumers. Respondents were asked to rate eight aspects using a four-point response list of Essential, Very important, Fairly important and Not important.
- ‘Is reliable, meaning electricity is available when you need it’ was the number one aspect that respondents believed Aurora Energy (or their local lines company) should be with 43% rating it essential and 48% rating it very important. (91% Essential + Very important). This was closely followed by ‘Is safety conscious’ with 41% rating it essential and 47% rating it very important (88% Essential + Very important).
- Very similar results were recorded for ‘Is resilient, meaning the network can speedily recover from shocks such as natural disasters like storms and earthquakes’ (35% rating it essential and 51% rating it very important), and ‘Inspects the lines network for potential problems’ (34% rating it essential and 51% rating it very important). Due to rounding, the total of essential plus very important was 85% for both of these measures. And in line with these figures, very similar results were recorded for ‘Protects the lines network against damage from storms’ (31% rating it essential and 54% rating it very important - due to rounding, the total of essential plus very important was 84%, and ‘Is responsive to their customers’ needs’ (28% rating it essential and 55% rating it very important, giving a total of 83%).
- Just over three-quarters (76%) rated ‘Has a clear strategy in place for population growth and subsequent demand’ with 26% rating it essential and 50% rating it very important while 63% rated ‘Has a clear strategy in place for future technologies such as electric vehicles and solar’ with 21% rating it essential and 42% rating it very important.

Executive summary – CPP (continued)

Customised price-quality path (CPP) – Looking after the Power Lines/ Reliability of supply

- Using the same scale respondents were asked to rate six aspects about their electricity supply. ‘Communication about planned power cuts’ rated the highest with 35% declaring this to be essential and 51% very important (86% essential plus very important). This was closely followed by ‘The overall price of electricity’ where 28% rated it essential and 55% very important – giving a total of 83% essential plus very important.
- ‘Communication when there is an unexpected power cut’ was rated as essential by close to one-third of respondents (31%) while 45% deemed it to be very important (76% essential plus very important). Similarly, ‘The length of time the power is out for’ was rated as essential by 23% of respondents while 50% deemed it to be very important (73% essential plus very important). Eighteen percent rated ‘The amount you pay for the line charges component of your power bill’ as essential and 44% rated this as very important – giving a total of 63% essential plus very important. Sixty-two percent rated ‘The number of power cuts experienced in a year’ as essential or important. Eighteen percent rated this essential and 45% deemed it to be very important.

Regional challenges – unprompted

- In an open-ended question, respondents were asked what they thought will be some of the biggest challenges facing their region in the next ten years. These responses were coded into themes which showed that over one-quarter (28%) nominated ‘Population growth’, 17% mentioned ‘Enough electricity supply/ higher demand’ and 13% stated ‘Climate change/ global warming/ environmental concerns’. Just over one in ten (12%) believe that the ‘Infrastructure of electricity’ will be a challenge and 11% mentioned ‘Infrastructure/ maintaining infrastructure’ in general.
- The order of the top five challenges among respondents from Dunedin were the same as all respondents, however, ‘Population growth’ was significantly lower at 22% while ‘Climate change/ global warming/ environmental concerns’ was significantly higher at 16%.

Executive summary – CPP (continued)

- Among Queenstown-Lakes respondents, the order of the top five changed. ‘Population growth’ still topped the list and this was significantly higher at 47%. The second biggest challenge was ‘Infrastructure/ maintaining infrastructure’ mentioned by 20% (also significantly higher). The third, fourth and fifth challenges were: ‘Enough electricity supply/ higher demand’ (13%), ‘Growth/ region expansion’ (13%) and ‘Natural disasters e.g. earthquakes or flooding’ (10%).
- ‘Population growth’ also topped the list among Central Otago respondents at 36%. ‘Enough electricity supply/ higher demand’ came in second at 15% and ‘Infrastructure of electricity’ was mentioned by 13%. Thirteen percent also mentioned ‘Growth/ region expansion’ followed by 7% believing ‘Infrastructure/ maintaining infrastructure’ to be some of the biggest challenges facing Central Otago.

Regional challenges – prompted

- Respondents were asked to rate four goals using a 5-point scale where 1 meant ‘a very high priority’ and 5 meant ‘a very low priority’. At least one-third of respondents (33%) gave ‘a very high priority’ to all goals. At the top of the list was ‘Finding the balance between population growth and the necessary infrastructure to support that growth’ where over half (53%) gave this ‘a very high priority’ while 28% gave this a rating of ‘2’ – giving a total of 81% (1 + 2). Over half (51%) also gave ‘a very high priority’ to ‘Investing in energy efficient and renewable technologies’ and 26% gave this a rating of ‘2’ – giving a total of 77% (1 + 2).
- Around two-thirds of respondents (67%) believe ‘Taking meaningful action on climate change’ should be a priority which was made up of 46% ‘a very high priority’ and 20% a rating of ‘2’. ‘Having strong economic growth’ is seen a ‘a very high priority’ by one-third of respondents (33%) and 29% rated this goal a ‘2’ – giving a total of 63%. Regional differences were minimal – however ‘Having strong economic growth’ was rated significantly lower among Queenstown-Lakes respondents where 50% gave this a rating of 1 or 2.

Executive summary – CPP (continued)

Attitudes towards the usage and cost of electricity

- Respondents were asked to rate five statements reflecting their attitudes towards electricity usage, cost and their interest in new technologies using a 5-point scale where 1 meant 'strongly agree' and 5 meant 'strongly disagree'. Close to three-quarters (71%) of respondents agreed that they make significant efforts around the home to save as much electricity as possible and 63% agreed that the cost of electricity is worth it for the huge benefits it provides every day to their household. Over half (56%) closely monitor how much electricity their household uses and just over half (53%) are concerned about how much electricity their household uses. Close to one-third (31%) strongly agreed that they are interested in new technologies like solar panels and batteries for their household while 22% gave a rating of '2'.
- When respondents had to choose one of three descriptions in relation to how they think about electricity, the majority (60%) chose 'You are interested in new technologies like solar energy and electric vehicles but prefer to wait until they are more established' while just under one-quarter (24%) chose 'You don't think much about electricity, so long as it's there when you need it'. A little over one in ten (11%) selected 'You use smart technology whenever possible, and often invest in new technologies as soon as they become available'.

Value for money from service providers

- At the end of the survey, respondents were required to rate how confident they were that their household received value for money from seven different service providers using a four-point scale of 'Very confident', 'Fairly confident', 'Not very confident' and 'Not confident at all'. The highest level of confidence was 65% for electricity companies where 14% were 'very confident' and 51% were 'fairly confident'. Supermarkets came in a close second at 63% with a similar split between very (15%) and fairly (48%) confident. Not surprisingly, broadband internet companies and mobile phone companies came in equal with 57% 'total confident' and the split between very and fairly confident weren't too different. Just over half (54%) felt confident they were getting value for money from banks, while, just under half (46%) felt confident they were getting value for money from insurance companies. At the bottom of the list was petrol companies with just 37% being confident that they are getting value for money. Over half (56%) were not confident.

Important aspects of the electricity network

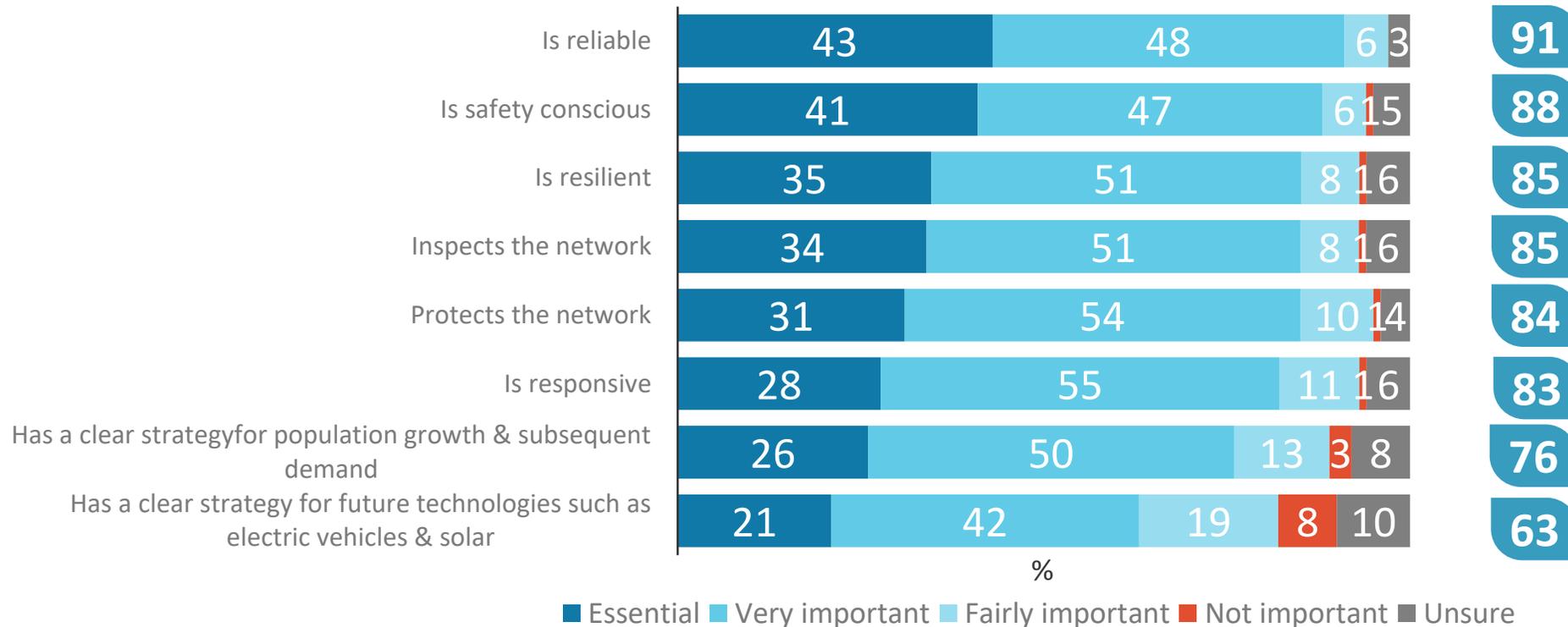


Aurora Energy/your local lines company – desired characteristics



I am going to read out a number of aspects regarding your electricity supply. For each of these I'd like you to tell me how important it is to you. Is it Essential, Very important, Fairly important or Not important to you that Aurora Energy/ your local lines company...

**Total
Essential + Very important
%**

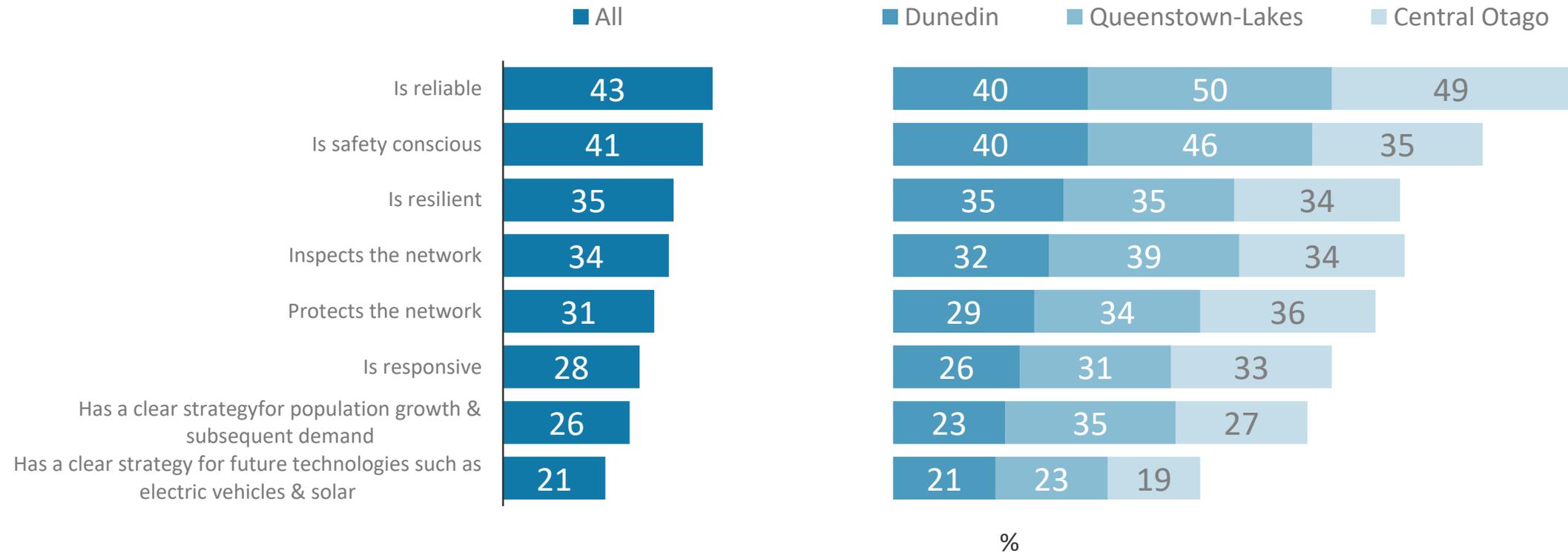


Unweighted base: All n=1,000/ Dunedin n=500/ Queenstown-Lakes n=250/ Central Otago n=250
Weighted base: All n=1,000/ Dunedin n=690/ Queenstown-Lakes n=201/ Central Otago n=109

Desired Aurora focus by area – characteristics thought ‘Essential’



I am going to read out a number of aspects regarding your electricity supply. For each of these I'd like you to tell me how important it is to you. Is it Essential, Very important, Fairly important or Not important to you that Aurora Energy/ your local lines company...



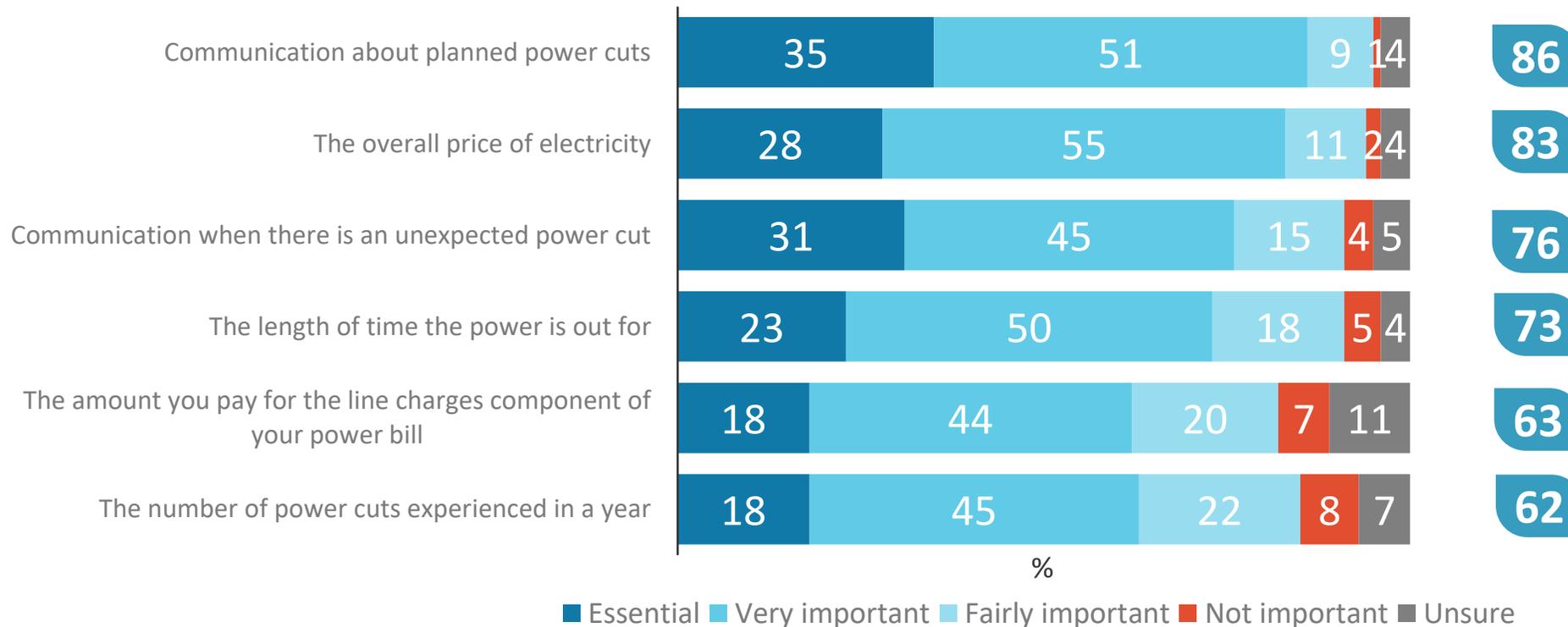
Unweighted base: All n=1,000/ Dunedin n=500/ Queenstown-Lakes n=250/ Central Otago n=250
 Weighted base: All n=1,000/ Dunedin n=690/ Queenstown-Lakes n=201/ Central Otago n=109

Importance of various features relating to electricity and supply



Now thinking more generally, about your electricity supply. For each of the following, how important are they to your household? Is it Essential, Very important, Fairly important or Not important to you?

Total
Essential + Very important
%

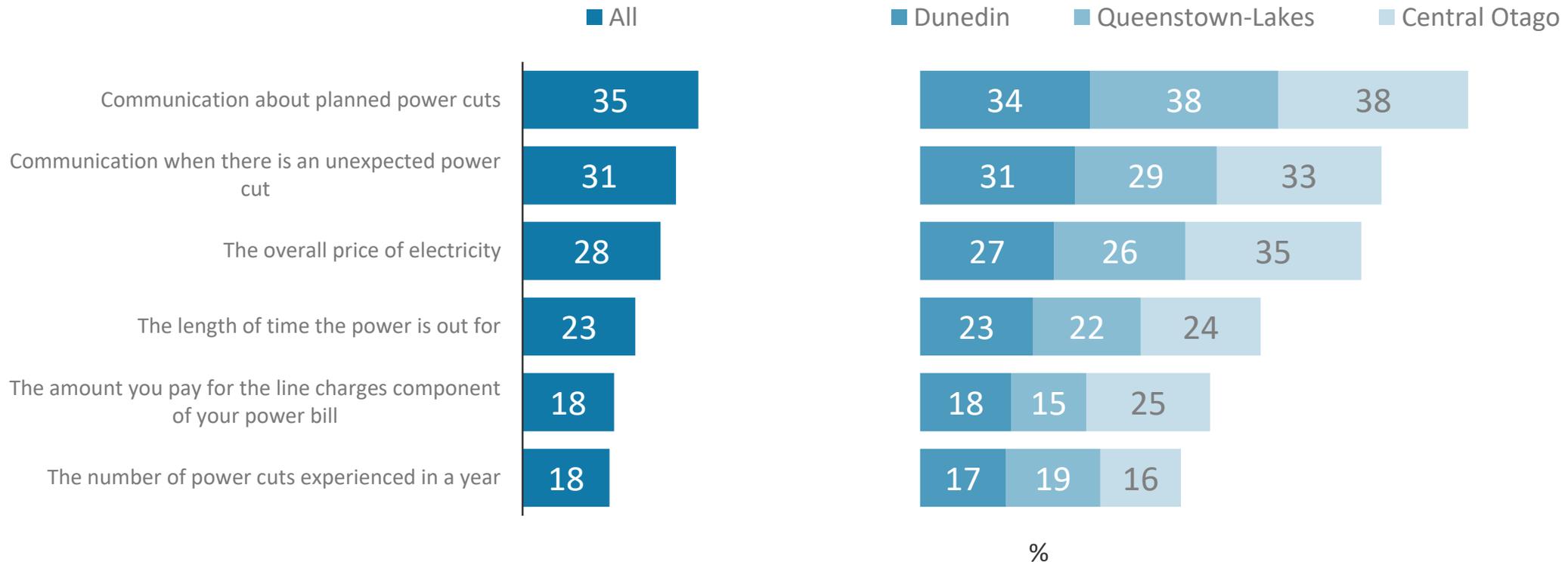


Unweighted base: All n=1,000/ Dunedin n=500/ Queenstown-Lakes n=250/ Central Otago n=250
Weighted base: All n=1,000/ Dunedin n=690/ Queenstown-Lakes n=201/ Central Otago n=109

‘Essential’: features relating to electricity and supply – by area



Now thinking more generally, about your electricity supply. For each of the following, how important are they to your household? Is it Essential, Very important, Fairly important or Not important to you?



Unweighted base: All n=1,000/ Dunedin n=500/ Queenstown-Lakes n=250/ Central Otago n=250
 Weighted base: All n=1,000/ Dunedin n=690/ Queenstown-Lakes n=201/ Central Otago n=109

Methodology

- This report is based on results of a telephone survey among a sample of those aged 18 years and over who reside in Dunedin, Queenstown-Lakes or Central Otago. Soft targets were set for area and age group by gender since we were interested in talking with the person responsible for paying the electricity bill or had a say in who their electricity provider is.
- The sample size was n=1,000 and the fieldwork was carried out from the 9th July to 5th August 2019. The sample of 1,000 respondents was made up of 500 Dunedin residents, 250 Queenstown-Lakes and 250 from Central Otago so that results could be reported by each of the sub-group areas. The overall figure has been weighted to reflect the true population distributions.
- A separate survey was conducted with 101 business decision makers who operate in the Aurora Energy network area.
- The table below shows the margin of error for a 50% figure for each:

Sample size and margin of error		
	Sample size (n=)	Associated margin of error (%)
Dunedin City	500	±4.4
Queenstown-Lakes district	250	±6.2
Central Otago district	250	±6.2
Businesses	100	±9.8

Note on rounding:

- All percentages are shown rounded to zero decimal places. Some sub-totals are not always equal to the sum of the individual percentages, but the differences are seldom more than 1%. For example: $47.7 + 47.7 = 95.4$ would appear as $48 + 48 = 95$.



Vulnerable households

Aurora Energy

August 2019

Approach

- This analysis has been carried out on a sample size of 1,000 telephone respondents. The sample was made up of 500 Dunedin residents, 250 Queenstown-Lakes and 250 from Central Otago so that results could be reported by each of the sub-group areas. The overall figure has been weighted to reflect the true population distributions (Dunedin 69%, Queenstown-Lakes 20% and Central Otago 11%).
- There are many different methods when it comes to segmenting data. One can choose from a variety of analysis tools and use those tool(s) on all, or a sub-section of questions in the survey. Initial analysis showed that when segmentation was carried out on: Network priorities, Looking after the power lines, Reliability of supply, Regional goals and Attitudes to electricity use, only minor differences existed across the demographics of these segments. Similarly, no significant differences were found when segmentation was carried out on household income level.
- Therefore, in order to inform Aurora Energy about the household make-up of their residential customers, mutually exclusive groups have been created by using employment status, number of adults in the household and number of children in the household.
- Close to one in five households (19%) are non-retired couples with no dependents, 18% are non-retired couples with dependents and 16% are retired couples with no dependents. Just over one in ten (13%) households are retirees living alone, while 16% are made up of three or more adults with or without children. One in ten (13%) are single retirees with no dependents while the remaining 17% is made up of non-retired single adults (9%) or Other (8%) i.e. did not fit into any of the groups.
- In addition to the mutually exclusive subgroups, a subgroup of 'vulnerable households' has been formed (28% of the sample). To be classified as a vulnerable household, someone in the household is dependent on medical equipment using electricity (5%) and/ or someone in the household has a disability (13%) and/ or home is rented from Housing New Zealand or some other social housing organisation (3%) and/ or household income is less than \$30k.

Summary

- Vulnerable households comprised 28% of the total sample of those residing in the Aurora Energy Network area (All households)
- 85% of vulnerable households have no dependents (compared to 69% of All households)
- 58% of vulnerable households are retired and 27% are in full or part time work (compared to 35% and 53% for All households)
- Using work status and number of adults/ children in the household, six household types have been derived. Not surprisingly, these sub-groups differed across demographics like home ownership, household income and electricity usage.
- When looking at what is **essential** in terms of what they think their electricity lines company should be, the percentages of each groups '**essential**' differed, yet, the top three were the same **for vulnerable and All households**:
 - Is reliable,
 - Is safety conscious
 - Is resilient
- Likewise, when asked about other aspects regarding their electricity supply, the percentages of each groups '**essential**' differed, while the top three '**essential**' were the same. **'Overall price' came in second for Vulnerable households, third for All households**:
 - Communication about planned power cuts
 - The overall price of electricity
 - Communication about unplanned power cuts
- Regardless of household type, the highest '**strongly agree**' was for the statement relating to making significant efforts around the home to save as much electricity as possible. Though households with three or more adults had significantly lower agreement, while retired couples with no dependents had significantly higher agreement. **Vulnerable households had significantly higher 'strongly agree' at 58% compared to 44% for All households.**

Definitions

Definition of a vulnerable household:

	Sample size (n=)	%
Household income is less than \$30k	142	14
The respondent or someone in the household has a long-term physical, sensory or mental impairment with limits their activity	126	13
The respondent or someone in the household is dependent on medical equipment that uses electricity	45	5
The respondent cares for an elderly member of their household	43	4
Home is rented from Housing New Zealand or other social housing organisation	27	3
Respondent falls into at least ONE of the above	276	28

Demographics and spend on electricity – All vs Vulnerable households

		All (n=1,000)			Vulnerable households (n=276)		
Gender		Male 49% Female 51%			Male 51% Female 49%		
Area		Dunedin 69% Queenstown Lakes 20% Central Otago 11%			Dunedin 72% Queenstown Lakes 16% Central Otago 11%		
Home ownership		Renting: privately 8% Renting: HNZ/ Social housing 3% Mortgage free 56% Mortgage 30%			Renting: privately 10% Renting: HNZ/ Social housing 10% Mortgage free 63% Mortgage 17%		
Household income		\$30k or less 14% \$30k-\$50k 18% More than \$50k 51%			\$30k or less 51% \$30k-\$50k 17% More than \$50k 22%		
Adults		One 26% Two 56% Three or more 16%			One 47% Two 37% Three or more 13%		
Children		None 69% One 8% Two 13% Three or more 6%			None 86% One 3% Two 6% Three or more 3%		
Job status		Retired 35% Working 53%			Retired 58% Working 27%		
Spend on electricity		< \$150	Winter: 19%	Summer: 48%	< \$150	Winter: 28%	Summer: 56%
		\$150 - \$249	32%	32%	\$150 - \$249	33%	25%
		\$250 or more	39%	10%	\$250 or more	27%	8%

- No significant differences in gender or location.
- Vulnerable more likely to be renting from HNZ or other social housing.
- Vulnerable more likely to be on a household income of \$30k or less
- Vulnerable have a higher percentage of those living alone.
- Vulnerable are much less likely to have children living with them.
- Over half of the respondents from vulnerable households are retired and just over one-quarter are working
- Both winter and summer bills are lower for vulnerable households.

Aspects of what respondents think their lines company should be, what they think about their own electricity supply and their attitudes – All versus Vulnerable households

	All (n=1,000)	Vulnerable households (n=276)	
Essential that Aurora Energy/ local lines company....(in descending order)	<ul style="list-style-type: none"> • Reliable • Safety conscious • Resilient 	<ul style="list-style-type: none"> • Reliable • Safety conscious • Resilient 	<ul style="list-style-type: none"> • No differences in the order of these or in the percentages of All vs. Vulnerable households rating these attributes as 'essential'
Other Essential aspects of your electricity supply.... (in descending order)	<ul style="list-style-type: none"> • Communication - planned power cuts • Communication - unexpected power cut • The overall price of electricity 	<ul style="list-style-type: none"> • Communication - planned power cuts • The overall price of electricity • Communication - unexpected power cut 	<ul style="list-style-type: none"> • Top three among All and Vulnerable households were similar, though 'overall price' came in second for Vulnerable households. No sig. diffs.
Attitudes and behaviour – Strongly agree (in descending order)	<ul style="list-style-type: none"> • Make significant efforts around the home to save as much electricity as possible • The cost of electricity is worth it for the huge benefits it provides every day to your household • Interested in new technologies like solar and batteries for household • Closely monitor how much electricity your household uses • You are concerned about how much electricity your household uses 	<ul style="list-style-type: none"> • Make significant efforts around the home to save as much electricity as possible • Closely monitor how much electricity your household uses • Interested in new technologies like solar and batteries for household • The cost of electricity is worth it for the huge benefits it provides every day to your household • You are concerned about how much electricity your household uses 	<ul style="list-style-type: none"> • Vulnerable households more likely to strongly agree with four out of the five statements (in bold). • The order of the percentage of strongly agree also differed.

Overview of Vulnerable households

- More likely to be living alone.
- Even split between males and females.
- Slightly higher percentage from Dunedin and slightly lower percentage from Queenstown-Lakes.
- One-fifth are renting.
- Around half have a low household income.
- Low users of electricity in both summer and winter.
- Are **very confident** that they get value for money from: Supermarkets, Electricity companies, Mobile phone and Insurance companies (all significantly higher).
- Vulnerable respondents did not significantly differ to the All figure when looking at what is **essential** in terms of what they think their electricity lines company should be. Likewise, when asked about other aspects of their electricity supply, the percentage of Vulnerable respondents nominating each aspect **essential** were in line with the All figure.
- In terms of their attitudes and self-reported behaviour, the statement with the highest level of **strongly agree** for this group was 'you make make significant efforts around the home to save as much electricity as possible'. Vulnerable respondents were also significantly more likely to **strongly agree** that 'you closely monitor how much electricity your household uses'.
- A significantly higher percentage of **strongly agree** was found among vulnerable respondents for the following two statements 'you are interested in new technologies like solar panels and batteries' and 'you are concerned about how much electricity your household uses'.
- The only area where this sub-group did not differ to All was: 'the cost of electricity is worth it for the huge benefits it provides every day to your household'.



Quantitative research report: Businesses

Aurora Energy

September 2019

Executive summary – CPP

Customised price-quality path (CPP) – Network Priorities

- Those responding on behalf of a business were introduced to this section of the survey in the same way as the general public. Interviewers provided a brief description about how electricity lines companies need to strike a balance between the costs of spending money on their network against things like interruptions to the supply of electricity to consumers. Business respondents were asked to rate eight aspects using a four-point response list of Essential, Very important, Fairly important and Not important.
- *'Is reliable, meaning electricity is available when you need it'* was the number one aspect that business respondents believed Aurora Energy (or their local lines company) should be with 47% rating it essential and 46% rating it very important - due to rounding, the total of essential plus very important was 92%. This was closely followed by *'Is safety conscious'* with 40% rating it essential and 50% rating it very important (90% Essential + Very important). Also in line with these figures was *'Is resilient, meaning the network can speedily recover from shocks such as natural disasters like storms and earthquakes'*, 37% rating it essential and 52% rating it very important – giving a total of 89%.
- Not much separated the fourth, fifth, sixth and seventh most essential/ important aspects among the business audience:
 - *'Protects the lines network against damage from storms'*, 32% rating it essential and 55% rating it very important (87% Essential + Very important),
 - *'Inspects the lines network for potential problems'*, 38% rating it essential and 49% very important (due to rounding total of Essential + Very important is 86%),
 - *'Is responsive to their customers' needs'* (33% rating it essential and 52% rating it very important, giving a total of 85%) and,
 - *'Has a clear strategy in place for population growth and subsequent demand'* with 31% rating it essential and 52% rating it very important, giving a total of 83%.
- The aspect which was rated least essential/ important was *'Has a clear strategy in place for future technologies such as electric vehicles and solar'* with 25% rating it essential and 45% rating it very important (giving a total of 69% - due to rounding).

Executive summary – CPP (continued)

Customised price-quality path (CPP) – Looking after the Power Lines/ Reliability of supply

- Using the same scale respondents were asked to rate six aspects about their electricity supply.
- ‘Communication about planned power cuts’ rated the highest with 46% declaring this to be essential and 48% very important (due to rounding the total of essential plus very important = 93%). The second most important aspect was ‘Communication when there is an unexpected power cut’ was rated as essential by four out of ten of business respondents (42%) while 47% considered it to be very important (due to rounding the total of essential plus very important = 88%).
- Coming in third place was ‘The overall price of electricity’ where 36% rated it essential and 48% very important (due to rounding the total of essential plus very important = 83%). ‘The length of time the power is out for’ was rated as essential by 36% of respondents while 45% deemed it to be very important (due to rounding the total of essential plus very important = 80%). ‘The number of power cuts experienced in a year’ was rated as essential by 26% of respondents while 45% deemed it to be very important (due to rounding the total of essential plus very important = 70%). ‘The amount you pay for the line charges component of your power bill’ was rated as essential by close to one-quarter of business respondents (23%) and very important by 45% - giving a total of 67% (due to rounding). And the final measure ‘Having enough spare capacity in the network to expand your business when you want to’ was rated as essential by close to one-third of business respondents (32%) and very important by 32% - giving a total of 63% (due to rounding).

Regional challenges – unprompted

- In an open-ended question, business respondents were asked what they thought some of the biggest challenges facing their region will be in the next ten years. These responses were coded into themes which showed that close to one-third (30%) nominated ‘Population growth’ and just over one in ten (13%) mentioned ‘Growth/ region expansion’ and/ or ‘Enough electricity supply/ higher demand’. Just over one in ten (12%) believe that the ‘Infrastructure of electricity’ will be a challenge.

Executive summary – CPP (continued)

Regional challenges – prompted

- Business respondents were asked to rate four goals using a 5-point scale where 1 meant ‘a very high priority’ and 5 meant ‘a very low priority’.
- Over four out of ten business respondents (44%) gave ‘a very high priority’ to all goals. At the top of the list was ‘Finding the balance between population growth and the necessary infrastructure to support that growth’ where close to two-thirds (63%) gave this ‘a very high priority’ while 21% gave this a rating of ‘2’ – giving a total of 84% (1 + 2). Almost half (49%) also gave ‘a very high priority’ to ‘Investing in energy efficient and renewable technologies’ and 30% gave this a rating of ‘2’ – giving a 1 + 2 total of 78% (due to rounding). Half of business respondents (50%) gave a rating of ‘a very high priority’ to ‘Having strong economic growth’ and 22% rated this goal a ‘2’ giving a total of 72%. Around two-thirds of business respondents (65%) believe ‘Taking meaningful action on climate change’ should be a priority which was made up of 44% ‘a very high priority’ and 22% a rating of ‘2’.

Attitudes towards the usage and cost of electricity

- Business respondents were asked to rate five statements reflecting their attitudes towards electricity usage, cost and their interest in new technologies using a 5-point scale where 1 meant ‘strongly agree’ and 5 meant ‘strongly disagree’. Over two-thirds (69%) of respondents agreed that they make significant efforts at their workplace to save as much electricity as possible and 66% agreed that the cost of electricity is worth it for the huge benefits it provides every day to their business. Over half (53%) closely monitor how much electricity their business uses and just over half (52%) are concerned about how much electricity their business uses. Close to one-third (31%) strongly agreed that they are interested in new technologies like solar panels and batteries for their business while 11% gave a rating of ‘2’.
- When forced to choose one of three descriptions in relation to how they think about electricity, the majority of business respondents (57%) chose ‘You are interested in new technologies like solar energy and electric vehicles but prefer to wait until they are more established’ while just under one-quarter (23%) chose ‘You don't think much about electricity, so long as it's there when you need it’. Sixteen percent chose ‘You use smart technology whenever possible, and often invest in new technologies as soon as they become available’.

Executive summary – CPP (continued)

Value for money from service providers

- At the end of the survey, business respondents rated how confident they were that their business received value for money from seven different service providers using a four-point scale of 'Very confident', 'Fairly confident', 'Not very confident' and 'Not confident at all'.
- The highest level of confidence was 69% for supermarkets where 20% are 'very confident' and 50% 'fairly confident'. Mobile phone companies came in a close second at 68% where 16% are very confident and 52% fairly confident. In third place was broadband internet companies where 18% are very confident and 48% fairly confident. Sixty-three percent feel confident they are getting value for money from insurance companies, while, sixty-one percent feel confident they are getting value for money from electricity companies. Just over half (55%) feel confident they are getting value for money from banks and at the bottom of the list was petrol companies with just 39% being confident that they are getting value for money. Over half (58%) are not confident.

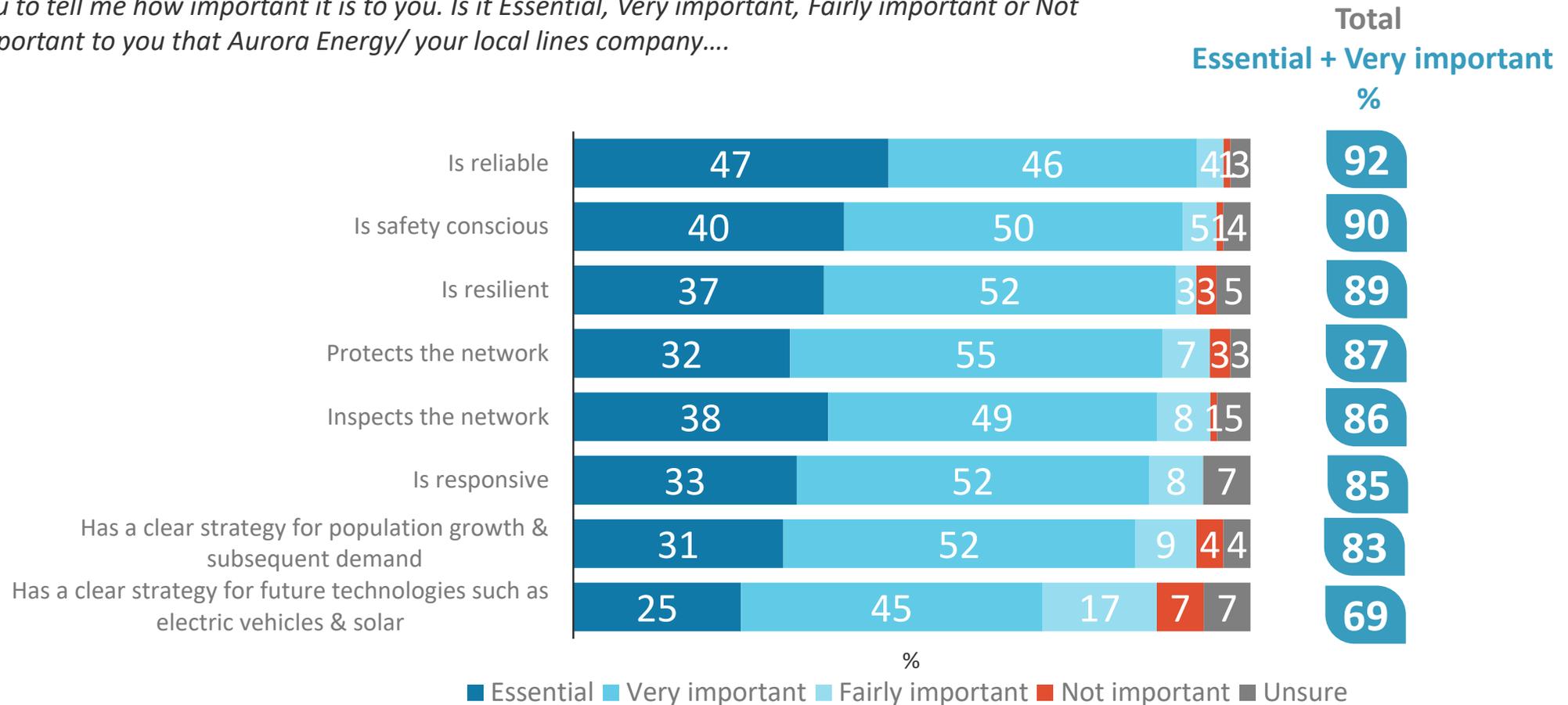
Important aspects of the electricity network



Desired focus from Aurora Energy/your local lines company



I am going to read out a number of aspects regarding your electricity supply. For each of these I'd like you to tell me how important it is to you. Is it Essential, Very important, Fairly important or Not important to you that Aurora Energy/ your local lines company....



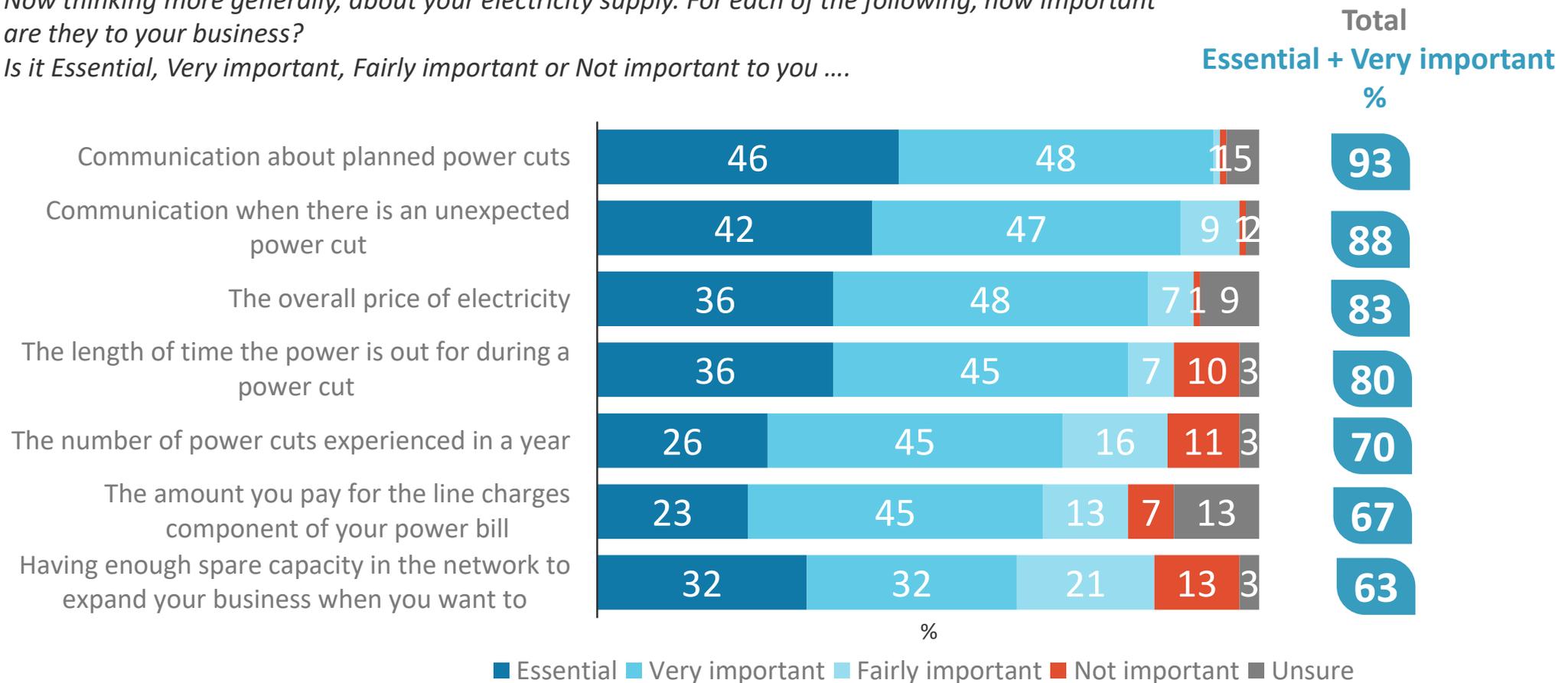
Base: n=101

Importance of various features relating to electricity and supply



Now thinking more generally, about your electricity supply. For each of the following, how important are they to your business?

Is it Essential, Very important, Fairly important or Not important to you



Base: n=101

Methodology

- This report is based on results of a telephone survey among a sample of business decision makers who operate in Dunedin, Queenstown-Lakes or Central Otago.
- The sample size was n=101 and the fieldwork was carried out from the 9th July to 5th August 2019.
- The margin of error on a sample of 101 is +/-9.8%

Note on rounding:

- *All percentages are shown rounded to zero decimal places. Some sub-totals are not always equal to the sum of the individual percentages, but the differences are seldom more than 1%. For example: $47.7 + 47.7 = 95.4$ would appear as $48 + 48 = 95$.*

Exploratory consumer research

Summary Report

Prepared for: Aurora Energy



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Background and research objectives

Aurora Energy was seeking research to support its consultation with consumers over future investment plans. This consultation process was a crucial part of the CPP process leading into an application with the Commerce Commission in 2020. It was important that consultation was robust at the same time as maximising opportunities for broad community participation in the process.

Overall, the research and engagement process needed to answer the following key questions:

- What do Aurora Energy consumers value?
- What service attributes are important to Aurora Energy consumers?
- What are Aurora Energy consumers' views on safety, reliability, growth, resilience, future technology, customer service and pricing in relation to Aurora Energy's future investment plans?
- What price/ quality trade-offs do Aurora Energy consumers prefer in relation to Aurora Energy's future investment plans?
- What service measures do Aurora Energy consumers value in relation to Aurora Energy's future network performance?
- What do different consumers (i.e. residential vs. businesses, rural vs. urban, Dunedin City vs. Central Otago District vs. Queenstown Lakes District) think about available options for future network investment?

The overall programme of research encompasses two key phases and multiple stages within each phase:

- Exploratory research; face-to-face depth interviews, quantitative survey and assistance programming and running online polls and surveys through EngagementHQ.
- Secondary research; five deliberative forums, quantitative survey, discrete choice modelling and assistance programming and running online polls and surveys through EngagementHQ.

The research is being conducted between May 2019 and May 2020.

This document includes the key findings from the qualitative depth interviews with residential and business customers, undertaken as part of the exploratory phase.

Method and sample

A key focus of this exploratory stage was to understand what matters to customers. One-on-one depth interviews were used because they are an efficient way of gathering rich information quickly from key segments of interest. The primary objective in the current context was to assess the level of existing knowledge, attitudes towards pricing/ quality, and preferences in relation to consultation and engagement, with the aim of maximising effectiveness of subsequent contact.

A total of nine depth interviews were completed as summarised in the following table:

Depth	Specifications	Location
1	Sole trader	Dunedin
2	SME	Dunedin
3	Farmer	Otago
4	SME	Queenstown
5	Large enterprise	Dunedin
6	SME	Queenstown
7	Fixed income (older)	Queenstown
8	Vulnerable family	Dunedin
9	Large family	Greater Dunedin

The discussion guide was created in partnership with Aurora Energy and included investigation around the following areas (amended to reflect whether the participant was a domestic or business customer).

Respondent background

- Understandings and knowledge about the electricity sector and role of distributors
- Behaviours; power saving, new technology
- Awareness/ knowledge of current bill/ plan/ pricing
- Perceptions of price/ quality of service
- Impacts of pricing
- Service initiatives
- (When time allowed) Expectations of future investment, baseline perceptions of needs
- (When time allowed) Outline of CPP process, consultation expectations, preferred engagement methods, willingness to participate.

Interviews were conducted between 12 August and 23 September 2019 by David Talbot and Alice Kan. Both are senior qualitative researchers at UMR Research.

Caveat: This is a small qualitative study to provide additional insight into more individual and personal experiences of power usage and understanding of key customer types for Aurora Energy. It does not purport to cover the full range of customer types.

Key themes and insights

3.1 Key themes

Power - expectations

Business customers

- For all business customers, reliable and consistent access to power is important, though less critical for those who can plan or work around the lack of power if they are given enough warning i.e. smaller businesses, who can work off-site.
- For larger businesses, whose business model is based on 24/7 production at busy times of the year, even a short outage can have major consequences.
- Small businesses who work a standard Monday to Friday week expect and need access to power for that entire time.
- For some smaller businesses, power is not necessarily a significant overhead, but it is critical for their operation.
- Regardless of how much businesses spend on their power they all have high expectations of surety of supply. They are paying for a service and they expect that service to be delivered.

Residential customers

- Similar sentiments are evident among residential customers. Access to consistent and uninterrupted power is a given expectation in the 21st century; peoples' lives - their activities of daily living, leisure activities, communication etc., all use power and being without power is quite a surprise.

Understanding and knowledge

- Understanding and knowledge of the electricity and distributors is very limited, even among business customers.
- Many participants have never noticed the fixed charge component on their bill and, if they have, they do not know this is a lines charge and that the revenue does not go to the retailer.
 - Consequently, if there was a significant fixed/ line charge increase, many customers' initial reaction would be to blame the retailer and look to switch retailers to offset the increase.
- Some have no knowledge, or interest, in what plan they are on and what this means for their power costs.
- Most participants are open to switching power retailers and many have done so. However, there was also a view that switching could be a false economy and that customers may be better off (or the same) staying with the tried and trusted.

- The largest business user was the exception; this organisation had a very sophisticated understanding of the electricity industry, including undertaking risk analysis and fixing/hedging power prices accordingly. This business was the only one to have a real understanding of where Lines Companies fitted into the electricity industry structure and what this meant as a customer. This organisation has a good, professional and trusting, relationship with Aurora Energy and Delta, while no other participant (business or residential) had any real knowledge or interest.

Behaviour - saving power

- All participants, business and residential, made some effort to conserve energy, though this was sometimes more in relation to saving money than efforts to save the planet.
- The most vulnerable residential participant had reduced her monthly bill significantly by careful management and planning (using Globug) and one elderly customer moved downstairs during winter, so she only needed to heat the lower half of the house. Other residential customers were more piecemeal in their efforts and this was sometimes triggered by an unexpectedly large bill.
- All businesses tried to save power, though for smaller businesses where power was not a significant overhead, this may be more to do with sustainability and intertwined with residential usage rather than reducing business costs per se.
- For businesses where power was a large overhead, power saving measures could mean big cost savings, and were encouraged by employers. There was a limit to what some businesses could do though, especially when machinery needed to operate during business hours.
- The large business was the most strategic in their power usage and tried to use power during low demand or off-peak times; this did not reduce their use, but saved money and freed up the network for other users.

Behaviour - self-generation

- Self-generation and EVs are apparently becoming increasingly commonplace. Several participants, business and residential, have seriously considered, investigated and even 'priced' solar panels and EVs, but none have invested yet. The main stumbling block is cost and return on investment.
- For some businesses renewing or investing in new equipment or upgrades, self-generation and EVs are a real possibility, but will require careful consideration and a cost/ benefit analysis.
- One large business user has their own wind turbine which supplemented their power usage and costs.
- All businesses would welcome independent advice/ consultancy how to save power and the pros/ cons of investing in renewable energy.

Sustainability

- Being a sustainable business was expected these days and business participants were making concerted efforts to implement sustainable practices where possible. There was a view that businesses should be socially responsible and that it, in fact, made good business sense.
- For residential customers, sustainability was more around saving money than being socially responsible. Although there was increasing awareness of sustainability and climate change impacts; for these participants keeping on top of costs was more important.

Quality of service

- For all participants, quality and consistency of service was very good; they have experienced few, if any, planned or unplanned outages.
- Participants pay for and expect 24/7 power, so when they experience few, if any, power outages, their expectations are met. It is not necessarily a demonstration of good service.
- Planned, prewarned outages were the easiest to plan and manage for, though for businesses reliant on power, anything more than one hour can start to affect business production and, ultimately, profit.
- Unplanned outages, even for a short time, were more difficult to manage and can cause 'chaos' and even animal welfare issues for farmers during milking.
 - All participants were accepting of occasional unplanned outages due to weather events or accidents; these were not the fault of the distributor.
- There was a fine balance, however, between an acceptable and unacceptable number of outages (planned or otherwise). Too many and customers will start to worry and suspect poor maintenance, management and forward planning.
- Advanced warning of planned outages was critical and, when unplanned outages occurred, customers expected to find out what the problem was and when the power would be back on, from knowledgeable and helpful call centre staff, or other communications channels e.g. website/ Facebook/ text messaging to major customers.

Pricing

- Assessing whether they were getting value for money for their power supply was difficult for participants who were not even aware they were paying for a daily rate/ lines charge. They considered value for money in the context of their overall power bill; they did not separate out the components.
- When the lines charge was pointed out, C.\$1 a day (from the fixed charge component of the bill) seemed reasonable in the context of the overall bill and that the money was being used to maintain and build infrastructure. Note, there was little understanding of the variable component that contributed to the line charge further reinforcing participants low understanding of what they currently paid in lines charges overall.
- However, they were much less accepting of a significant price rise if this was to come out of the blue and there was no clear reason or explanation; people wondered why the lines company would need more money now? What will it be spent on? What has happened to the money they have already paid?

- In reality, even a large percentage increase will have little impact on some businesses and residential customers' use of power, (as they would just have to pay for it) but for vulnerable families, finding an extra \$15-\$30 a month would be very difficult.
- Some businesses, already struggling in a competitive and challenging marketplace, would need to find a way to off-set the price increase which would, ultimately come off their bottom line.
- As mentioned, some participants thought that changing retailers would save them money, as they still saw the retailer as gathering all the revenue.
- Clear and simple communication which firstly explains the fixed/ lines charge and, secondly, explains the rationale for the increase will be important.

Service initiatives

The customer service initiatives most participants view as **'Must do' or 'Concentrate here'** were:

Customer service

- Aim for no complaints referred to the Utilities Disputes Service.
- Real time updates for planned outages.
- Notify all planned outages direct to affected customers.
- Provide real time updates for unplanned outages.
- Continue guaranteed service level scheme with financial compensation in event of a breach.
- Establish service level targets for new connections.

Community/ stakeholder engagement

- Continue customer voice panels.
- Continue customer advisory panels.
- Create more opportunities for customers to have their say on important Aurora Energy initiatives.
- Improve community liaison and attendance at community events.

Internal management processes

- Improve call centre operations.
- Develop an automated outage management system.
- Complete a knowledge base of customer service resolutions.
- Implement customer satisfaction tracking and service KPIs.

The customer service initiatives, all bar one participant, viewed as **'Overkill' or a 'Waste of time'** was 'Answer phone call within two seconds'.

While around half (4-5) participants also considered the following initiatives to be **'Overkill' or a 'Waste of time'**, views were more polarising:

- Host a quarterly customer panel with CEO.
- Continue to hold stakeholder and customer events.
- Provide an annual stakeholder report.
- Review customer experience charter and develop monthly reporting dashboard.
- Send out a quarterly customer newsletter.

Future expectations

- Participants expected the demand for power to increase and that infrastructure may struggle to meet demand. However, they also expected the power industry experts to be planning for and managing this.
- They expected increased self-generation, as this becomes more affordable, but that some of this may be off-set by EV charging and an ever-growing demand on power.
- Some expected that increased self-generation may mean increased burden on those left paying for the system.
- All expected technology to play an ever-increasing role in power demand, supply and management.

Communication

- All participants expected to be kept fully informed and to have the facility to access information quickly and easily in language they understood and via a channel they were familiar with.
 - They expected call centre staff to be professional and knowledgeable and armed with current information.
- Large (and disrupted/ impacted) business customers expected a personal, face-to-face - no surprises - relationship.
 - They also expected transparency and truthful and balanced information, not just positive PR spin or hyperbole.

3.2 Summary of key insights

Key insights	
Business	Residential
Using power	
<ul style="list-style-type: none"> Power costs do not necessarily have a large impact on all businesses. But access to consistent and reliable power is an essential part of the businesses. Without power most businesses cannot function. A good/ collaborative relationship has been helpful for building mutual trust and understanding for one large business and will be helpful going forward. 	<ul style="list-style-type: none"> Having the ability to manage, predict and adapt power usage is helpful for vulnerable families. Some customers are open and receptive to switching to get a better deal; increased lines charges may prompt switching behaviour; highlighting low understanding of retailer/ lines company relationship in the power bill. Others have never switched and are not interested in switching ever. They trust their retailer implicitly. They may blame the retailer for the price increase but will not switch.
Understanding and knowledge	
<ul style="list-style-type: none"> Vast range of knowledge from SMEs with no knowledge, to large businesses with considerable knowledge (and expertise). Patchy knowledge of the electricity industry and distributors can lead to confusion of roles and responsibilities. Also, who the distributors are answerable to; the retailers or the customer, as both are affected (lose) if power supply is unreliable. Segmentation by size and type of business for communication and collaboration (relationship building) is important. Some businesses will switch (consider switching) power companies as part of regular cost savings review (2-3 years). However, this is sometimes driven by residential power costs (when business and residential costs are combined). Some small (and home-based) businesses do not really have a good knowledge of business power costs as they are wrapped up in residential /landlords power bill. Visible evidence of infrastructure investment improves confidence in surety of supply for business and residential customers. 	<ul style="list-style-type: none"> Knowledge and understanding are patchy at best; many are not that interested. Aurora Energy and Delta relationship needs clarifying. Customers are unclear about their relationship with each other and the retailers. The fixed lines charge is not noticed; assumption is that the total cost of bill goes to the retailer.

Key insights (Cont.)

Business

Residential

Behaviours

- | Business | Residential |
|--|---|
| <ul style="list-style-type: none"> • Aurora Energy needs to be aware of sole traders who do not run separate business power accounts; their behaviour may be similar to residential customers if power charges are a small component of their business costs. • Some SMEs have switched retailers and will continue to consider switching power companies, but this may be primarily driven by residential, not business, power costs. • It is important to understand the life cycle of the business; identify newer businesses (and younger business owners) who are more likely to invest in new technologies. • ROI for solar is very important; businesses with large premises and large power bills need to continually monitor to see if ROI becomes more attractive. • Some businesses are considering switching to EV vehicles when it is time to replace the current work vehicle. • Proven sustainability practices make good sense for small businesses, especially if this helps them to win business (from Government clients). • However, the cost of achieving and maintaining 'official accreditation' can be off-putting and difficult for small businesses. • Farmers are looking to reduce power usage with alternative power sources. Aurora Energy will need to factor in how farmers reduce lines charges as part of their future planning. • Strategic power usage by very large users (versus reduced usage overall) can save money and reduce congestion at peak times for all users. • It is important for larger organisations to be taking the lead with regards to self-generation, and paving the way for smaller businesses, unable to afford new equipment. • Sustainability is increasingly viewed as part of being a responsible and community minded business and makes good business sense. • Staff and patient safety and well-being are prioritised above power saving. | <ul style="list-style-type: none"> • Consumers may be aware of new technologies but are not confident to make the change yet. • One had gone so far as to investigate options and costs. • One family had lived off-grid and rurally, but they were not tempted by self-generation once they moved to the city. Why should they when power is so accessible and there is no real need or incentive. • Cost and ROI are key considerations. • Power saving activities are usually to save costs not power (or to be socially responsible). • For people, struggling to pay their power bill, cost will generally triumph over principles; self-generation and sustainability are good in theory, but impossible to implement in reality. |

Key insights (Cont.)

Business

Residential

Perceptions of price/ quality of service

- Power supply has mainly delivered 24/7 reliability, which raises very high expectations.
- For businesses, where power is a small business cost/ component, there will need to be a lot of lengthy power outages to affect business.
- Notwithstanding, business owners' perceptions of the lines company will be severely compromised - move from being a barely noticeable company to one that is seen as poorly managed and run and putting profit before reinvestment - if outages are too commonplace.
- Businesses can usually manage short, prewarned/ planned outages, but they need context. If outages are due to failing infrastructure, business owners will be concerned about poor management.
- Need to differentiate the types of businesses and their needs for power at critical times e.g. some businesses are seasonal; summer is critical to them and Dairy Farmers need power twice a day for milking, so outages over this period will have more impact.
- Low awareness of lines charges so businesses generally have no idea if they are getting value for money (or not).
- Longer, planned, pre-communicated outages are easier to manage and are less disruptive than shorter, unplanned ones.
- Visible evidence of infrastructure investment is reassurance of lines charges well spent and gives confidence of surety of supply going forward.
- Power costs are a low part of some business costs, so line cost increases will have little impact overall.
- Power cost increases will impact directly on business profit.

- Planned power outages during working/ school days have no (limited) impact for households in this life stage.
- For unplanned outages, good communication and feedback helps to keep customers informed and reassured.
- Forewarned and planned outages are easier to manage and plan for and are viewed as acceptable/ necessary to ensure consistent and reliable power.
- Unplanned outages, especially if too often, suggest poor/ mismanagement and poor maintenance.
- Value for money is difficult to assess in a vacuum; compared with/ to what? Customers need more information to inform their belief.
- However, value is also perceived in the context of consistent and reliable power supply, not necessarily as an absolute value.
- Customers have high expectations that power will be available 24/7 as they are 'paying' for this. Unplanned outages due to things beyond the control of the lines company are acceptable; however additional unplanned outages may indicate poor management/maintenance plans and are less acceptable.
- For vulnerable families, power is a necessity, but saving power (money) where possible is critical. Tips and ideas on how to save/ manage power are helpful.
- Even small price increases can have harsh consequences for vulnerable families; a lines charge increase will likely be paid for from the food budget.
- However, there are financially self-sufficient older people who are on fixed incomes. They have enough not to stint on power and are not vulnerable.

Key insights (Cont.)

Business

Residential

Impacts of pricing

- | | |
|---|--|
| <ul style="list-style-type: none"> • Businesses are aware the population is growing and consequently there is strain on existing infrastructure; investment needs to go hand in hand with indications that Aurora Energy is looking at new ways of doing things. • Some business owners worry that increasing numbers using alternative power supplies will impact on those who continue to use grid electricity. • There is also a view that price increase on lines may lead to reduction in power usage overall - impact on retailers. • The fact that worry/ knowledge is out there suggests that Aurora Energy will need to begin to share different future scenarios to provide context to the CPP. • While upgrades and investment in infrastructure is a good thing and supports reliability; it is an expectation of a good manager; good business sense (nothing more). • There is some sympathy for price increases if there is a good reason/ rationale and a clear community/ personal benefit. • However, current reliable and consistent service can give raise to questions as to why a price increase is needed. • It would be good if Aurora Energy could provide expert advice/ case studies on how to reduce power wastage in businesses; something that is independent of the supplier; from someone they can trust. • Also, to consider subsidies and loans to encourage small businesses to initiate energy saving behaviours. • Some businesses assume the retailer is collecting all the revenue; no differentiation of distributor as part of the bill. • Price increase needs to be justified - provide context, rationale and future scenarios. • Aurora Energy needs to be more visible in the community; currently has little presence. | <ul style="list-style-type: none"> • In the event of a price increase, consumers may automatically think the retailer is collecting more money; no differentiation of distributor as part of the bill. • Lines price increases will need to be managed and communicated well; especially telling customers why the increases are necessary and how the money will be spent. • Will need to provide context; show that Aurora Energy's charges are coming into line with the rest of the country and that they are not the most expensive in the country. • Also need to show each region's charges and that they are not subsidising other parts of the network. |
|---|--|

Key insights (Cont.)

Business

Residential

Service initiatives

Residential and business customers alike have very high expectations of what they perceive as minimum business requirements.

Future expectations

- Demand for power will grow; growing population and new technologies requiring power.
- Aging/ strained infrastructure which will need replacing/ updating.
- More and varied technologies.
- More EV charging stations.
- Concerns about EV battery disposal.

Keeping customers informed

- | | |
|--|--|
| <ul style="list-style-type: none">• Information should be easily accessible/ available.• Easy to navigate website.• Potentially, text messaging.• Greater clarity around how power bill is apportioned and who owns/ maintains infrastructure.• Clarify that increases do not all go to the retailer.• Aurora Energy more visibility in the community (to help customers understand price increases).• Large customers expect the courtesy of face-to-face engagement.• Direct, personal communication can reassure customers that Aurora Energy is a professional organisation, which understands its customers and has their best interests at heart.• Balanced information about the CPP, including the good and the bad, is important to build trust and confidence. | <ul style="list-style-type: none">• Convey key messages around CPP to community and advocacy organisations like Grey Power.• Connect in local communities through community organisations.• Tailor communications that show understanding of individual circumstances.• Traditional, non-internet, modes of communication are still important e.g. local community newspaper.• Equally, social media is an appropriate and expected business communication tool. |
|--|--|



Quantitative research report: Households & Businesses

Aurora Energy

February 2020

Contents

Household summary



Summary

Setting the scene

- Following the introduction of the survey, respondents were briefed about Aurora Energy being the company that delivers electricity to households and businesses in Dunedin, Queenstown Lakes and Central Otago. Respondents were also informed that Aurora Energy owns and maintains power poles, substations and transformers.

Aurora's main proposal

- Respondents were read out three different options of Aurora Energy's future investment on its electricity network. The options presented to respondents ranged in cost from an extra \$25 to \$29 a month.
- Using a forced 4-point scale of 'strongly support', 'somewhat support', 'somewhat oppose' and 'strongly oppose', the percentage of support (strongly support + somewhat support) for Aurora Energy's future investment on its electricity network was lower than the percentage who oppose (somewhat oppose + strongly oppose) across all options measured.

Option 1: Increase of ~\$25/ month

- Around one-third (32%) supported the cheapest option where line charges for the average household would increase from \$47 a month to \$72 a month, 62% opposed. The percentage who strongly oppose (42%) is over ten times greater than those who strongly support (4%). Support is slightly higher among those residing in Dunedin at 34% and lower among those residing in Central Otago at 23%.

Summary (continued)

Option 2: Increase of ~\$27/ month

- Less than one-third (28%) supported the mid-range option where line charges for the average household would increase from \$47 a month to \$74 a month, 69% opposed. Again, the percentage who strongly oppose (48%) is over ten times greater than those who strongly support (4%). Also, support is slightly higher among those residing in Dunedin at 30% and significantly lower among those residing in Central Otago at 15%.

Option 3: Increase of ~\$29/ month

- A little over one-fifth (22%) supported the highest-priced option where line charges for the average household would increase from \$47 a month to \$76 a month, three-quarters (75%) opposed. This option saw the greatest difference between those who strongly oppose (53%) and those who strongly support (3%). Support is the same among those residing in Dunedin and Queenstown-Lakes at 22% and lower in Central Otago at 15%.
- Respondents were informed that Aurora Energy's proposed plan is based on the minimum work necessary for safety and reliability including replacing power poles and old equipment, doing essential maintenance and accommodating for growth. Most respondents (60%) think that Aurora Energy should do the essential work, but don't feel they should pay for it. While around one-third (32%) think that the work should be done, even if that means prices go up. A small minority (4%) think that the prices should remain the same even if that means essential work can't be done and the network becomes unsafe and unreliable. Thirty-five percent of those residing in Dunedin think that the work should be done, even if that means prices go up. Comparative figures for those residing in Queenstown-Lakes and Central Otago were 27% and 23% respectively.

Summary (continued)

Satisfaction with reliability of supply

- Close to 9 out of 10 respondents (86%) are satisfied with the reliability of their power supply with over half (54%) being very satisfied. Eight-six percent satisfaction was also found among those residing in Dunedin and Central Otago. However, under half (41%) of those residing in Central Otago were very satisfied while 56% of those residing in Dunedin were very satisfied. The majority of those residing in Queenstown-Lakes (83%) are satisfied and over half (53%) are very satisfied.
- When respondents were asked about how they feel about unplanned power cuts and the costs associated with reducing them, 58% declared that they are reasonably happy with the current level of unplanned power cuts and understand that it will still cost more to maintain the network. Around a quarter (28%) declared that they could cope with more unplanned power cuts if it meant lower line charges. There were no real differences across the areas, though 13% of those residing in Queenstown-Lakes were unsure compared to 6% of All respondents.

Service options:

- Support for increasing reliability in rural/ remote locations was greater than support for improving customer service initiatives.

Support for increasing reliability in rural/ remote locations

- Over three-quarters (78%) of respondents support payment of an additional \$8.50 per year to increase the reliability of supply to customers on the network who experience more than 6 to 8 power cuts per year. Support was higher among those residing in Central Otago (84%) and Queenstown-Lakes (80%) but slightly lower among those residing in Dunedin (76%).

Support for improving customer service

- Over half (59%) of respondents support paying an additional \$8.20 per year to cover the costs of improving customer service. Support was highest among those residing in Dunedin (62%) but lower among those residing in Central Otago (55%) and Queenstown-Lakes (51%).

Summary (continued)

Priorities for Aurora Energy

- Respondents were asked to rate five areas using a 5-point scale where 1 meant 'a very low priority' and 5 meant 'a very high priority'. Just over one-third of respondents (35%) gave 'high priority' (4 + 5) to all areas.
- At the top of the list was *'Improving regional resilience in the event of a major earthquake or extreme weather'* where one-third (33%) gave this 'a very high priority' while 28% gave this a rating of '4' – giving a total of 60% (4 + 5). Just over half (53%) of those residing in Central Otago gave this a rating of 4 or 5.
- Second on the list was *'Improving reliability for customers experiencing more than 6 to 8 unplanned outages per year'* where 29% gave this 'a very high priority' while 31% gave this a rating of '4' – giving a total of 60% (4 + 5). Close to half (51%) of those residing in Central Otago and half (50%) of those residing in Queenstown-Lakes gave this a rating of 4 or 5, while the comparative percentage among those residing Dunedin was significantly higher at 64%.
- Close to one-quarter (24%) gave 'a very high priority' to *'The electricity network being prepared for future technologies like rooftop solar and electric vehicles'* and 29% gave this a rating of '4' – giving a total of 53% (4 + 5). A slightly higher percentage of 55% was recorded among those residing in Dunedin, while lower percentages were recorded for both Queenstown-Lakes (50%) and Central Otago (46%).
- Around four out of ten respondents (37%) believe *'Improving customer service'* should be a priority which was made up of 18% 'a very high priority' and 19% a rating of '4'. Again, a slightly higher percentage of 39% was recorded among those residing in Dunedin. A lower percentage was recorded for Queenstown-Lakes at 29% and Central Otago percentage of 38% was in line with the All figure.
- At the bottom of the list was *'Improving visual amenity for communities, where Aurora Energy would pay half the costs of putting power lines underground in high profile locations like town centres or beside lakefronts'*. This was seen as 'a very high priority' by 17% respondents and 19% rated this area a '4' – giving a total of 35%. Higher percentages were recorded for Queenstown-Lakes (44%) and Central Otago (38%).

Summary (continued)

Preferred timing of paying for increase in lines charges

- Over two-thirds (69%) of respondents prefer the lines charges to be smoothed out so that they have the same amount of increase each year. Regional differences were insignificant – a slightly higher percentage of 72% was recorded for those residing in Dunedin, while comparative figures for Queenstown-Lakes and Central Otago were 62% and 66% respectively.
- Fifteen percent would prefer to have smaller increases for the first few years followed by bigger increases. Less than one in ten (6%) would prefer to pay more upfront for the first few years followed by smaller increases and 10% were unsure.

Energy hardship

- All respondents were introduced to this section of the survey by interviewers informing respondents how much their power bill would increase by depending on which area they resided in. Interviewers also mentioned how some households struggle to pay their power bills or keep their home warm. Respondents were then asked to rate two ways in which Aurora Energy could help these customers using a 5-point scale where 5 meant 'strongly support' and 1 meant 'strongly oppose'.
- Highest support was recorded for *'Aurora Energy provides information about where people can get advice on budgeting, energy efficiency and financial assistance'* where 38% 'strongly support' and 25% gave a rating of '4' – giving a total of 64%. While a total of 58% support *'Aurora Energy funds energy coaches to provide the most vulnerable households advice in their homes on the best power plan, how to heat their home and make it more energy efficient'* which was made up of 36% 'strongly support' and 23% giving this a rating of '4'.

Summary (continued)

- The lowest level of support was given to *'Aurora Energy does nothing specific, electricity consumers have to accept what it costs for supply'* where 6% 'strongly support' and 5% a rating of '4' – giving a total of 12%.
- Regional differences in level of support for these approaches were insignificant – however *'Aurora Energy provides information about where people can get advice on budgeting, energy efficiency and financial assistance'* rated lower among both Queenstown-Lakes and Central Otago district respondents where 57% gave this a rating of 4 or 5, compared to 67% of Dunedin City respondents.

Businesses summary



Summary

Setting the scene

- As per the residential survey, following the introduction of the survey, business respondents were briefed about Aurora Energy being the company that delivers electricity to businesses and households in Dunedin, Queenstown Lakes and Central Otago. Respondents were also informed that Aurora Energy owns and maintains power poles, substations and transformers.

Aurora's main proposal

- Respondents were read out three different options of Aurora Energy's future investment on its electricity network. The options presented to respondents' range in cost from an extra \$53 to \$61 a month.
-
- Using a forced 4-point scale of 'strongly support', 'somewhat support', 'somewhat oppose' and 'strongly oppose', the percentage of support (strongly support + somewhat support) for Aurora Energy's future investment on its electricity network was lower than the percentage who oppose (somewhat oppose + strongly oppose) across all options measured; though for the cheapest option there is only a 1% difference between support (48%) and oppose (49%).

Option 1: Increase of ~\$50/ month

- Close to half (48%) supported the cheapest option where line charges for the average small business would increase from \$99 a month to \$152 a month, 49% opposed. The percentage who strongly oppose the cheapest option (32%) is close to five times greater than those who strongly support (7%).

Summary (continued)

Option 2: Increase of ~\$55/ month

- Close to one-third (32%) supported the mid-range option where line charges for the average small business would increase from \$99 a month to \$157 a month, 66% opposed. The percentage who strongly oppose the mid-range option (35%) is seven times greater than those who strongly support (5%).

Option 3: Increase of ~\$99/ month

- One-fifth (20%) supported the highest-priced option where line charges for the average small business would increase from \$99 a month to \$160 a month, 79% opposed. The percentage who strongly oppose the most expensive option (46%) is far greater than those who strongly support (2%).
- Respondents were informed that Aurora Energy's proposed plan is based on the minimum work necessary for safety and reliability including replacing power poles and old equipment, doing essential maintenance and accommodating for growth. Most respondents (53%) think that Aurora Energy should do the essential work, but don't feel they should pay for it. While 38% think that the work should be done, even if that means prices go up. A small minority (6%) think that the prices should remain the same even if that means essential work can't be done and the network becomes unsafe and unreliable.

Summary (continued)

Satisfaction with reliability of supply

- Close to 8 out of 10 respondents (79%) are satisfied with the reliability of their power supply with over half (58%) being very satisfied.
- When respondents were asked about how they feel about unplanned power cuts and the costs associated with reducing them, 53% declared that they are reasonably happy with the current level of unplanned power cuts and understand that it will still cost more to maintain the network. Around a quarter (23%) declared that they could cope with more unplanned power cuts if it meant lower line charges.

Service options:

- Support for increasing reliability in rural/ remote locations was greater than support for improving customer service initiatives.

Support for increasing reliability in rural/ remote locations

- Eighty-four percent of respondents' support payment of an additional \$8.50 per year to increase the reliability of supply to customers on the network who experience more than 6 to 8 power cuts per year.

Support for improving customer service

- Over half (60%) of respondents' support paying an additional \$8.20 per year to cover the costs of improving customer service.

Summary (continued)

Priorities for Aurora Energy

- Respondents were asked to rate five areas using a 5-point scale where 1 meant 'a very low priority' and 5 meant 'a very high priority'. Close to 4 out of 10 of respondents (38%) gave 'high priority' (4 + 5) to all areas.
- At the top of the list was *'Improving reliability for customers experiencing more than 6 to 8 unplanned outages per year'* where one-third (33%) gave this 'a very high priority' while 38% gave this a rating of '4' – giving a total of 70% (4 + 5).
- Second on the list was *'Improving regional resilience in the event of a major earthquake or extreme weather'* where 38% gave this 'a very high priority' while 23% gave this a rating of '4' – giving a total of 60% (4 + 5).
- Just over one-quarter (28%) gave 'a very high priority' to *'The electricity network being prepared for future technologies like rooftop solar and electric vehicles'* and 22% gave this a rating of '4' – giving a total of 50% (4 + 5).
- Forty-four percent believe *'Improving customer service'* should be a priority which was made up of 24% 'a very high priority' and 20% a rating of '4'.
- At the bottom of the list was *'Improving visual amenity for communities, where Aurora Energy would pay half the costs of putting power lines underground in high profile locations like town centres or beside lakefronts'*. This was seen as 'a very high priority' by 19% respondents and the same percentage (19%) rated this area a '4' – giving a total of 38%.

Summary (continued)

Preferred timing of paying for increase in lines charges

- The majority of respondents (83%) prefer the lines charges to be smoothed out so that they have the same amount of increase each year.
- Just 4% would prefer to have smaller increases for the first few years followed by bigger increases and only 2% would prefer to pay more upfront for the first few years followed by smaller increases. Eleven percent were unsure.

Energy hardship

- All respondents were introduced to this section of the survey by interviewers informing respondents how much household power bills would increase by depending on which area they resided in. Interviewers also mentioned how some households struggle to pay their power bills or keep their home warm. Respondents were then asked to rate two ways in which Aurora Energy could help these customers using a 5-point scale where 5 meant 'strongly support' and 1 meant 'strongly oppose'.
- Highest support was recorded for *'Aurora Energy provides information about where people can get advice on budgeting, energy efficiency and financial assistance'* where 36% 'strongly support' and 19% gave a rating of '4' – giving a total of 54%. While a total of 53% support *'Aurora Energy funds energy coaches to provide the most vulnerable households advice in their homes on the best power plan, how to heat their home and make it more energy efficient'* which was made up of 30% 'strongly support' and 24% giving this a rating of '4'.
- The lowest level of support was given to *'Aurora Energy does nothing specific, electricity consumers have to accept what it costs for supply'* where 8% 'strongly support' and 5% a rating of '4' – giving a total of 13%.

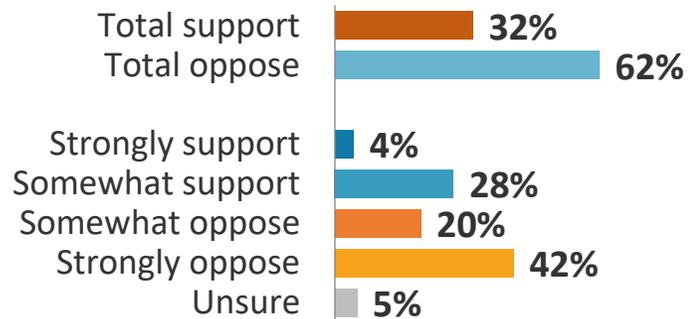
Household results



Support for Aurora Energy’s future spend – All respondents (n=500)

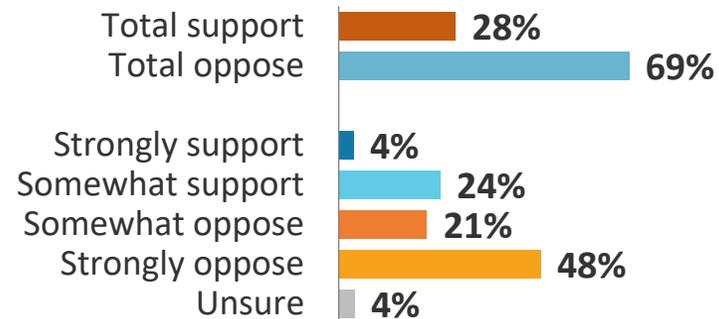
Aurora Energy is planning future investment on its electricity network and wants to hear your views on some different options of what it could do. I going to read out three different options which Aurora Energy is proposing. These range in cost from an extra \$25 to \$29 a month, on average.

Option 1: Increase of ~\$25 a month



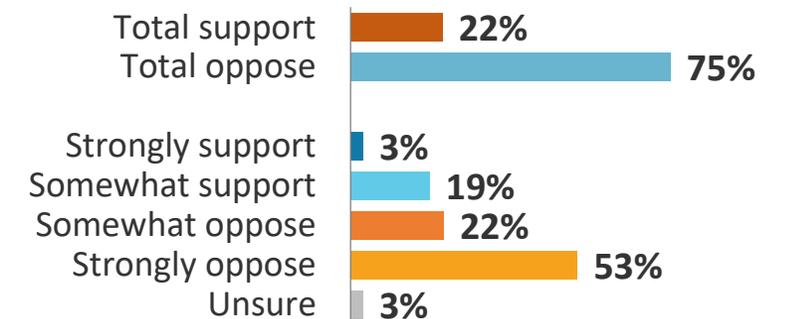
Q1. The first option will ensure that Aurora Energy is able to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network. Under this proposal, line charges for the average household would increase from \$47 a month to \$72 a month.

Option 2: Increase of ~\$27 a month



Q2. The second option is more expensive and would see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects than the first option. Aurora Energy considers this extra work to be very hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$74 a month.

Option 3: Increase of ~\$29 a month

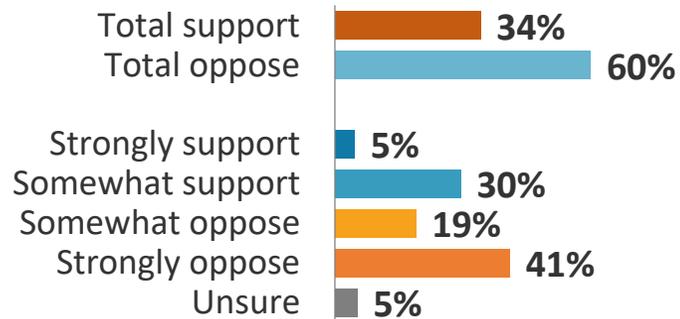


Q3. The third option is more expensive than options one and two. Option 3 would also see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects but quicker than options 1 and 2. Aurora Energy considers this extra work to be extremely hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$76 a month.

Support for Aurora Energy’s future spend – Dunedin respondents (n=250)

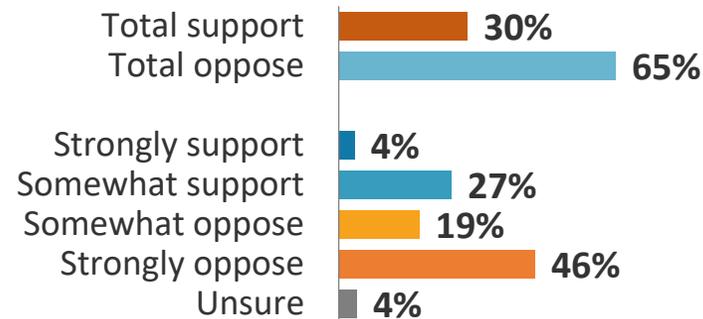
Aurora Energy is planning future investment on its electricity network and wants to hear your views on some different options of what it could do. I going to read out three different options which Aurora Energy is proposing. These range in cost from an extra \$25 to \$29 a month, on average.

Option 1: Increase of ~\$25 a month



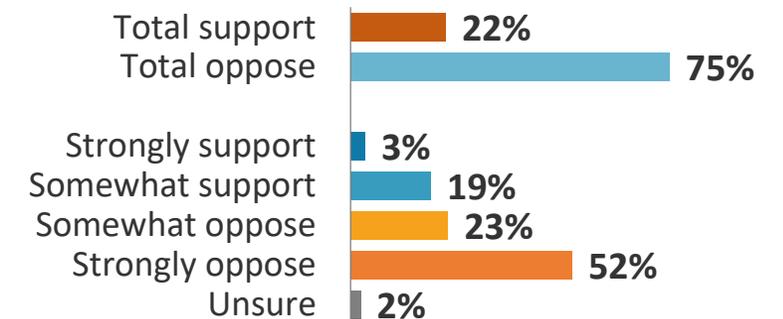
Q1. The first option will ensure that Aurora Energy is able to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network. Under this proposal, line charges for the average household would increase from \$47 a month to \$72 a month.

Option 2: Increase of ~\$27 a month



Q2. The second option is more expensive and would see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects than the first option. Aurora Energy considers this extra work to be very hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$74 a month.

Option 3: Increase of ~\$29 a month

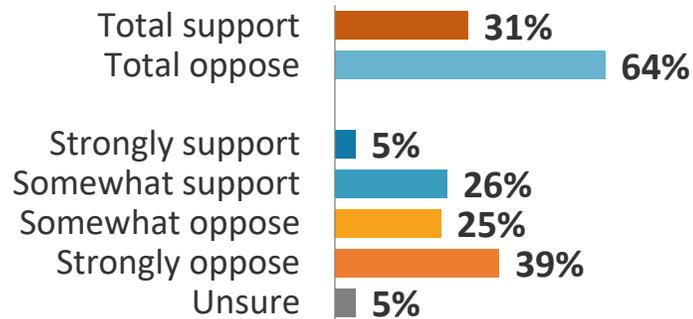


Q3. The third option is more expensive than options one and two. Option 3 would also see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects but quicker than options 1 and 2. Aurora Energy considers this extra work to be extremely hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$76 a month.

Support for Aurora Energy’s future spend – Queenstown Lakes respondents (n=125)

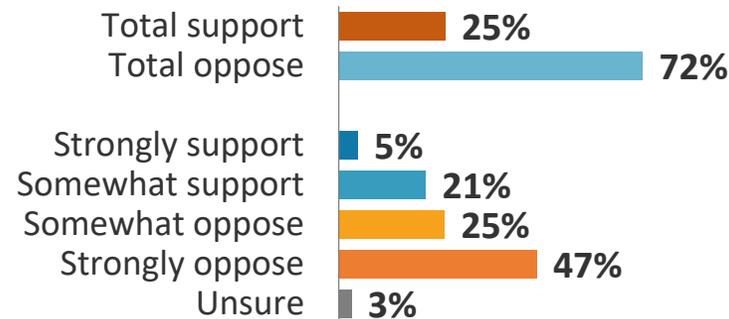
Aurora Energy is planning future investment on its electricity network and wants to hear your views on some different options of what it could do. I going to read out three different options which Aurora Energy is proposing. These range in cost from an extra \$25 to \$29 a month, on average.

Option 1: Increase of ~\$25 a month



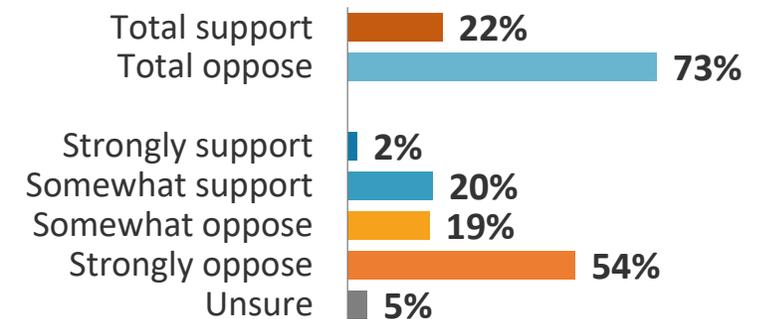
Q1. The first option will ensure that Aurora Energy is able to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network. Under this proposal, line charges for the average household would increase from \$47 a month to \$72 a month.

Option 2: Increase of ~\$27 a month



Q2. The second option is more expensive and would see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects than the first option. Aurora Energy considers this extra work to be very hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$74 a month.

Option 3: Increase of ~\$29 a month

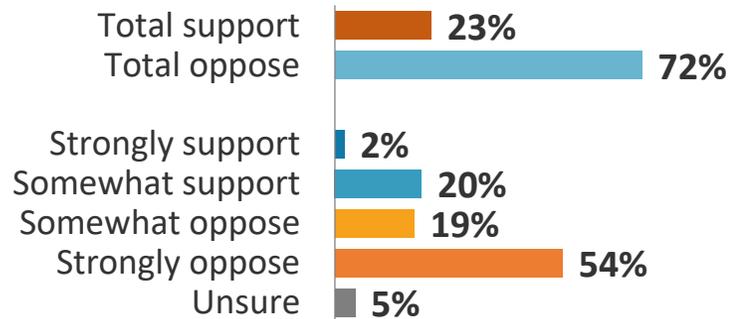


Q3. The third option is more expensive than options one and two. Option 3 would also see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects but quicker than options 1 and 2. Aurora Energy considers this extra work to be extremely hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$76 a month.

Support for Aurora Energy’s future spend – Central Otago respondents (n=125)

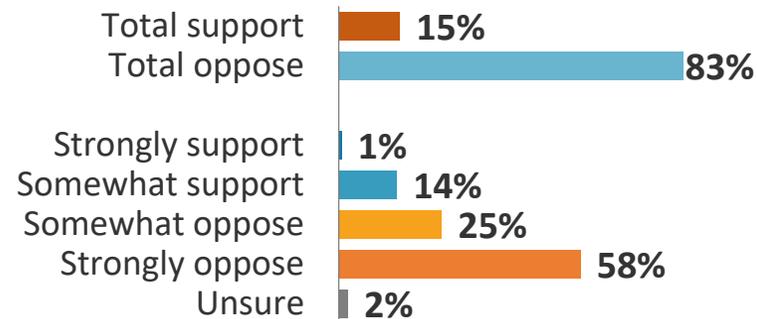
Aurora Energy is planning future investment on its electricity network and wants to hear your views on some different options of what it could do. I going to read out three different options which Aurora Energy is proposing. These range in cost from an extra \$25 to \$29 a month, on average.

Option 1: Increase of ~\$25 a month



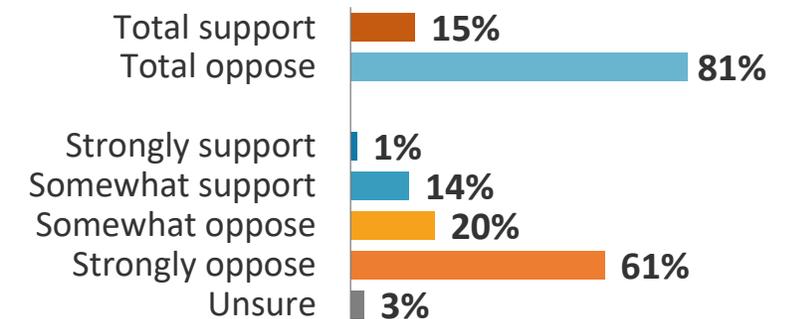
Q1. The first option will ensure that Aurora Energy is able to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network. Under this proposal, line charges for the average household would increase from \$47 a month to \$72 a month.

Option 2: Increase of ~\$27 a month



Q2. The second option is more expensive and would see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects than the first option. Aurora Energy considers this extra work to be very hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$74 a month.

Option 3: Increase of ~\$29 a month

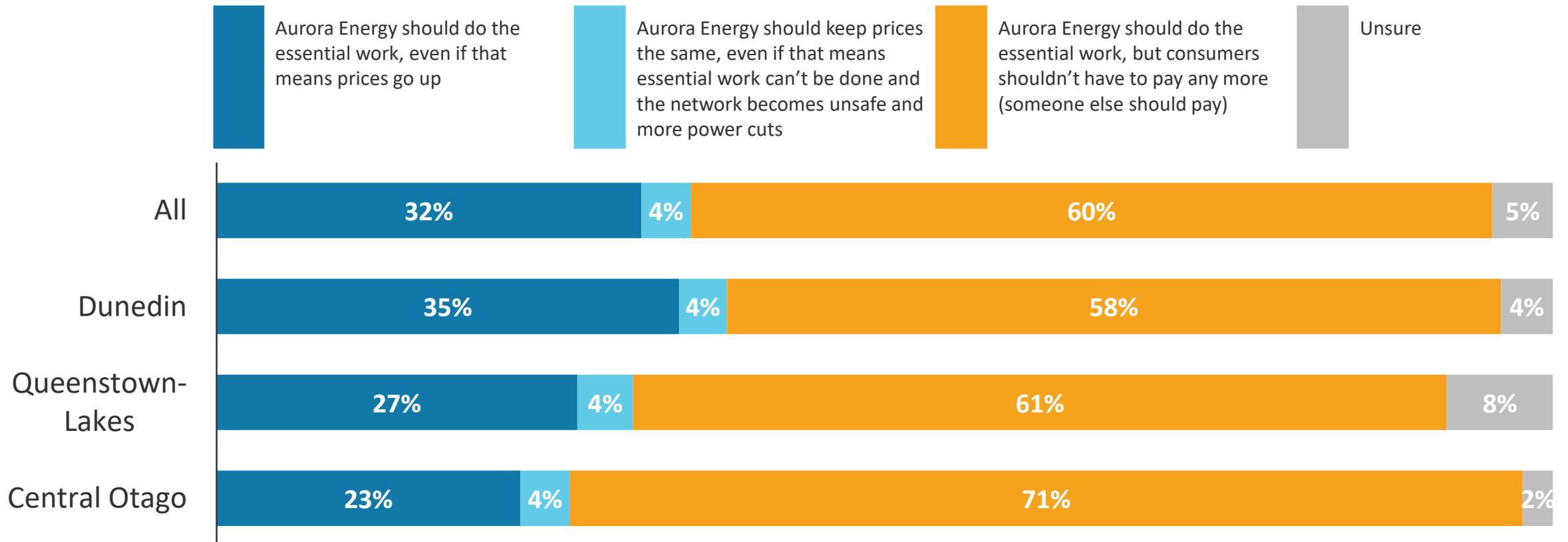


Q3. The third option is more expensive than options one and two. Option 3 would also see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects but quicker than options 1 and 2. Aurora Energy considers this extra work to be extremely hard to achieve within 3 years. Under this option, line charges for the average household would increase from \$47 a month to \$76 a month.

Funding of Aurora Energy's proposed plan



Q4. Aurora Energy's proposed plan is based on minimum work needed for safety and reliability including replacing power poles and old equipment, doing essential maintenance and catering for growth. Which of the following best describes your view?

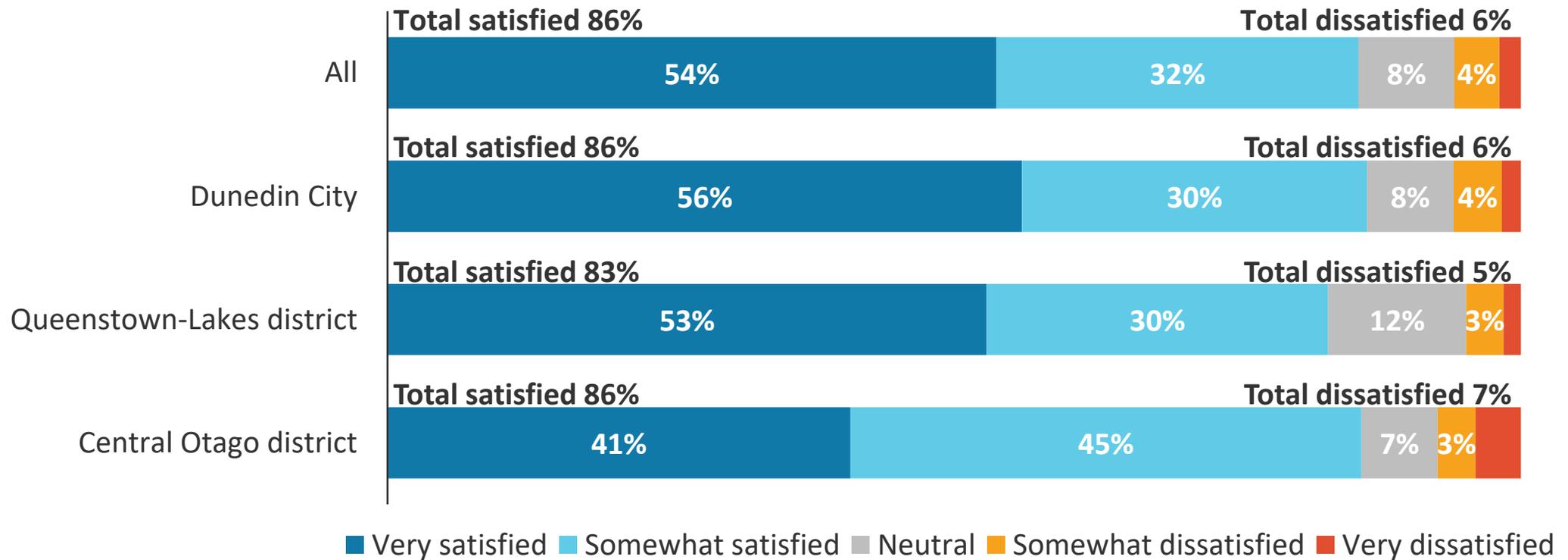


Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Satisfaction with reliability of power supply



Q5. Thinking about unplanned power cuts over the past few years, how satisfied are you with the reliability of your power supply?

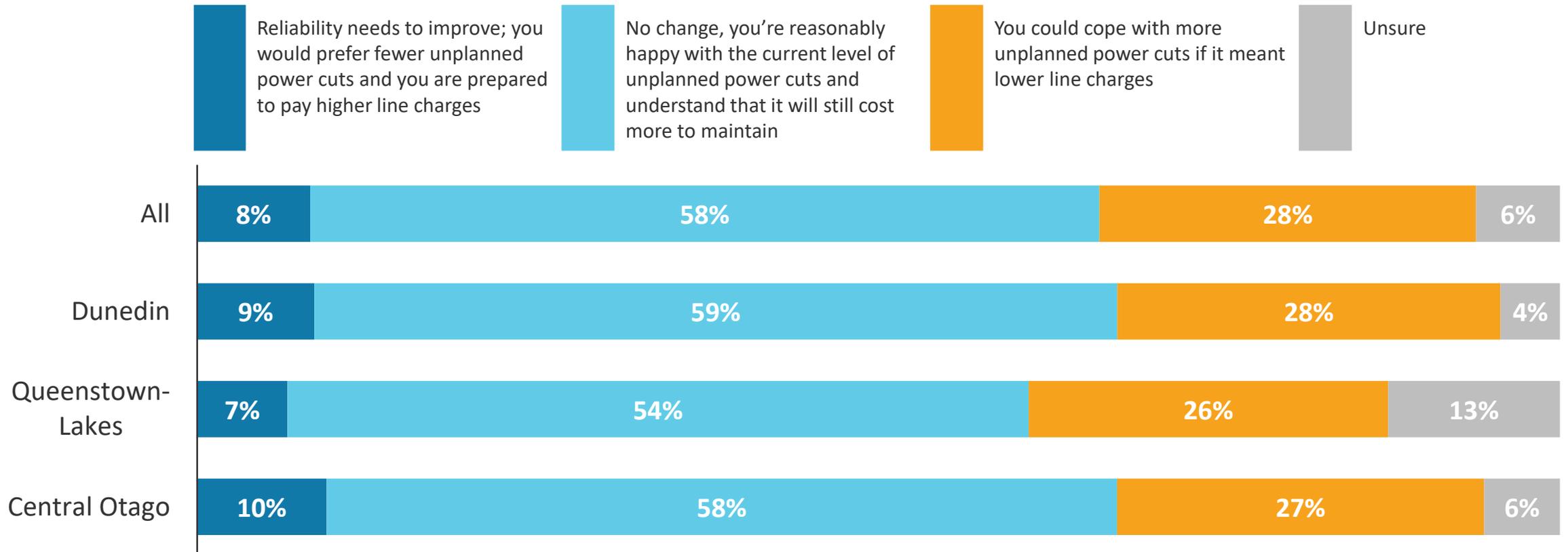


Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Unplanned power cuts & costs associated with reducing them



Q6. Aurora Energy's proposed investment in the network would see the average duration of unplanned power cuts reduce by about 7% to 10% a year by 2024. Which of these best describes how you feel about unplanned power cuts and the costs associated with reducing them?

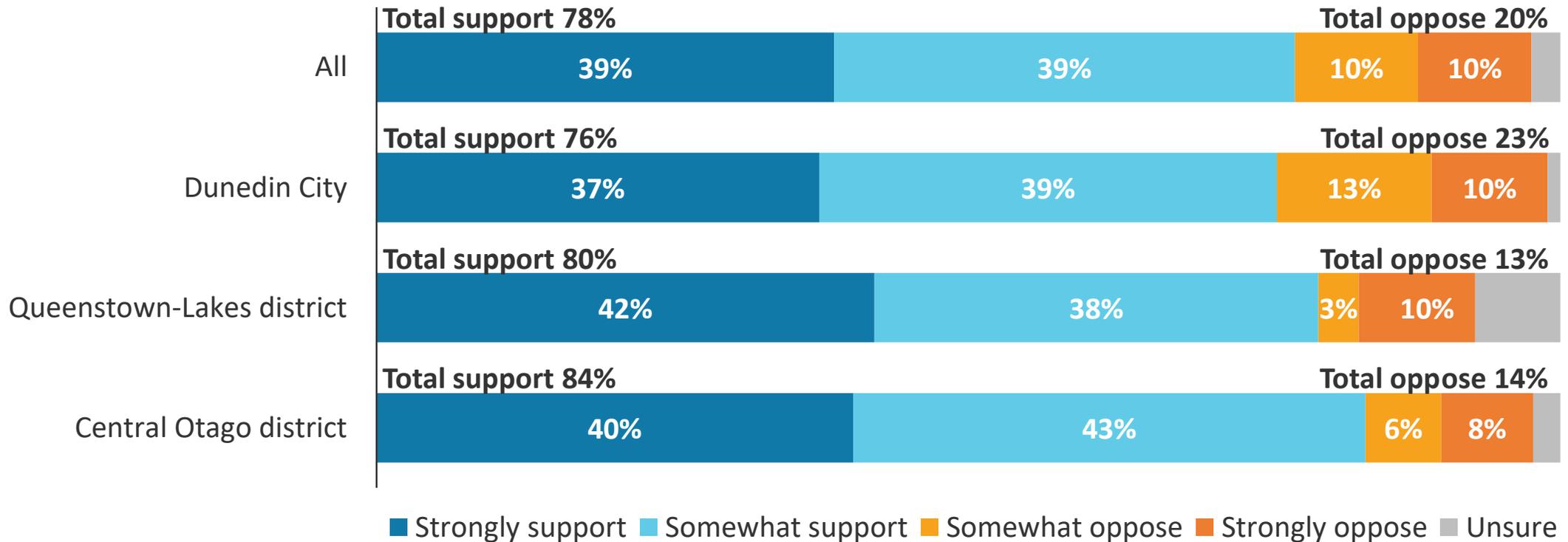


Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Support for increasing reliability in rural/ remote locations at a cost of \$8.50/ year



Q7. Some customers on the network experience more than 6 to 8 power cuts per year. Many of these power cuts are the result of old, unreliable equipment, being in a rural or remote location and trees interfering with power lines. How much do you support or oppose all customers paying, on average, an additional \$8.50 a year to increase the reliability of supply for these customers? Do you:

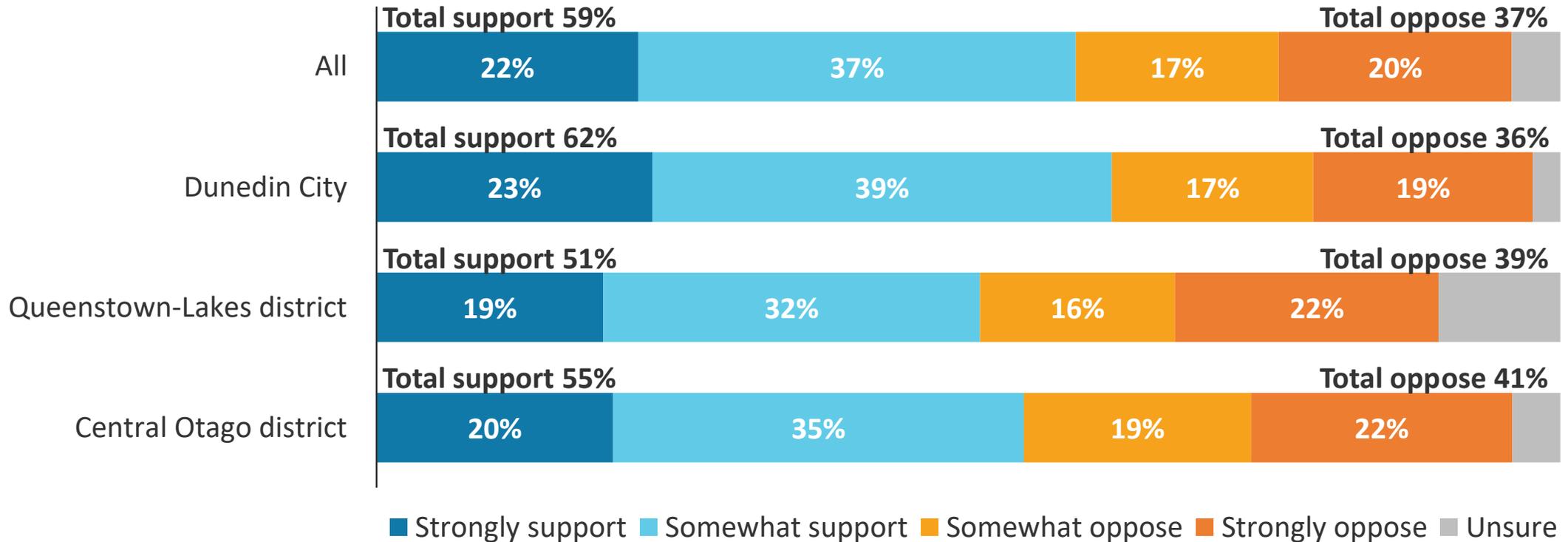


Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Support for improving customer service at a cost of \$8.20/ year



Q8. In addition to increasing the reliability of supply, consideration is being given to introducing additional customer service initiatives like extending the call centre hours to 24/7 and improving real time information about unplanned power cuts. How much do you support or oppose all customers paying, on average, an additional \$8.20 a year to cover the cost of improving services to provide more than a basic level of customer service? Do you:

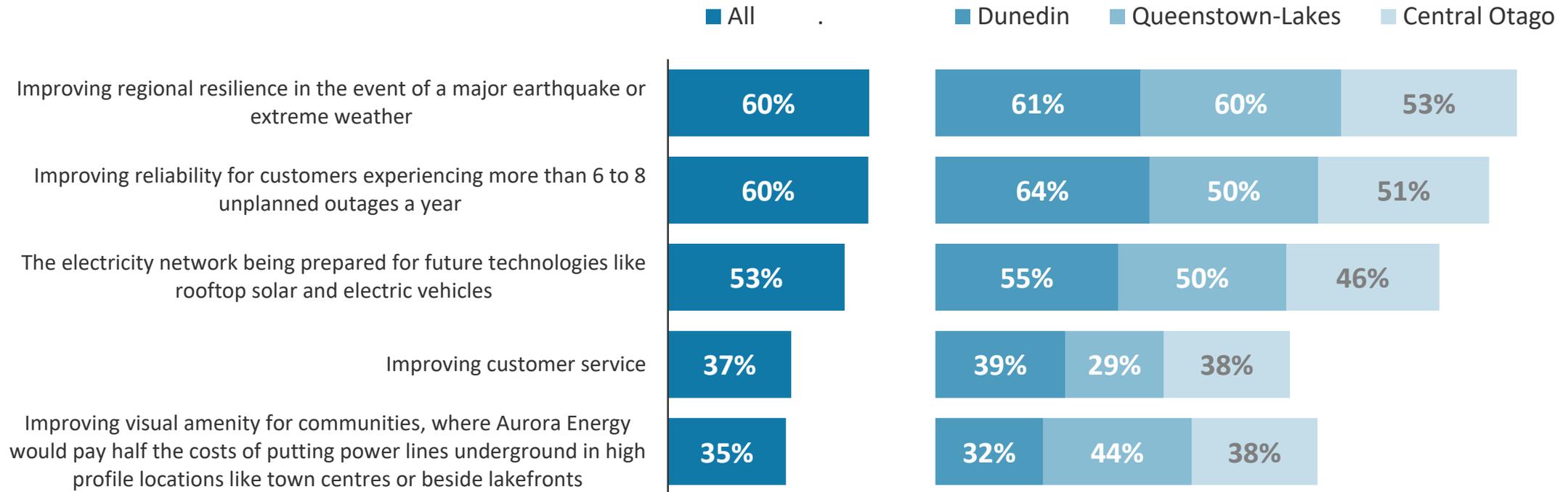


Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Priorities for Aurora Energy – Summary showing ‘4’ + ‘5 Very high priority’



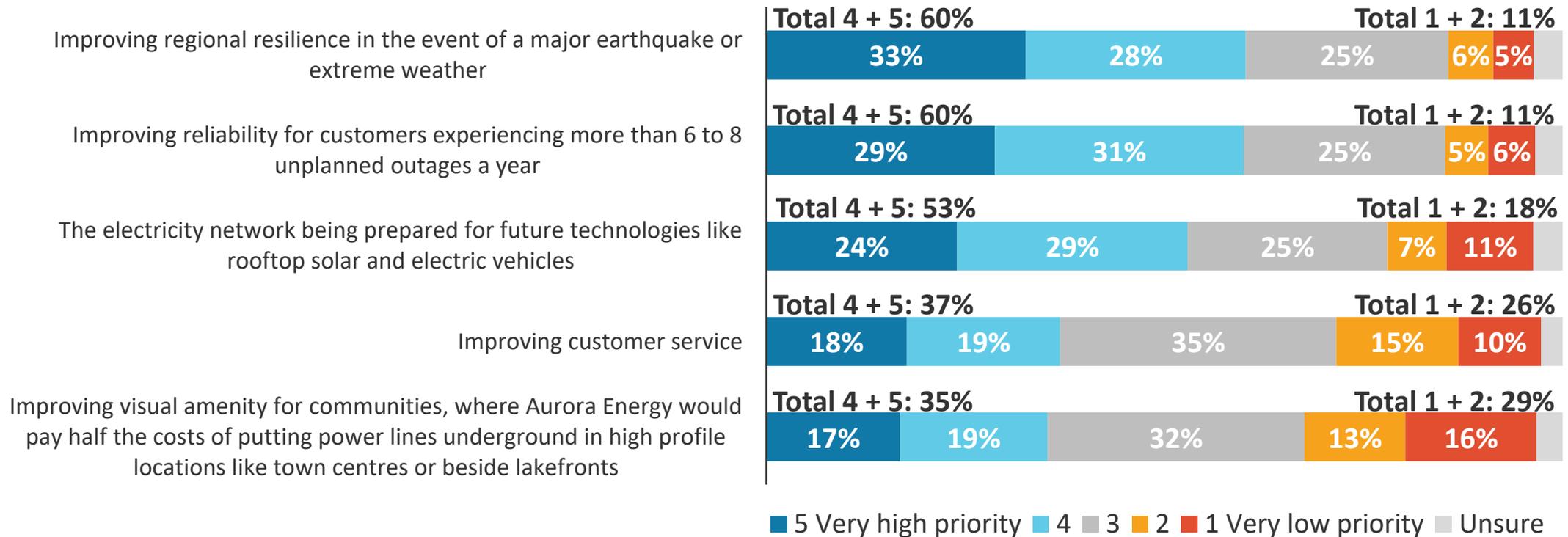
Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Priorities for Aurora Energy – All respondents (n=500)

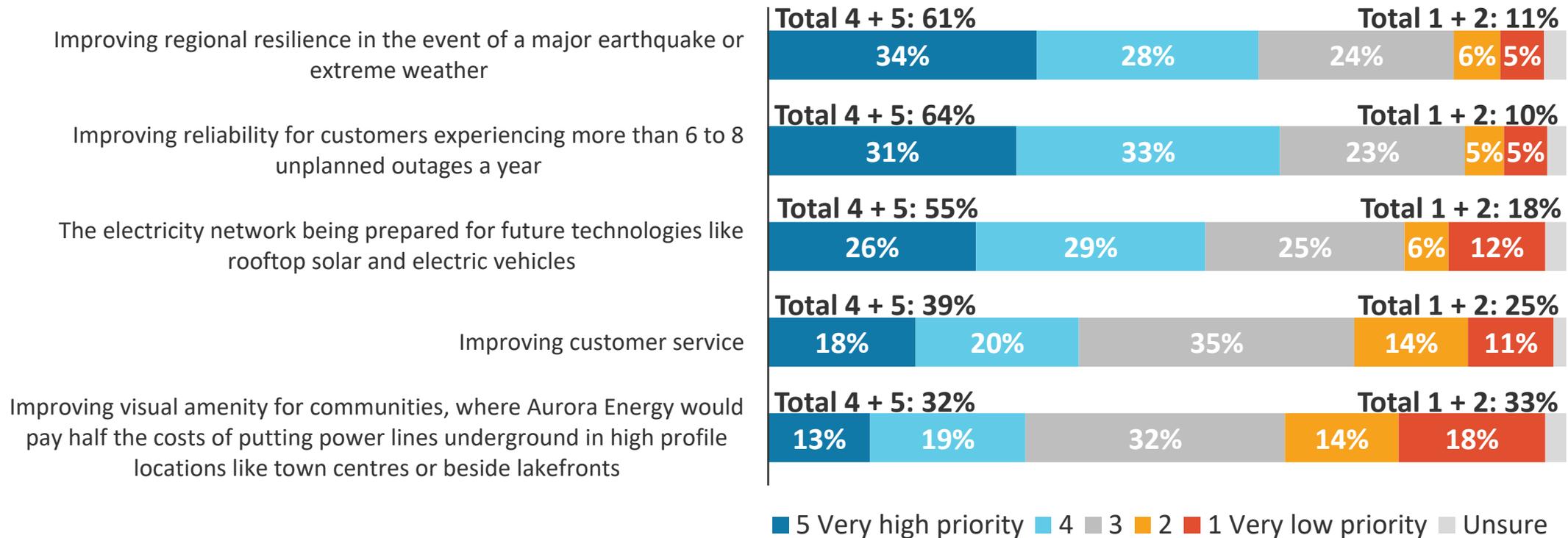
Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



Priorities for Aurora Energy – Dunedin respondents (n=250)

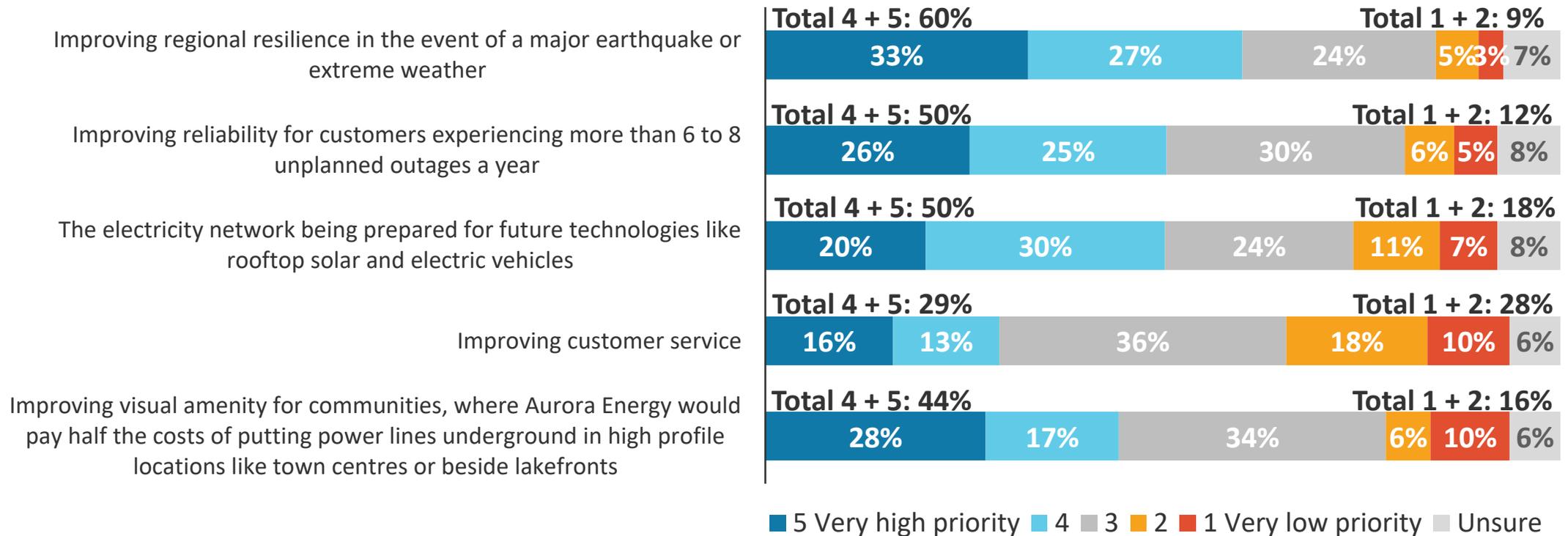


Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



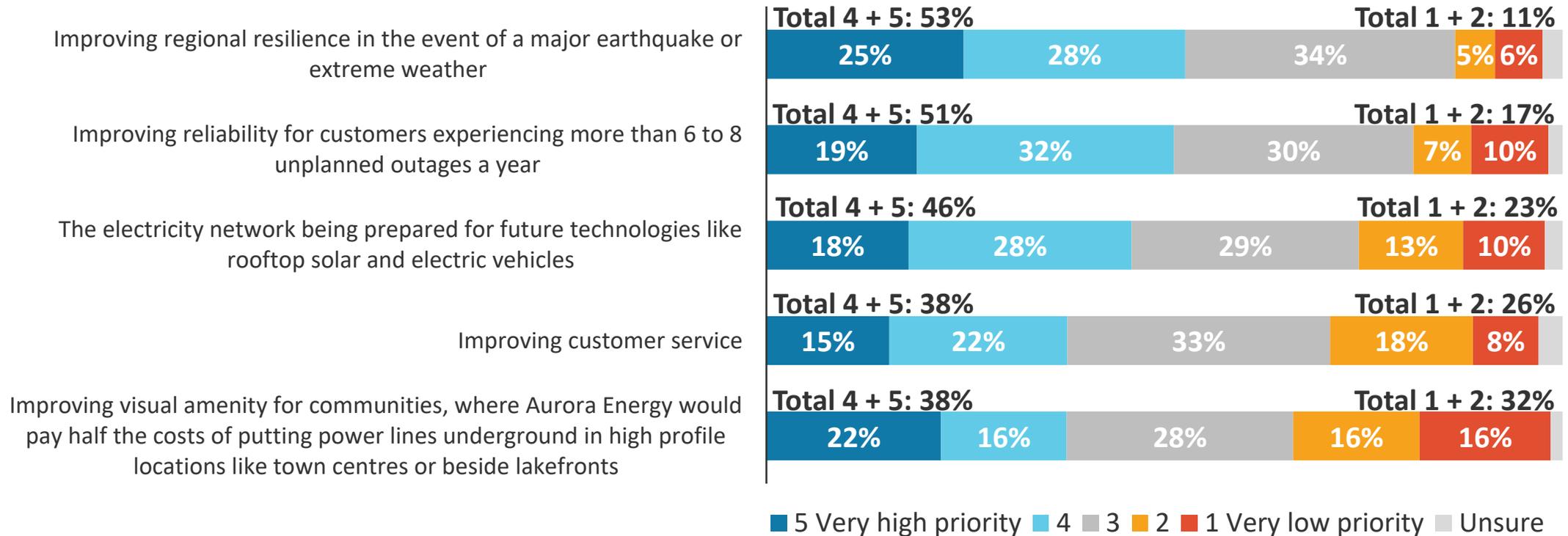
Priorities for Aurora Energy – Queenstown-Lakes respondents (n=125)

Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



Priorities for Aurora Energy – Central Otago respondents (n=125)

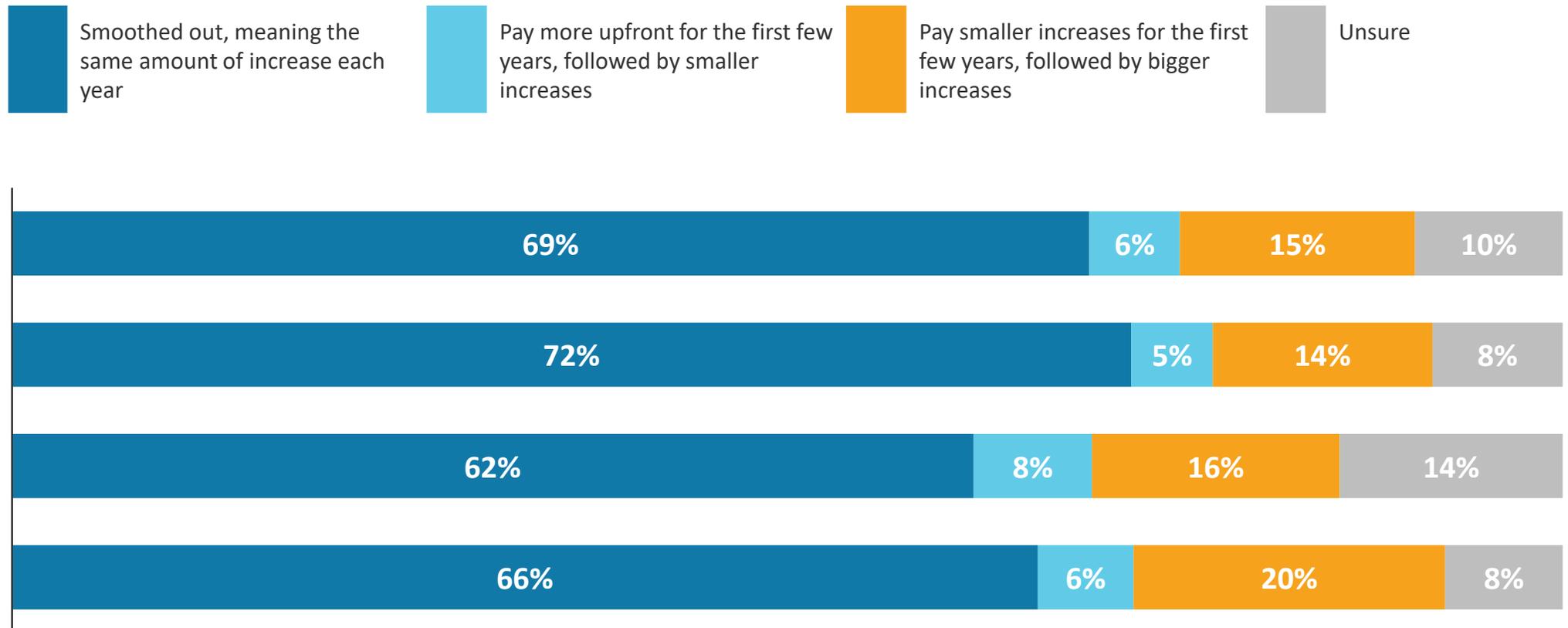
Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



Unplanned power cuts & costs associated with reducing them



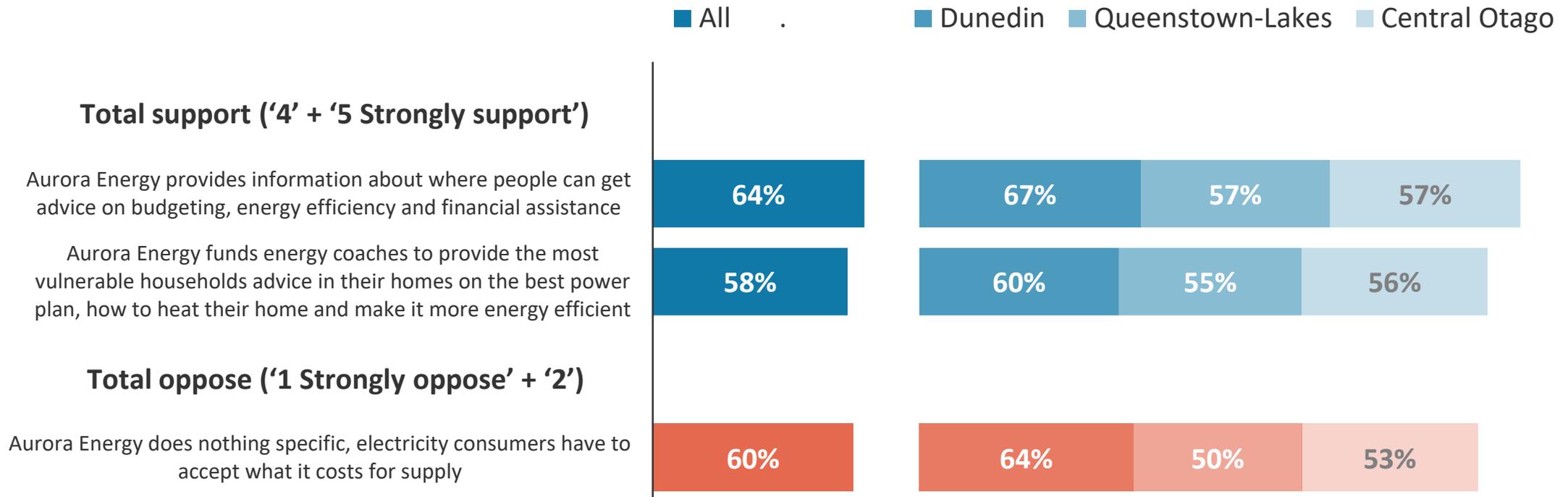
Q10. To cover the cost of improvements to the equipment that supplies power to this region means that lines charges will have to increase. Assuming that is the case, which of the following do you prefer?



Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Energy hardship – Summary showing Total support/ Total oppose

Q Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers. Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?



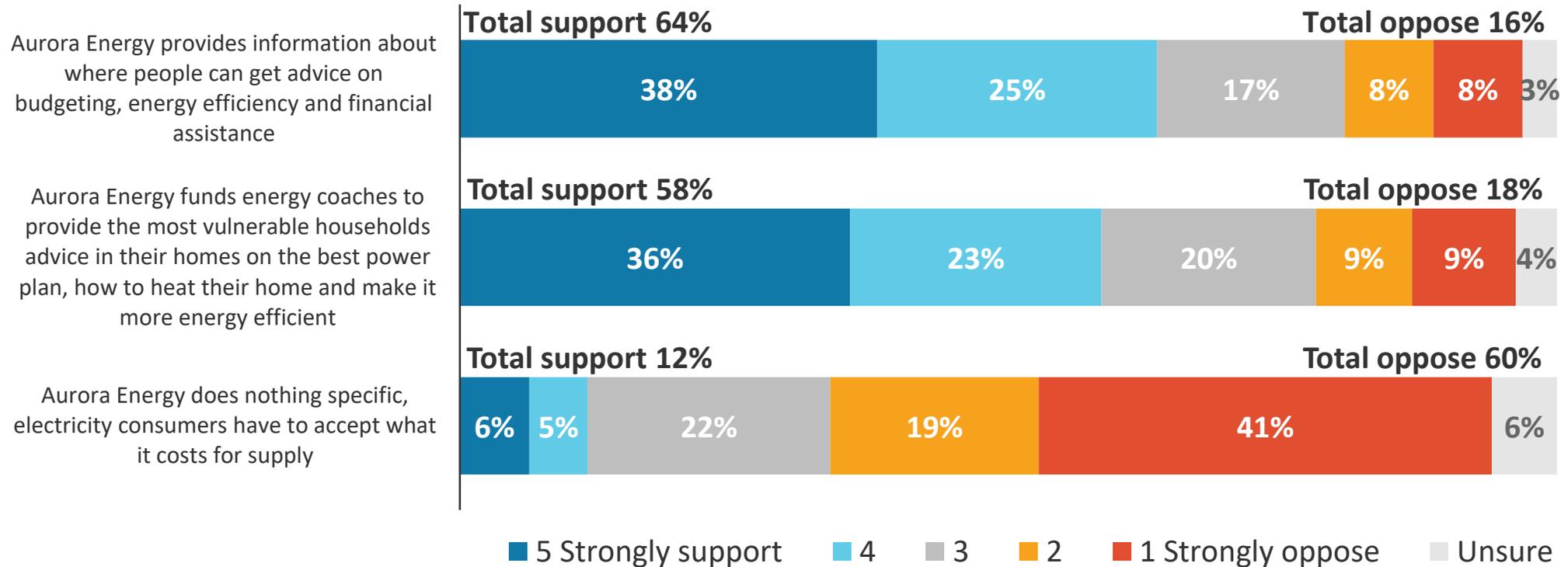
Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
 Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Energy hardship – All respondents (n=500)



Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers.

Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?

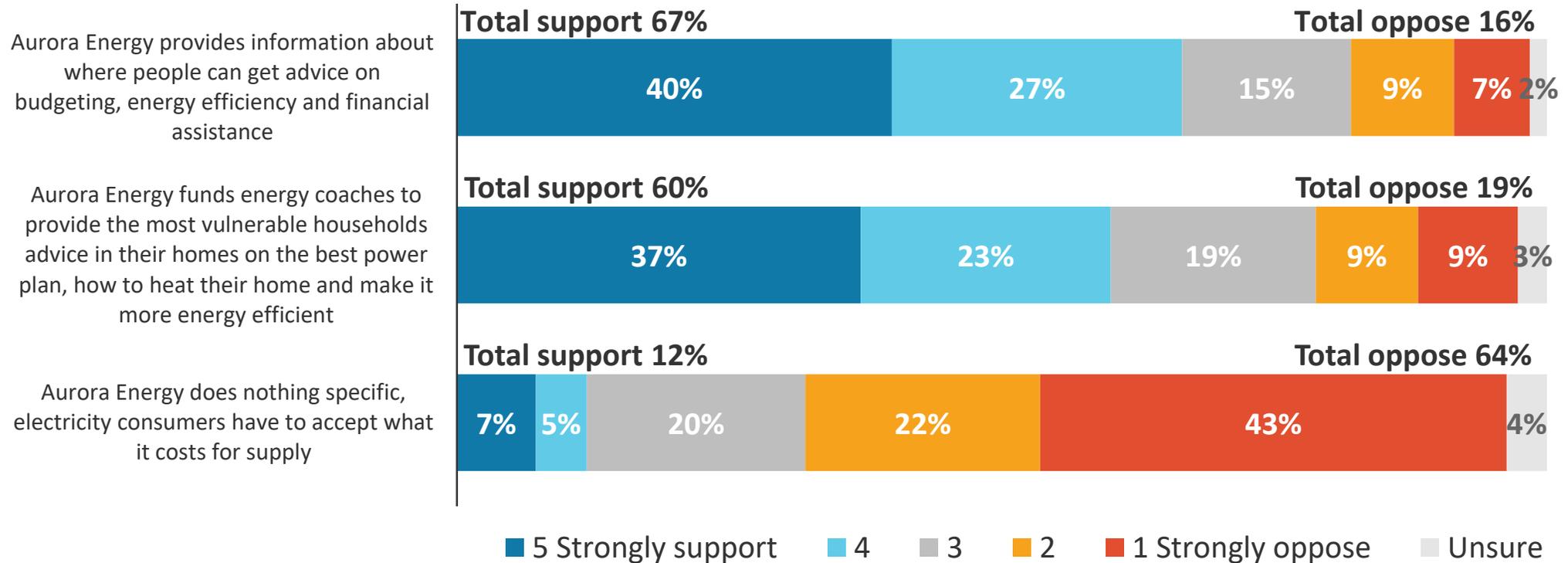


Energy hardship – Dunedin respondents (n=250)



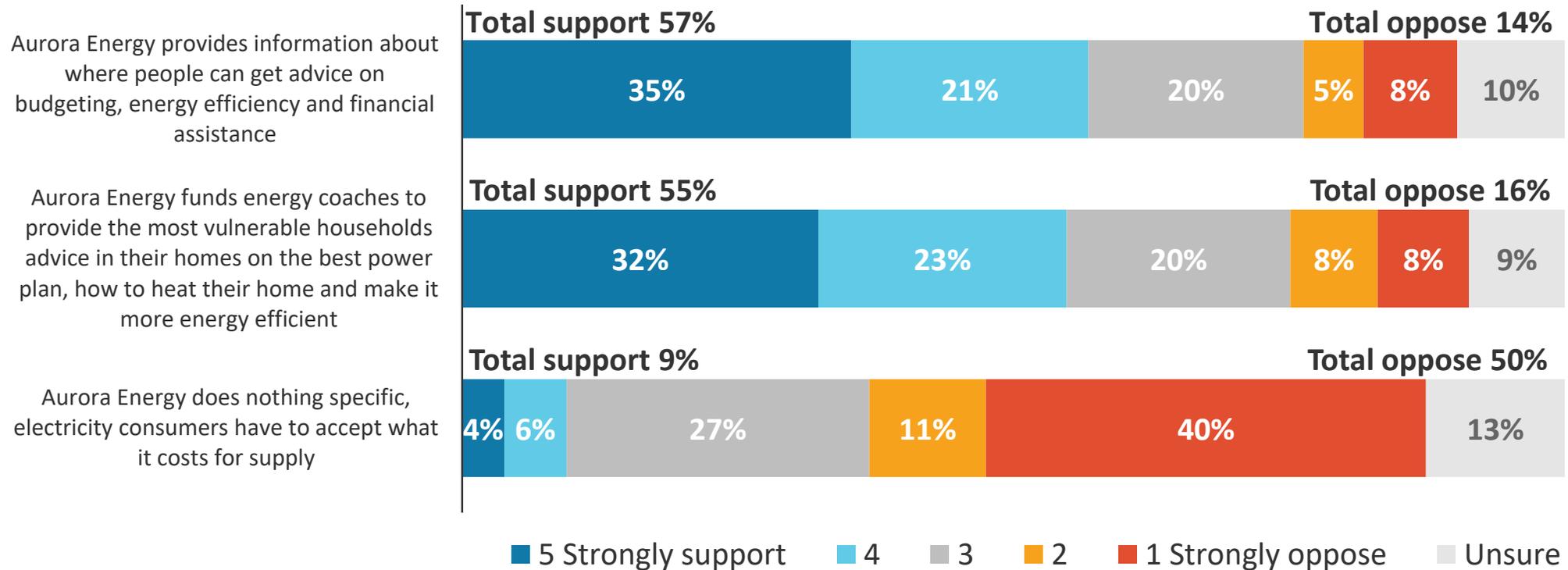
Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers.

Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?



Energy hardship – Queenstown-Lakes respondents (n=125)

Q Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers.
 Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?

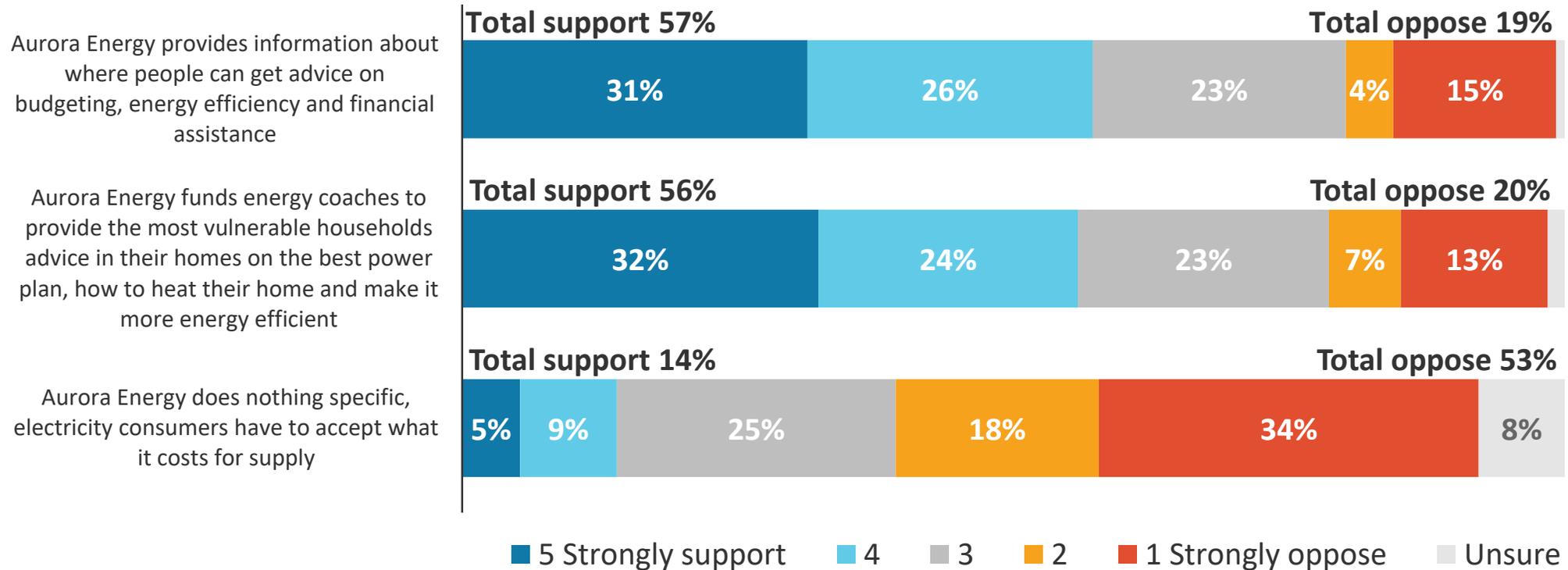


Energy hardship – Central Otago respondents (n=125)



Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers.

Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?



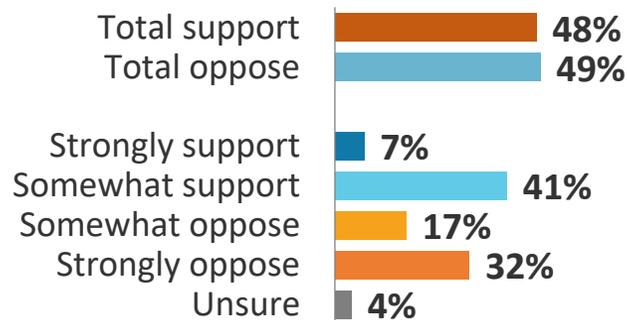
Business results



Support for Aurora Energy’s future spend – Business respondents

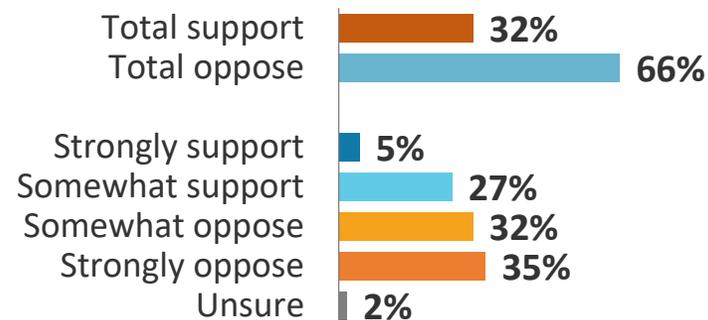
Aurora Energy is planning future investment on its electricity network and wants to hear your views on some different options of what it could do. I going to read out three different options which Aurora Energy is proposing. These range in cost from an extra \$53 to \$61 a month, on average.

Option 1: Increase of ~\$50 a month



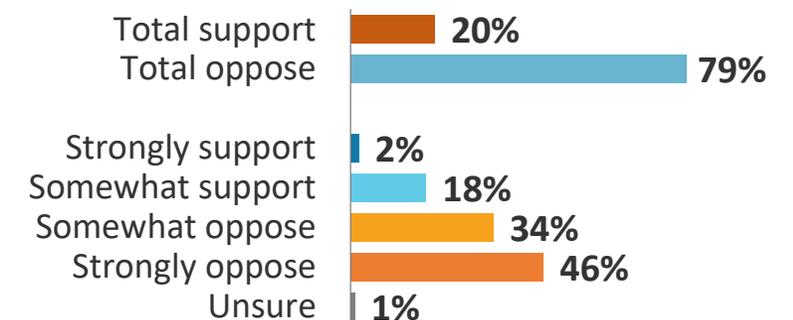
Q1. The first option will ensure that Aurora Energy is able to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network. Under this proposal, line charges for the average small business would increase from \$99 a month to \$152 a month. Do you:

Option 2: Increase of ~\$55 a month



Q2. The second option is more expensive and would see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects than the first option. Aurora Energy considers this extra work to be very hard to achieve within three years. Under this option, line charges for the average small business would increase from \$99 a month to \$157 a month. Do you:

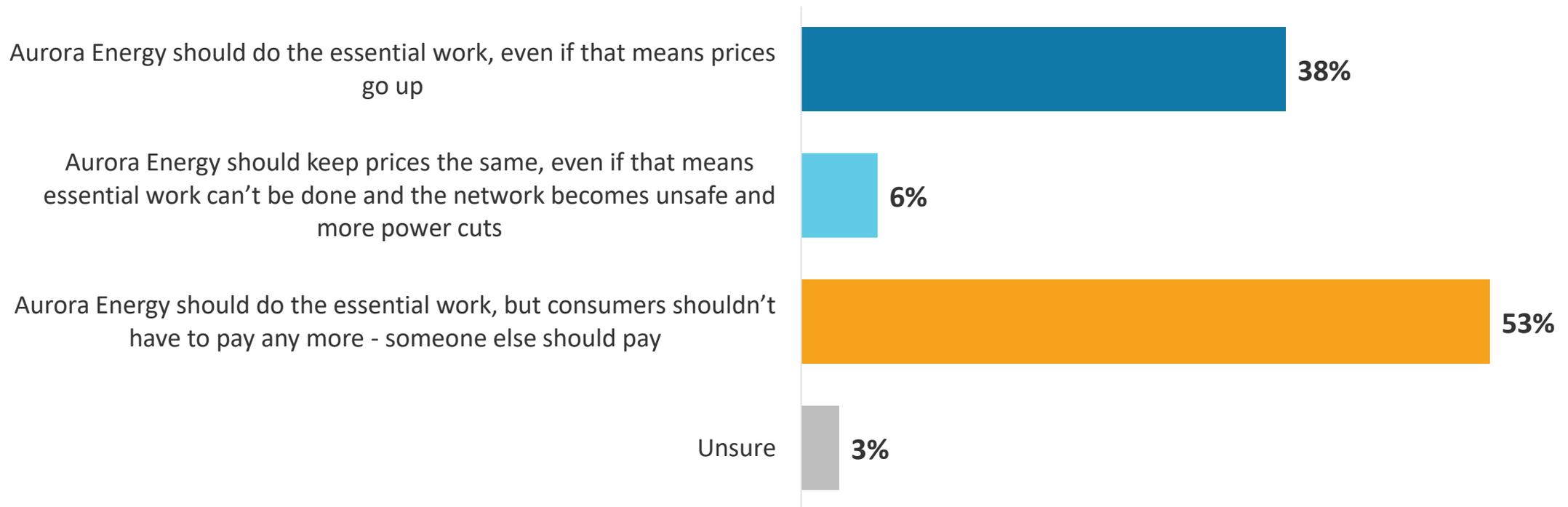
Option 3: Increase of ~\$60 a month



Q3. The third option is more expensive than options one and two. Option three would also see fewer power cuts, a faster reduction in the backlog of ageing assets and earlier completion of major projects but quicker than options one and two. Aurora Energy considers this extra work to be extremely hard to achieve within three years. Under this option, line charges for the average small business would increase from \$99 a month to \$160 a month.

Funding of Aurora Energy's proposed plan – Business respondents

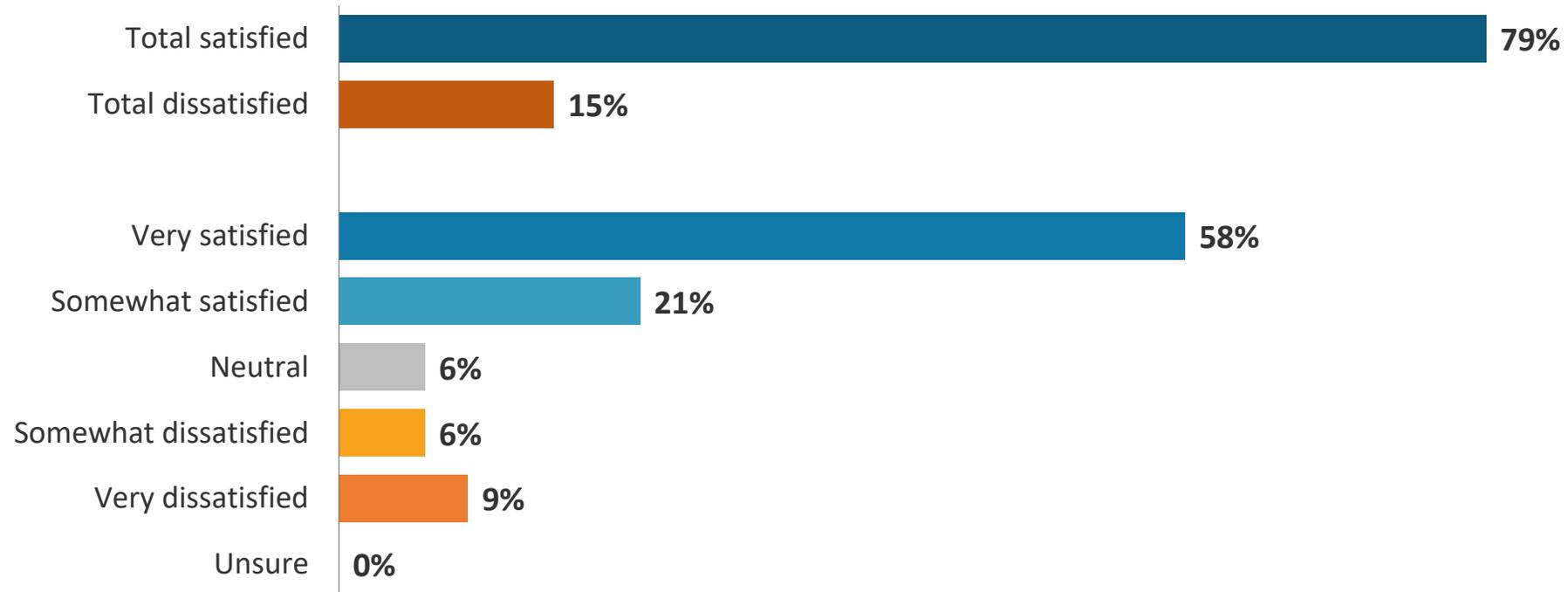
 Q4. Aurora Energy's proposed plan is based on minimum work needed for safety and reliability including replacing power poles and old equipment, doing essential maintenance and catering for growth. Which of the following best describes your view?



Satisfaction with reliability of power supply – Business respondents



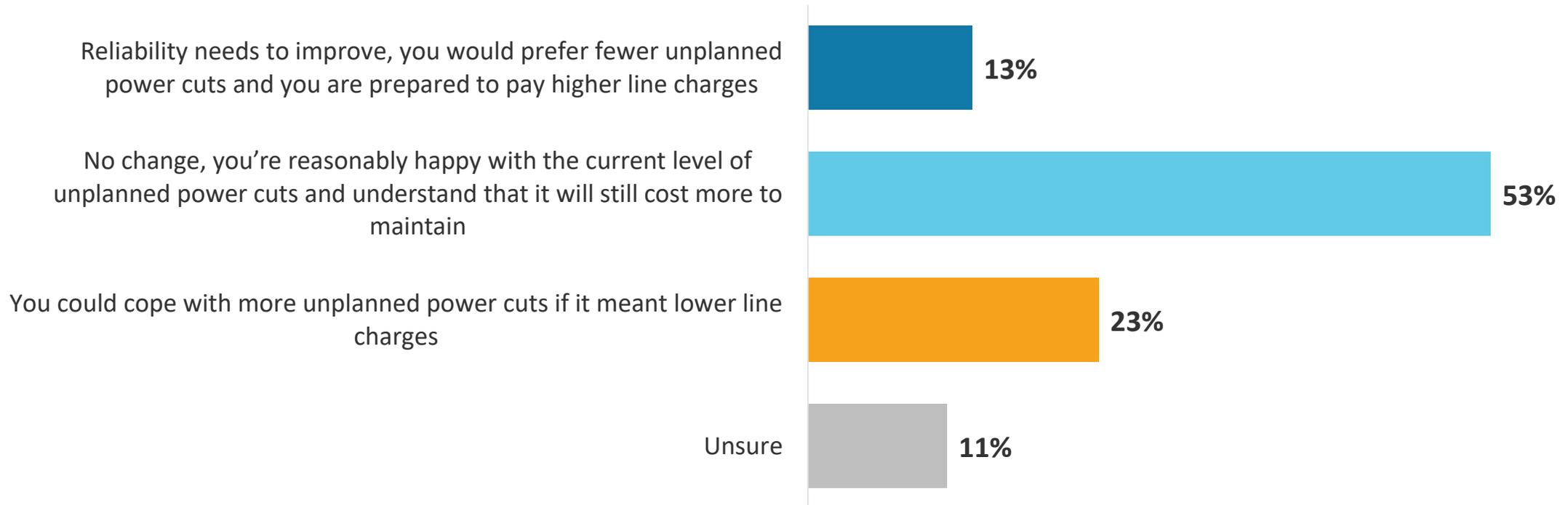
Q5. Thinking about unplanned power cuts over the past few years, how satisfied are you with the reliability of your power supply to your business?



Unplanned power cuts & costs associated with reducing them – Business respondents



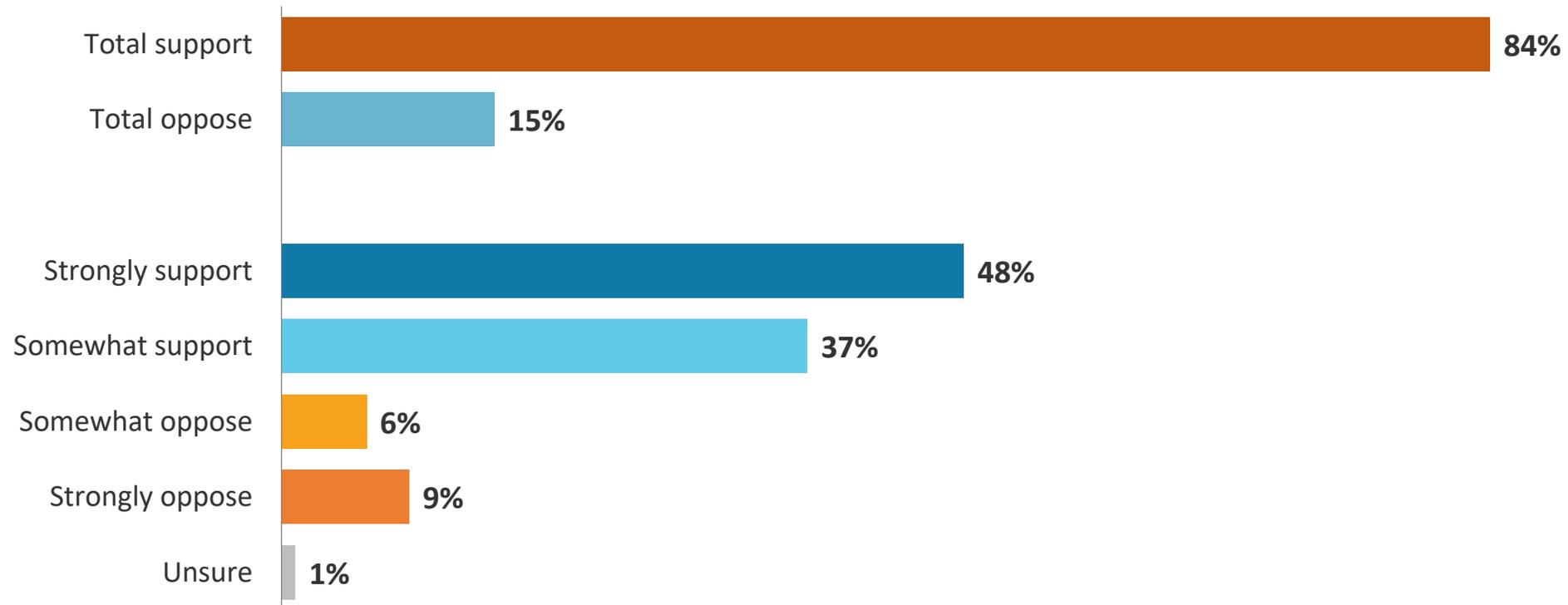
Q6. Aurora Energy's proposed investment in the network would see the average duration of unplanned power cuts reduce by about 7% to 10% a year by 2024. Which of these best describes how you feel about unplanned power cuts and the costs associated with reducing them?



Unweighted base: All n=500/ Dunedin n=250/ Queenstown-Lakes n=125/ Central Otago n=125
Weighted base: All n=500/ Dunedin n=345/ Queenstown-Lakes n=101/ Central Otago n=55

Support for increasing reliability in rural/ remote locations at a cost of \$8.50/ year – Business respondents

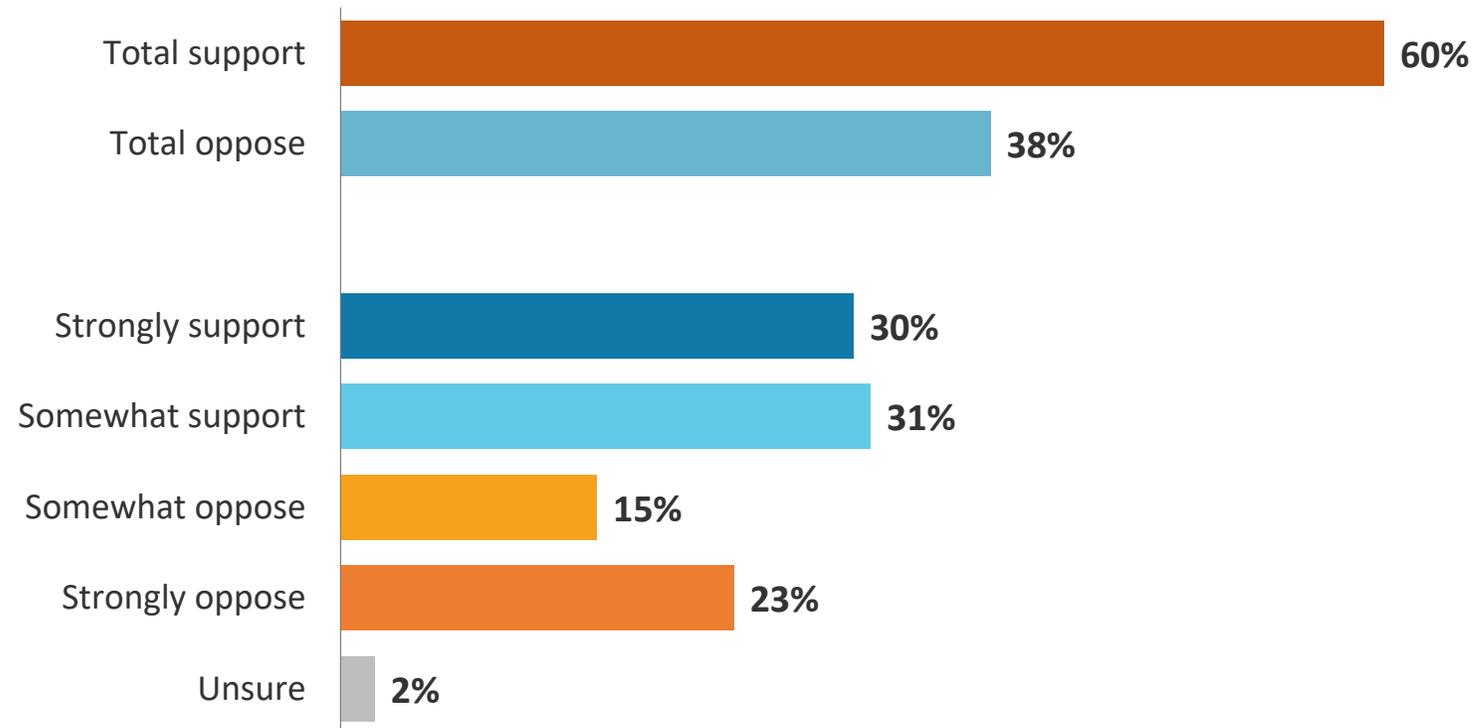
 Q7. Some customers on the network experience more than 6 to 8 power cuts per year. Many of these power cuts are the result of old, unreliable equipment, being in a rural or remote location and trees interfering with power lines. How much do you support or oppose all customers paying, on average, an additional \$8.50 a year to increase the reliability of supply for these customers? Do you:



Support for increasing customer service at a cost of \$8.20/ year – Business respondents

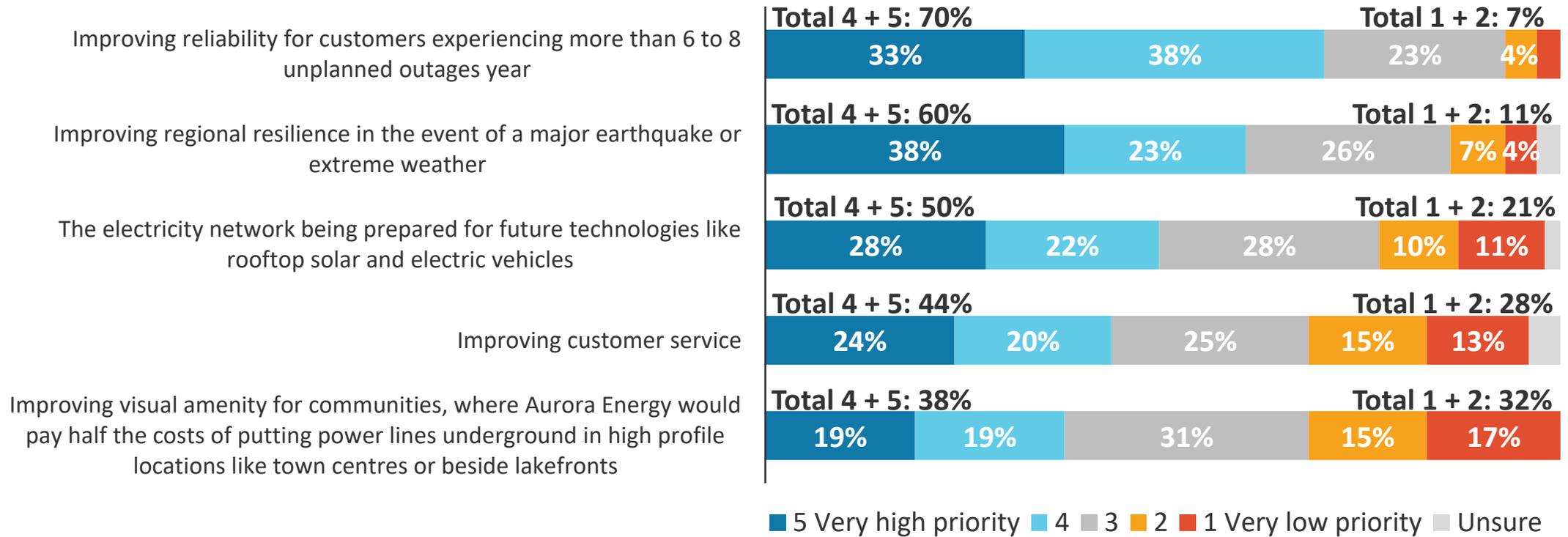


Q8. In addition to increasing the reliability of supply, consideration is being given to introducing additional customer service initiatives like extending the call centre hours to 24/7 and improving real time information about unplanned power cuts. How much do you support or oppose all customers paying, on average, an additional \$8.20 a year to cover the cost of improving services to provide more than a basic level of customer service? Do you:



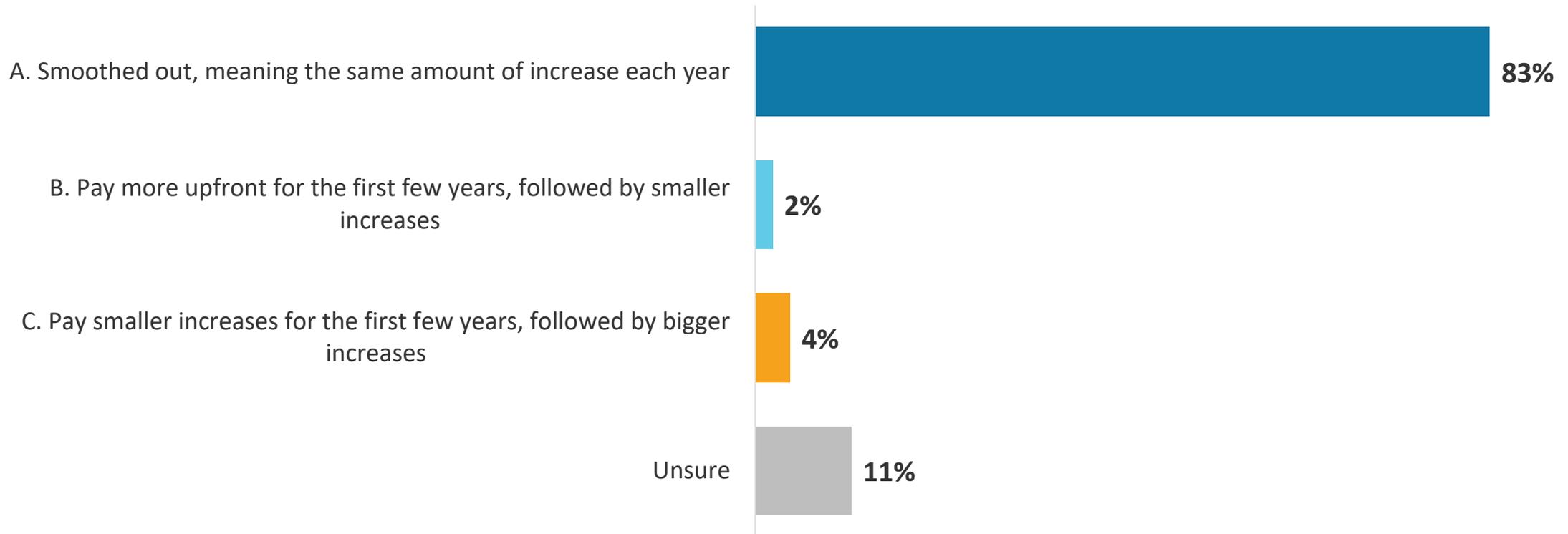
Priorities for Aurora Energy – Business respondents

Q9. Using a scale from 1 to 5 where 1 means a very low priority and 5 means a very high priority, how much of a priority should Aurora Energy give the following:



Unplanned power cuts & costs associated with reducing them – Business respondents

 Q10. To cover the cost of improvements to the equipment that supplies power to this region means that lines charges will have to increase. Assuming that is the case, which of the following do you prefer?

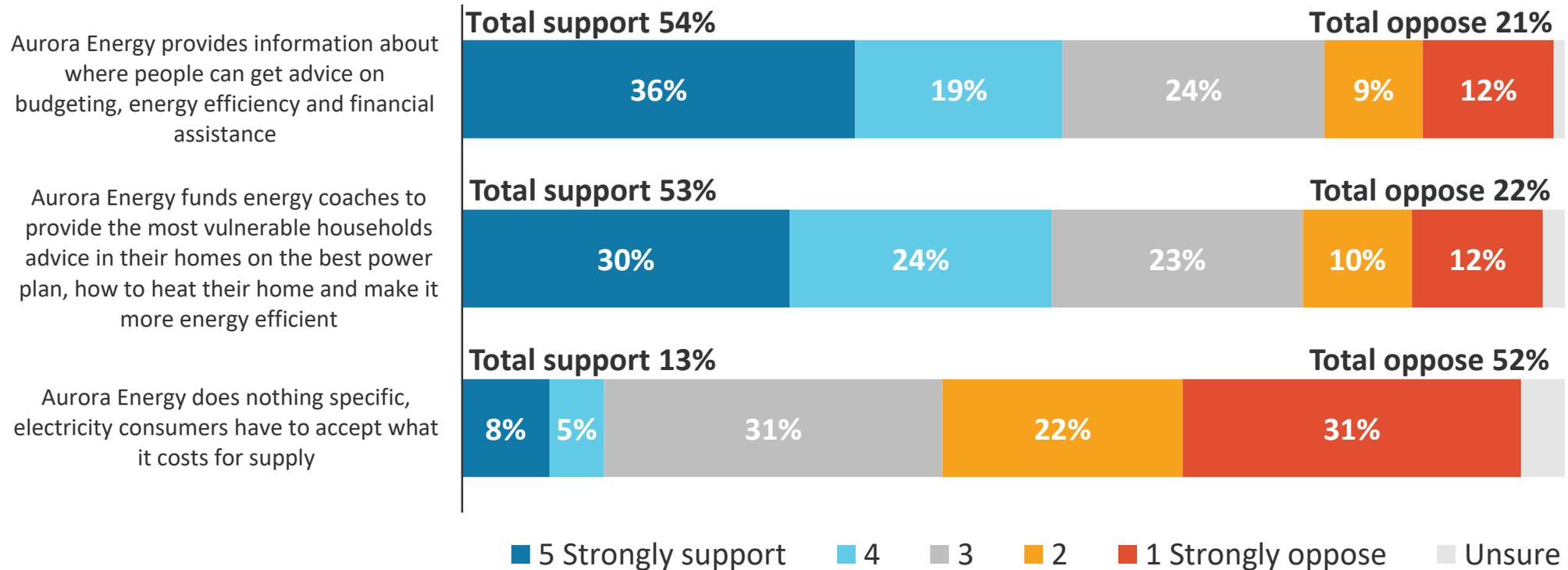


Energy hardship – Business respondents



Aurora Energy’s proposed plan would see lines charges for the average household go up by... Some households struggle to pay their power bills or keep their home warm. We want to know what you think Aurora Energy should do to help these customers.

Q11. On a scale of 1 to 5 where 1 means strongly oppose and 5 means strongly support, how strongly do you support or oppose the following ways to help with energy hardship?



Methodology



Methodology – Households

- The household percentages are based on results of a telephone survey among a sample of those aged 18 years and over who reside in Dunedin, Queenstown-Lakes or Central Otago. Soft targets were set for area and age group by gender since we were interested in talking with the person responsible for paying the electricity bill OR had a say in who their electricity provider is. The majority of the questions in the December 2019/ January 2020 survey were new questions and therefore no comparisons have been made with the previous results.
- The sample size was n=500 and the fieldwork was carried out from the 21st December 2019 to 13th January 2020 (excluding public holidays etc.). The sample of 500 respondents was made up of 250 Dunedin residents, 125 Queenstown-Lakes and 125 from Central Otago so that results could be reported by each of the sub-group areas. The overall figure has been weighted to reflect the true population distributions.
- The table below shows the margin of error for a 50% figure for each:

Sample size and margin of error		
	Sample size (n=)	Associated margin of error (%)
Dunedin City	250	±4.4
Queenstown-Lakes district	125	±8.8
Central Otago district	125	±8.8
Businesses	101	±9.8

Note on rounding:

- *All percentages are shown rounded to zero decimal places. Some sub-totals are not always equal to the sum of the individual percentages, but the differences are seldom more than 1%. For example: 47.7 + 47.7 = 95.4 would appear as 48 + 48 = 95.*

Sample make-up – Households

Household sample make-up				
	All %	Dunedin %	Queenstown-Lakes %	Central Otago %
Male	49	50	50	41
Female	51	50	50	59
18-44 years	32	39	14	23
45 years or over	68	61	86	77
Applies:				
You have real trouble making ends meet and an unexpected bill puts you under a lot of financial pressure	21	22	16	21
You have a long-term physical, sensory or mental impairment which limits your daily activities or the work you can do	11	13	4	11
You or someone in your household uses medical equipment that relies on electricity	6	6	4	8
You care for someone in your household who has a long-term physical, sensory or mental impairment which limits their activity	6	7	2	6
You care for an elderly member of your household	6	7	4	2
None of the above	66	62	78	68

Methodology – Businesses

- The business percentages are based on results of a telephone survey among a sample of small businesses located in Dunedin, Queenstown-Lakes or Central Otago. The sample was provided by Aurora Energy.
- The majority of the questions in the January/ February 2020 survey were new questions and therefore no comparisons have been made with the previous results.
- The total sample size of the most recent survey was n=101 and the fieldwork was carried out from the 24th January to 10th February 2020 (excluding public holidays etc.).
- The margin of error at the 95% confidence level for a sample of 101 is +9.8%.

Note on rounding:

- *All percentages are shown rounded to zero decimal places. Some sub-totals are not always equal to the sum of the individual percentages, but the differences are seldom more than 1%. For example: $47.7 + 47.7 = 95.4$ would appear as $48 + 48 = 95$.*

Sample make-up – Businesses

Business sample make-up	
	All %
Dunedin	51
Queenstown-Lakes	15
Central Otago	34
Male	50
Female	50
18-44 years	22
45 years or over	78
Own premises	50
Lease premises	47
Unsure	3
5 or less employees	51
6 to 9 employees	14
10 to 19 employees	18
20 or more employees	15
Unsure/ Prefer not to say	2

Business sample make-up	
	All %
Primary (Agriculture, forestry, and fishing)	9
Secondary (Manufacturing/ Electricity, gas, water, and gas/ Construction)	11
Trade (Wholesale trade/ Retail trade/ Accommodation and food services/ Transport, postal, and warehousing)	39
Professional (Information media and telecommunications, Financial and insurance services/ Rental, hiring, and real estate/ Professional, scientific, and technical/ Administrative and support services)	16
Social and Other services (Public administration and safety/ Education and training/ Health care and social assistance/ Arts and recreation services/ Other services)	26
Unsure	-
Other	-

Consultation Material

Appendix G. CONSULTATION MATERIAL

174. Here we provide the key consultation material, in full or as representative examples, used during CPP consultation.

G.1. YOUR NETWORK, YOUR SAY CONSULTATION DOCUMENT

175. *Your Network, Your Say* Consultation document

G.2. CONSULTATION WEBSITE EXTRACTS

176. Consultation website extracts

- Website Capture - Homepage - yoursay.auroraenergy.co.nz
- Website Capture - About Aurora Energy - Your Network Your Say - yoursay.auroraenergy.co.nz
- Website Capture - Draft CPP Proposal 2022-24 - Your Network Your Say - yoursay.auroraenergy.co.nz
- Website Capture - Consulting Now - Your Network Your Say - yoursay.auroraenergy.co.nz

G.3. STAKEHOLDER NEWSLETTERS

G.3.1. CEO email to stakeholders (11 September 2019)

177. CEO email to stakeholders (via MailChimp) to 132 recipients

G.3.2. Consultation document now live – join the conversation (19 November 2019)

178. Email newsletter to stakeholders (via MailChimp) to 128 recipients

G.3.3. Consultation on Aurora Energy's draft future investment proposal is closing soon (19 January 2020)

179. Email newsletter to stakeholders (via MailChimp) to 131 recipients

G.3.4. Consultation summary available (6 March 2020)

180. Email newsletter to stakeholders (via MailChimp) to 134 recipients

YOUR ⚡ NETWORK YOUR ≡ SAY

CONSULTATION DOCUMENT FOR OUR
PROPOSED CUSTOMISED PRICE-QUALITY
PATH APPLICATION 2022-2024

HAVE YOUR SAY ON OUR FUTURE PLANS

Contents	Our proposed plan	16
	Service options	36
	Feedback form	49

Help shape
future plans
for your local
electricity
network.



WELCOME TO OUR AURORA ENERGY CONSULTATION DOCUMENT.

Over the past few months we have had conversations with the community, businesses and other key stakeholders.

Now is your opportunity to have your say on our draft proposal and what's important to you. Over the following pages you will read some summary information to help you join this important conversation. You can provide your feedback in lots of different ways either via the postage paid section at the end of this document, online, by phone or in person at our drop-in sessions.

How to have your say:

- **Online** | Visit our engagement site, Your Network, Your Say yoursay.auroraenergy.co.nz to have your say
- **Email** | yoursay@auroraenergy.co.nz
- **In writing** | Complete the feedback form at the back of this booklet and post it back to us for free | Write to Aurora Energy, Freepost CPP Consultation, PO Box 5140, Dunedin 9054
- **Call us** | Freephone 0800 22 00 05
- **In person** | Join us at one of the drop-in sessions around the region during 26-28 November and we'll be happy to help answer your questions

Drop in Sessions

DUNEDIN

Tuesday 26 November
Otago Chamber of
Commerce, 442 Moray
Place, 10-11am

MOSGIEL

Tuesday 26 November
Senior Citizens Hall,
5 Hartstonge Avenue, 3-4pm

ALEXANDRA

Wednesday 27 November
Alexandra Library,
11am-12pm

CROMWELL

Wednesday 27 November
Cromwell Community
House, 2-3pm

WANAKA

Thursday 28 November
Wanaka Recreation Centre,
10-11am

QUEENSTOWN

Thursday 28 November
Queenstown Library,
2-3pm

WANT MORE INFORMATION?

This consultation document is focused on the main issues.
To find out more, visit yoursay.auroraenergy.co.nz



MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE

We take our responsibility to provide a safe, reliable electricity supply to our customers and the community very seriously. Aurora Energy's past level of network investment has been too low to keep pace with replacing ageing equipment and the demands of a growing region.

The work the new team at Aurora Energy has already done over the past few years, and needs to do over the coming years, will address that shortfall while looking to the future. Our proposed plan will ensure you are served by an electricity network that is fit for its purpose now and for years to come.

We're looking at a not too distant future that will be substantially more reliant on electricity. The decade 2020-2030 will see a step up in renewable energy technologies from electric vehicles,

rooftop solar to energy battery storage. All these technologies rely on a strong and resilient electricity network. Aurora Energy recognises the crucial role its network has in our local regions moving to a more sustainable and low-carbon economy.

In this document, we present our draft proposal for the future network investment we believe is absolutely critical to keep the network safe and reliable and meet the future needs of the communities we serve. More work will cost more, so our future plans will result in your line charges increasing – we can't avoid this but it is our responsibility to explain it and listen to your feedback.

Our proposed plan is presented for you to have your say – it is not fixed and will be further challenged and refined before we

finalise it and then submit it to the regulator for approval in the middle of next year. Our engineering team, supported by external experts, has developed and tested this plan over the past 18 months. We wanted to be sure that what we're proposing is not only fully justified and timed right but also that we are able to deliver the work as efficiently as possible.

We are consulting on the investment we need to make in the three year period from April 2021. All of Aurora Energy's activities and investment levels, including the amount of money we can collect via our line charges, are regulated by the Commerce Commission. They will scrutinise our proposal in detail before deciding what our new expenditure (and reliability levels) will be under what's called a customised price-quality path. They will consult with you again as part of their assessment process.

WE'RE TAKING SOME TOUGH DECISIONS FOR GOOD REASONS...

“**LOW INVESTMENT KEPT OUR LINE CHARGES AMONG THE LOWEST IN THE COUNTRY BUT DID NOT KEEP PACE WITH RENEWALS.**”

The fact is the company has not spent as much on the network in the past as was needed to keep pace with renewal and growth

- Aurora Energy's prices have been kept low for many years as a result, among the lowest in the country
- Staying on the current expenditure allowance (and associated price path) is not an option if we are to meet the community's future needs from their electricity network and meet minimum safety and reliability standards for electricity networks

Our current reliability compares well with the rest of the country, but has been getting gradually worse in recent years

- We need to continue to invest more than in the past to stop unplanned reliability performance getting worse
- A major part of our proposed investment is needed to reverse the gradual deterioration in network reliability and do more maintenance and renewal work year-on-year
- We have already started addressing the backlog to keep the network safe - only part of our proposed investment is targeted in this area

Our lines charges can no longer stay low if we are to meet the future needs of our community

- The result of our proposed plan will be a big step change in the order of \$20 a month extra for some residential customers in April 2021
- After that price reset, we won't need more big step changes to keep pace with renewal and any price increases in following years will be more modest

Our lines charges vary across different parts of our network because the costs of providing the service vary

- There is no subsidy between regions - we have three separate pricing regions and our prices reflect the long term costs of providing the infrastructure and ongoing maintenance
- Queenstown, Wanaka and Central Otago are growing fast, this drives new investment needed to meet growing capacity for new electricity connections

We recognise energy hardship is a concern for some in our community

- We will work with community agencies and retailers to help minimise the impact of our cost increases where possible and educate on energy options

THE AURORA ENERGY NETWORK — A VISION OF THE FUTURE

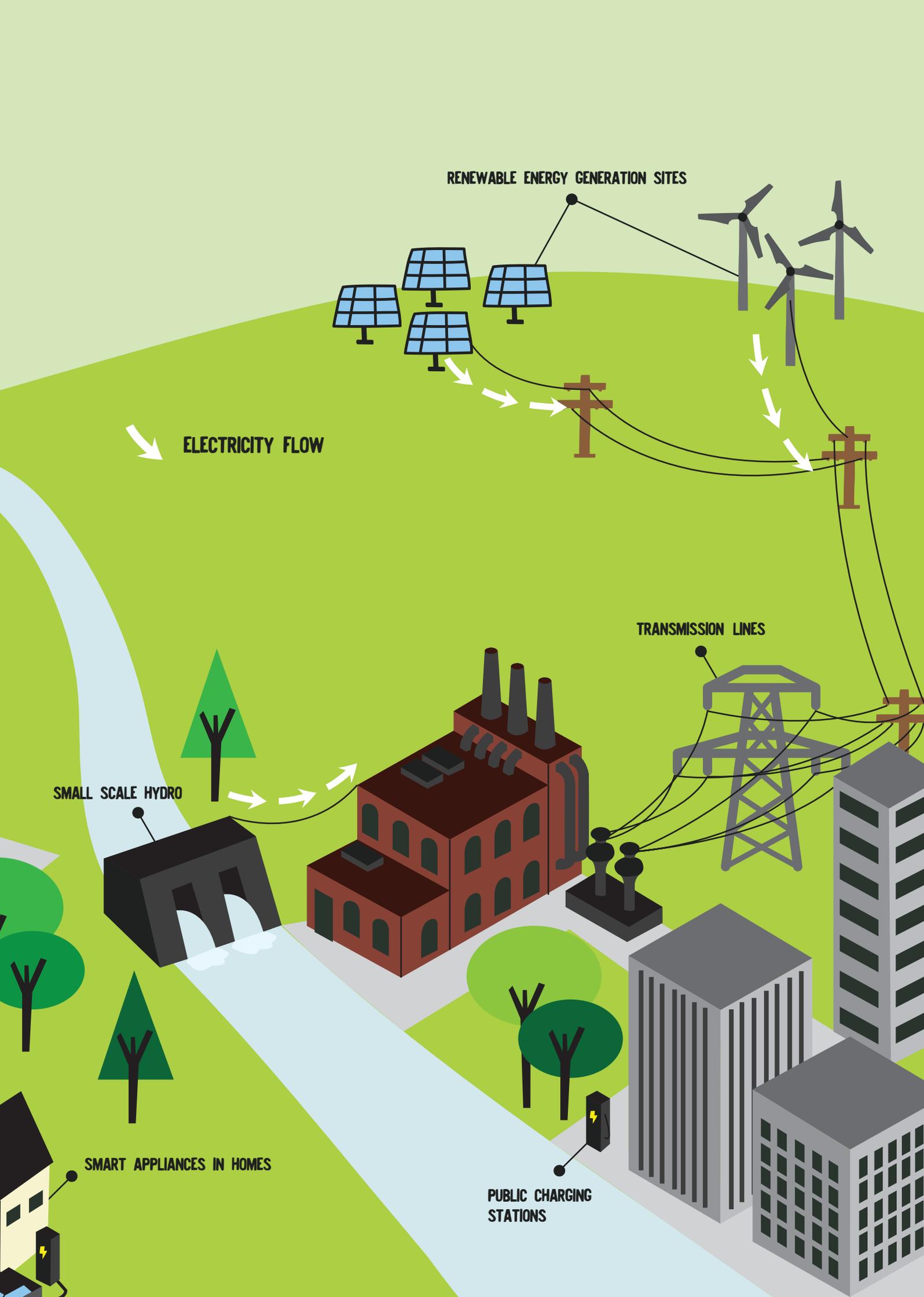
All the signs are that electricity will play an even bigger role in the future than before. We're expecting to see a big shift in customer preferences as rooftop solar, electric vehicles and smart appliances become more affordable. The country is moving to a low emission future that will drive greater electrification and a greater reliance on sources of renewable electricity.

For electricity networks like Aurora Energy, we need to adapt to those changes. Our proposed plan, as well as addressing the current needs of the network, also positions our network for the future.

We expect that our customers will continue to want to flick a switch and have safe and reliable power available 24 hours a day at a reasonable cost – that's the minimum. We also think that our customers in the (very near) future will want to have a choice about when and how they connect their new electric vehicles to our network. As the costs of rooftop solar continue to fall, more customers will opt to install their own solar electricity generation at home, but will still value the option to connect into the grid when they need it. Some will want to feed their surplus power back into the network to sell to other customers.

That means a future where power flows both ways across the network, both from big power stations to the end consumer and also from our customers who generate their own electricity and want to inject any surplus electricity back into the grid.





WE'VE IMPROVED HOW WE PLAN WHERE FUTURE INVESTMENT IS NEEDED

You will see the words safe and reliable network repeated often in our consultation material when we explain the level of asset maintenance and renewal work we have ahead of us.

It's correct that we're playing catch-up in some areas and we need to accelerate some of the asset replacement that should have been done earlier. In November 2018, in conjunction with the Commerce Commission, we initiated an independent review of the state of our whole network. The findings of the review, which are on our website, have shaped or else confirmed our thinking on where investment is needed most.

That's only one of the improvements we've made in our forward planning and renewal programme. In the past two years we've fundamentally shifted our asset management approach in line with good industry

practice. In a nutshell, this means planning out over the longer term and making better investment decisions over the life-time of an asset.

We are now prioritising work based on a clearer understanding of how individual assets are performing, what would happen if they failed in service and the likelihood of this happening. Our proposed plan is based on this more advanced asset management thinking and will move us, as quickly as practicable, to a steady rate of network renewal.

“ WE NEED TO PROVIDE THE NECESSARY CAPACITY TO CONNECT NEW CUSTOMERS, SUPPORT REGIONAL GROWTH AND ENSURE THE NETWORK REMAINS RESILIENT. ”

OUR PLANNING LOOKS TO THE FUTURE, NOT JUST THE HERE AND NOW.

We've been working closely with other essential infrastructure providers and local Councils to align our thinking on the projected rate of growth across our operating region and what this means for the capacity and resilience needs of our network infrastructure. We need to be able to provide the necessary capacity to connect new customers, support regional growth and ensure the network remains resilient. Our proposed plan ensures this can be delivered.

We are also actively participating in how smart electricity networks will develop in New Zealand and what we need to do now to prepare for this future. As more customers choose electric vehicles and install rooftop solar, the network will evolve to cater for

increased demand and two-way power flow. In the future we'll also need to build more resilience into the network, so it's better able to cope with extreme weather and natural disasters and keep the lights on.

For now, our immediate focus is on better understanding the capacity of our current network configuration to host what we know will be a significant uptake of new electricity-based technologies. Our proposed plan provides for some of the initial investment to start this essential planning work.

Our proposal will benefit all of our customers in Dunedin, Central Otago and in the Queenstown Lakes area, though it will require higher prices.

We cannot avoid the need to increase investment on our network over the next few years and we cannot avoid this resulting in a large increase in our lines charges. We estimate the total power bill for a residential household on average will go up by 18% over the three-year CPP period. While any price increase is unwelcome, our prices have not increased for an extended period and our customers currently pay some of the lowest line charges in the country.

WHY ARE WE CONSULTING NOW

Ideally, we want feedback from all of our customers on our investment plans before we submit our customised price-quality path (CPP) proposal to the Commerce Commission in June 2020.

A CPP is the regulatory process that allows us to apply to increase investments above historical levels – we explain more on page 12 but the important thing to note is that, as a monopoly network service provider, all of our activities are overseen and regulated by the Commerce Commission. They approve the level of investment we can make, the overall amount we can charge customers each year and set a price path that prevents the company earning excess profits. The Commerce Commission's primary focus is to act in the long term interest of customers. Their oversight provides customers with assurance that our investment proposal, and the prices that result, will come under considerable scrutiny before they are approved.

This consultation is an important part of our application to the Commerce Commission that we will make next year. It summarises our proposed plan, the options we've considered, what they would mean for customers, and what they would cost.

“ OUR PROPOSED PLAN IS NOT FIXED AND WILL BE FURTHER CHALLENGED AND REFINED BEFORE WE SUBMIT IT TO THE REGULATOR FOR APPROVAL. ”

WE WANT TO HEAR FROM YOU

You can have your say by returning the feedback form at the end of this document, visiting yoursay.auroraenergy.co.nz or by any of the ways set out on page 51. We need to close this on 24 January 2020 to give us time to reflect your feedback in our final proposal. We hope you find our consultation material useful and welcome your thoughts on our proposal and future plans.

November 2019



Richard Fletcher, Chief Executive



Steve Thompson, Chair

OUR PRIORITIES FOR NETWORK INVESTMENT



ADDRESS RENEWAL BACKLOGS



DELIVER A RELIABLE SERVICE



SUPPORT FUTURE GROWTH



ENSURE OUR NETWORKS ARE SAFE

WHAT WE DO



WHY WE ARE CONSULTING



OUR NETWORK

Aurora Energy is the electricity network supplying homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes.

Our job is to deliver power from the national grid through our network of poles and wires to 90,000 customers across our network.

We build, maintain and upgrade the poles, power lines, underground cables, substations and other equipment that deliver power.

We are a dedicated team of 140 people across Dunedin and Cromwell and partner with three key service providers to build and maintain the network. A new team was established in 2017, charged with making sure your network is fit for the future.



WE SERVE MORE THAN

90,000

CUSTOMER CONNECTIONS



39

ZONE SUBSTATIONS

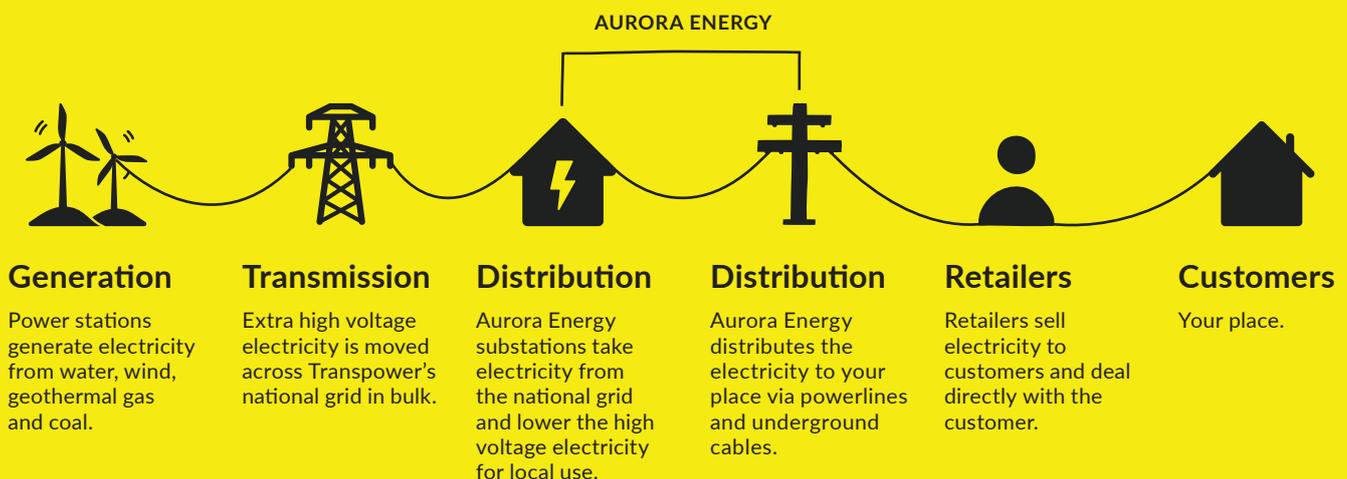
6,800

KILOMETRES OF LINES AND CABLES

54,100

POWER
POLES

HOW ELECTRICITY GETS TO YOU



THE REGULATOR NEEDS TO APPROVE OUR PLAN

THE CUSTOMISED
PRICE-QUALITY PATH

AURORA ENERGY CONSULTATION

We ask customers and stakeholders for feedback on our future plans

**DEC 2019-
MAR 2020**

CPP APPLICATION LODGED

We lodge our draft CPP proposal with the Commerce Commission

**JUL-DEC
2020**

INDEPENDENT VERIFICATION

The Commerce Commission's independent expert checks our application

COMMERCE COMMISSION CONSULTATION

The Commerce Commission asks for feedback on our proposal

**JUN 2019-
JAN 2020**

JUN 2020

WHAT WE CHARGE IS REGULATED BY THE COMMERCE COMMISSION.

You pay line charges as part of your power bill to cover the costs of getting power to your home or business.

To look after your interests, the Commerce Commission sets the maximum amount we can recover through line charges and minimum reliability performance - known as the default price-quality path (DPP).

If we need to invest more and increase our pricing we need approval for a customised price-quality path (or CPP).

The Commerce Commission takes a close look at our proposal before deciding what the new expenditure allowances and reliability levels will be and we must consult customers first.

COMMERCE COMMISSION FINAL DECISION

The regulator makes a final decision on the outcome of our application, deciding the revenue limits and service measures for the CPP period

**1 APR
2021**

CPP PERIOD

The CPP period will apply for three years to 31 March 2024. Aurora Energy would be required to report at regular intervals against the agreed performance measures.

CPP COMMENCES

Once approved, Aurora Energy starts on its CPP from 1 April 2021

**MAR
2021**

**YEAR ENDING
31 MAR
2022**

**YEAR ENDING
31 MAR
2023**

**YEAR ENDING
31 MAR
2024**

WE ARE PROPOSING A THREE YEAR CPP – WHY IS THAT?

A CPP can cover a period of up to five years. We are asking the Commerce Commission to approve a three-year plan for the years 2022 to 2024 that's focused on getting the priority work done.

Like other utilities, the accuracy of our forecasts reduces over time. We think that a three-year CPP period gives increased certainty, reducing the risk of inefficient expenditure. It also will give us and the regulator an opportunity to review and refine our longer term plans and for us to shift our focus towards future readiness and other enhancements.

OUR ENGAGEMENT JOURNEY SO FAR

PHASE 1

Understanding

(August 2018 – May 2019)

CUSTOMERS TOLD US THEY WANT:

- Easy access to information on power outages in their area
- Simple and clear communications
- A range of opportunities to engage through consultation on future pricing options
- Proactive communication on planned outages if more were required in the future
- To see clear benefits if prices are to increase

WE ESTABLISHED:

- Customer Voice Panels in three locations across the network

Independent engineering assessment of the current state of the network

Identified priorities for network investment

Findings incorporated into 2019 asset management plan

PHASE 2

Early engagement

(June 2019 – October 2019)

Customers engaged on reliability, service expectations, pricing, future technology and the CPP process through customer panels

WE CONVENED:

- A CPP Customer Advisory Panel bringing together community organisations, consumer advocacy groups, local Councils and sector participants with Aurora Energy employees to share insights

Your Say, Your Network consultation website launched yoursay.auroraenergy.co.nz

Phone survey of 1,000 customers found top three essential features were for Aurora Energy to be:

- Reliable
- Safety conscious
- Resilient

Prepared our draft proposal for customer feedback with the help of experts

KEY DATA

 1,000

CUSTOMERS PARTICIPATED IN PHONE SURVEY ON ELECTRICITY USE AND PREFERENCES

1,800+

VISITS TO YOUR NETWORK, YOUR SAY ENGAGEMENT SITE

9

IN DEPTH INTERVIEWS

12 

CUSTOMER VOICE PANEL FOCUS GROUP MEETINGS

 14

CUSTOMER ADVISORY PANEL MEMBERS OVER 11 HOURS

WHAT'S AHEAD

NOW

PHASE 3

Consultation on draft proposal

(November 2019 – January 2020)

- Share our draft proposal for customer feedback (this document)
- Ask for customers' views on our draft proposal and whether we have the balance right between the services they expect and the price they pay

PHASE 4

Refining our Proposal

(January 2020 – June 2020)

- We'll consider the customer feedback we've received on our proposal during consultation
- We'll explain how our draft proposal has incorporated customer feedback, or where that wasn't possible, why not
- We'll share the results with the customer panels

Our revised proposal is submitted to the Commerce Commission by June 2020

PHASE 5

Regulatory review

(July 2020 – December 2020)

- The Commerce Commission will hold its own consultation on our CPP application
- Customers will have further opportunity to provide feedback

The Commerce Commission makes a final decision on our CPP application by March 2021

KEY INSIGHTS

CUSTOMERS EXPECT AURORA ENERGY TO BE:

- Reliable
- Safety conscious
- Resilient

CUSTOMERS VALUE:

- ★ Communication about planned power cuts
- ★ Communication about unexpected power cuts
- \$ Overall affordability of electricity



OUR





PROPOSED PLAN

WHY WE INVEST

Based on what you've told us and what we need to plan for, we defined six areas for investment on the network, now and into the future. As you work through this document, we suggest you refer to these definitions to inform your choices. Our proposed plan includes investment in each of these six areas. We'll explain this later in the document.



**WHAT
WOULD
HAPPEN
IF WE DID
NOTHING
EXTRA?**

In the last three years, Aurora Energy has significantly increased its spend on the network to provide a safe and reliable service. More work costs more to deliver. Our proposed plan delivers more essential work to renew, upgrade and maintain the network than has been done in previous decades and so costs more.

If we made no added investment in the network, then reliability would continue to get worse and the network would become unsafe over time. We would be unable to meet minimum safety and reliability regulatory standards for electricity networks. Eventually, we would reach capacity limits in parts of our network where the local and visitor population is rapidly growing and would no longer be able to connect new customers.

Without increased investment, the network would not be ready for a future where there is increasing reliance on electricity as a renewable energy source and more and more customers opt for grid-connected technologies like electric vehicles and solar panels.

(Electricity customers have not already paid for this work, as the additional work was not done in the past.)



Safety:

Electricity is dangerous and we need to make sure that our network equipment is safe for the public and people working on or near the network. A safe network means that you can feel confident that our services will be safe for you and your community.



Reliability:

Nobody likes a power cut. Improving the reliability of the network means you can expect fewer unexpected power cuts and the power gets back on quicker when there is a fault. When we do need to turn the power off to do planned work, you will be well informed in advance about the reason and length of these events.



Growth:

Our region is growing fast, especially in Central Otago and Queenstown Lakes. More homes, farms and businesses connecting to the network requires more capacity to get the power where it is needed, when it is needed. By planning and building for growth, we can cater for higher electricity demand and continue to service growing areas as they expand.



Resilience:

Our Otago climate is changing with more frequent adverse weather events, and more extreme weather highs and lows. Like anywhere in New Zealand, there is potential for a major earthquake in our region. A more resilient network is better able to withstand a severe storm or major natural disaster.



Future technology:

The way people access and use our network is changing thanks to the advent of technologies such as electric vehicles, solar panels and battery storage. A network that adapts to a changing future allows you, the customer, to have greater choice to make and store your own energy and power your life with sustainable choices. You will also have the confidence to know that the Aurora Energy network is future proofed and can accommodate changing demands.



Customer service:

As an electricity customer your main point of contact is with your chosen energy retailer. Most of the time, our services work quietly in the background. On occasion you will need to deal with us directly for information about power cuts, to request a new connection, get safety advice, arrange for tree trimming away from power lines or when we need to access your property for maintenance. When you do, it's important you get the information and service you expect and need.



Pricing:

You pay the costs of electricity supply via our network through line charges as part of your power bill. Changes in network investment ultimately flow through to you as an electricity consumer. We want to hear your feedback on investment options proposed in this document and what you think is the right balance between the services you want and the price you pay.



WE WANT TO HEAR FROM YOU

OVER THE COMING YEARS, WE NEED TO MAKE ESSENTIAL INVESTMENTS ON THE NETWORK TO IMPROVE RELIABILITY AND PREPARE FOR THE FUTURE.

Our proposed three-year investment plan has been developed to address six key aspects: safety, reliability, growth, resilience, future technology and customer service.

We think we have balanced these needs against necessary cost increases – though we want your feedback. We want to understand what's important to you, the types of services you value and what you want from the future network.

OUR PROPOSED PLAN

Our proposed plan will make our network safer, prepare it for future growth, improve reliability for customers and meet our regulatory and legal requirements.

- Tell us whether we have the right balance of reliability and price in proposed plan.

SERVICE OPTIONS

In addition to our proposed plan, we are considering two investment options. One would improve reliability for our worst-served customers, the other would improve overall customer service. Whether we do these depends on whether you are willing to pay the additional costs through your lines charges.

- Tell us whether we should include these options in our proposal.

OTHER IDEAS WE CONSIDERED, BUT REJECTED

We also outline some other ideas we considered but decided we could defer while we focused on our main priorities of safety and reliability.

- We would still value your views on these ideas and how important they are to you.



We want your feedback on whether we have the right balance of reliability and price in our proposed plan.

See page 49.



NEAR FROM YOU

The following information is provided for consultation and summarises Aurora Energy's current understanding. While we have made every effort to provide the most accurate information possible, our current understanding, including forecast expenditure and pricing, may change in light of further modelling, analysis and consumer feedback.

The forecast line charges are estimates only. The line charges individual Aurora Energy customers will pay from April 2021 onwards will depend on the outcome of the regulatory CPP process, how customers use energy and how retailers pass on any changes in network charges.



OUR PROPOSED PLAN

Here we outline our proposed plan that is designed to deliver a safe, reliable network that is ready for the future. The planned activity includes minimum safety, regulatory and legal requirements and an improvement in reliability.

In developing the plan; safety, reliability and price have been at the forefront, our customers have told us these are important to them. We have devised a proposal that we believe

delivers what our customers expect in a cost-effective way.

Customers told us that the overall price of electricity was important to them. In preparing our proposed plan, we considered investing more to get even better reliability, however that would cost customers more and involve more work than we could practically achieve in a three year period.

WHAT WE INVEST IN

Under our proposed plan, we would invest in replacing and upgrading ageing equipment on the network. Major areas of spend would be on poles, cross arms, overhead lines and underground cables, protection systems and zone substation transformers, shown in the table below.

	Total number in fleet	3-year CPP spend	% of assets at end of expected life		
			Now	After 3 years under our proposed plan	If we spent nothing at all
Poles	54,100	\$46m	6%	3%	16%
Cross arms	94,000	\$19m	14%	11%	31%
Overhead lines	4,400km	\$37m	6%	4%	13%
Protection systems*	500	\$13m	49%	20%	59%
Zone substation transformers**	65	\$13m	2%	5%***	18%

*Protection systems disconnect equipment when there is a fault to protect people and equipment.

**Zone substation transformers convert high voltage electricity to lower voltages for distribution to the surrounding area.

***The number of zone substation transformers at the end of their expected life would increase. There is lower reliability risk for these assets as they are installed in pairs, so if one has a fault the other still operates.

FORECAST SPEND FOR OUR PROPOSED PLAN (CONSTANT 2020 \$MILLION)

	2022	2023	2024
Capital spend	\$86m	\$84m	\$81m
Operating spend*	\$51m	\$51m	\$50m
Total	\$137m	\$135m	\$131m

*Operating spend includes maintenance, faults response, vegetation management and business support.

WHAT OUR PROPOSED PLAN DELIVERS FOR CUSTOMERS

What drives our spend	The work we will do	What you get as a customer	Options for further investment
Safety Address safety risks to staff and the general public	<p>We continue our pole programme to replace or reinforce a further 4,700 poles by 2024.</p> <p>335km of overhead lines would be replaced.</p> <p>40% of protection systems would be replaced or upgraded.</p>	<p>A safer network, with reduced risk of asset failures.</p>	<p>No additional option, our proposed plan already prioritises safety.</p>
Reliability Reduce the level of unexpected power cuts (faults)	<p>Unplanned reliability is also addressed by our safety-driven investments in poles and overhead lines. Ageing switchgear and zone substation transformers would be replaced.</p> <p>We continue the spend on our vegetation management programme to keep trees clear of overhead lines.</p>	<p>Unplanned power cuts reduce over the three years.</p> <p>Planned power cuts for work stay at similar levels to the past two years as we carry out renewal work.</p>	<p>Additional targeted investment to improve performance for poorly served customers → see <i>Option A: Improved reliability for worst-served customers</i>, page 38.</p>
Growth capacity Ensure there is enough network capacity to connect new customers	<p>We will upgrade the capacity of the network through substation upgrades and by reinforcing overhead lines. We build infrastructure to connect new subdivisions to our network (developers pay for infrastructure inside the subdivision).</p>	<p>New customers can connect to the network as the population grows, with some relaxation of security of supply in the short term.</p>	<p>No additional option, our proposed plan already meets expected future growth during the CPP period.</p>
Resilience	<p>By 2022, we will have completed seismic strengthening of our zone substation buildings.</p> <p>Renewals and upgrades of substations will increase their resilience. We would begin work to add resilience to Dunedin's high voltage network. Our business continuity measures would be strengthened.</p>	<p>An improvement in the levels of emergency preparedness and response in the event of a major natural disaster.</p>	<p>Additional investment was considered, which we think can wait until after the three year CPP period. → see <i>Improved regional resilience</i>, page 47.</p>
Customer service Respond to queries for new customer connections	<p>We connect customers seeking new connections or changes to their existing supply.</p>	<p>Current service levels for new connections are maintained.</p>	<p>Additional targeted investment to further improve customer service, provided customers are willing to pay more. → see <i>Option B: Improved customer service</i>, page 40.</p>
Backlog Clear existing backlogs of poor health assets	<p>Targets replacement or remediation of ageing poles, cross arms and overhead lines.</p>	<p>Lower risk of equipment failure causing faults or safety risk.</p>	<p>No additional option, our proposed plan includes necessary remediation work.</p>
Future technology Make initial investments to support network transformation	<p>Develop modelling for how to manage technology uptake on the low voltage network, where consumers connect solar and electric vehicles. Upgrade network control systems to enable us to more easily integrate local generation, demand management and battery storage.</p>	<p>A network that is better able to support customers' choices in technologies that connect to our network. Enables cost effective and flexible solutions to meeting future growth.</p>	<p>A faster pace of transformation was considered, which we think can be addressed over a longer term period, than the three-year CPP period. → see <i>Improved future technology readiness</i>, page 47.</p>
Visual amenity (undergrounding)	<p>We continue our existing undergrounding policy. In certain situations, we pay for costs of undergrounding, for example on safety grounds or for new developments where undergrounding is cost-effective.</p>	<p>If individual customers or a community wishes to have overhead lines placed underground to improve visual amenity, they would continue to pay those costs in full.</p>	<p>Additional spend on visual amenity improvements for the community was considered, which we think can be revisited in future, after the three year CPP period. → see <i>Improved visual amenity for communities</i>, page 47.</p>

HOW OUR PROPOSED PLAN WILL IMPROVE RELIABILITY

UNPLANNED FAULTS WILL REDUCE UNDER OUR PROPOSED PLAN

Under our proposed plan, we forecast unplanned power cuts (faults) to reduce by the end of three years as a direct result of our replacing ageing poles and overhead lines and increased maintenance (such as keeping trees clear of power lines).

This table shows the forecast average improvement in unplanned reliability by customer location by 2024 (minutes off per year).

Unplanned power cuts - average minutes off per year	Urban	Rural	Remote rural
Now	75	440	960
By 2024	70	410	860
Improvement	7%	7%	10%

The reliability improvements that result from our proposed plan are shown for customers in three types of location: urban, rural and remote rural. Generally, the closer you are to a zone substation, the better your reliability. Equally, if you are supplied by a single line over a big distance, reliability is generally worse. We propose to target spend on areas of the network where customers have lower than expected unplanned reliability.

Urban customers experience relatively good reliability, so there is less room for improvement

Rural customers receive a lower level of reliability that can be improved by replacing ageing equipment and enhancing network switching.

Remote rural customers have the lowest relative level of reliability, so investment here gives the biggest gain. (We have proposed an additional option that would directly target the parts of the network with the worst reliability, see page 38 – *Improved reliability for worst-served customers.*)

UNDER OUR PROPOSED PLAN...

...we forecast **planned** power cuts will remain at similar levels throughout the three years as they have been over the past two years. Planned power cuts are necessary to carry out maintenance and renewal work and are notified in advance.

Planned power cuts per year	Average number of planned interruptions	Average minutes off
Now	1.25	223
By 2024	1.50	250
Change	20%	12%

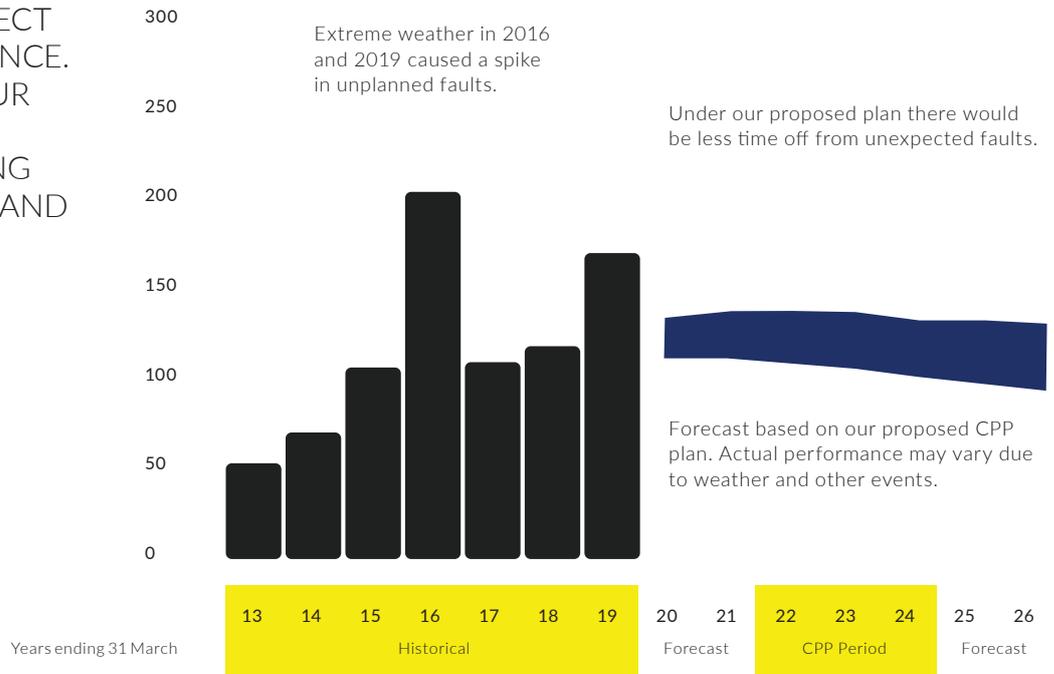
Now: Average for years ended March 2018 and 2019

UNPLANNED FAULT MINUTES OFF

Average number of minutes that customers are without electricity per customer, per year (SAIDI) for unplanned power cuts (years ending 31 March)

Unplanned outages can be caused by extreme weather, trees contacting lines, cars colliding with poles, for example.

THESE FIGURES REFLECT AVERAGE PERFORMANCE. AS A CUSTOMER, YOUR ACTUAL EXPERIENCE WILL VARY DEPENDING ON YOUR LOCATION AND CONNECTION TYPE



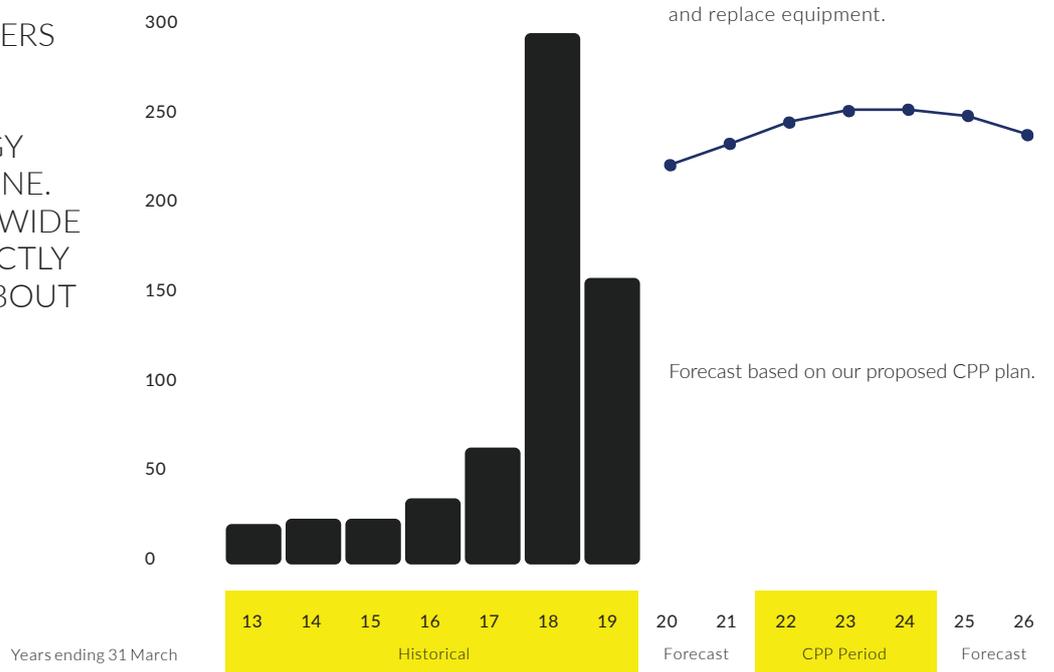
GENERALLY, THE MORE WORK WE HAVE TO DO ON OUR NETWORK THE MORE PLANNED OUTAGES WE NEED.

WE NOTIFY CUSTOMERS ABOUT PLANNED OUTAGES 10 DAYS IN ADVANCE VIA ENERGY RETAILERS AND ONLINE. IF WORK AFFECTS A WIDE AREA, WE TALK DIRECTLY TO COMMUNITIES ABOUT WHAT IS PLANNED AND WHEN.

PLANNED MINUTES OFF

Average number of minutes that customers are without electricity per customer, per year (SAIDI) for planned power cuts (years ending 31 March)

Planned outages are required so we can safely access the network to maintain and replace equipment.



WHAT YOU WOULD PAY

We estimate around 94,000 customers will be connected to our network by 2022. Below are indicative increases to average monthly line charges for our proposed CPP plan compared with staying on the default price path.

We estimate the increase on the total power bill for the average residential household would be around 16-23% between 2021 to 2024 under our proposed CPP plan, compared to 2.9-3.6% if we stayed on a default price path.

Commercial and light industrial customers would see a similar order of percentage increase. Larger industrial customers generally have more bespoke pricing arrangements and so it is difficult to define a typical average.

The forecast line charges are estimates only. The line charges our customers will pay from April 2021 will depend on the outcome of the CPP process, how customers use energy and how retailers pass on changes in our charges.

- **Residential:** average household
- **Small business:** average business with a connection capacity up to and including 41kVA

PRICING REGIONS

We operate three pricing regions based on connections to the national grid and common geography. They are Dunedin, Central Otago/Wanaka and Queenstown. Service costs vary between regions and we reflect this in prices. Consumers pay for the costs of providing the service within their pricing region.

DUNEDIN

Dunedin City, Port Chalmers, Otago Peninsula, Mosgiel, Taieri Plain, Outram, Berwick

We estimate the increase on the average residential total power bill would be 16% between 2021 to 2024 under our proposed CPP plan, compared to 3.6% if we stayed on a default price path.

(That would see the total power bill increase from \$167 to \$194 a month for the average residential household in Dunedin.)

TOTAL POWER BILL
+16%
DUNEDIN

LINE CHARGES

Indicative average monthly distribution line charge in constant 2020 dollars.

Under our proposed CPP plan	2021	2022	2023	2024
Residential	\$33	\$46	\$52	\$59
Small business	\$87	\$121	\$139	\$159
If we stayed on a default price path	2021	2022	2023	2024
Residential	\$33	\$34	\$35	\$39
Small business	\$87	\$92	\$95	\$104
Difference resulting from CPP plan	2022	2023	2024	
Residential	\$12	\$17	\$20	
Small business	\$29	\$44	\$55	

- 56,300 customer connections by 2022 (60% of total)
- 3,100 km network length (46% of total)
- Broadly 50% of total annual revenue is allocated here

CENTRAL OTAGO AND WANAKA

Ettrick, Roxburgh, Alexandra, Clyde, Omakau, Ophir, Poolburn, Lauder Flat, St Bathans

Cromwell, Bannockburn, Tarras, Hawea, Wanaka, Cardrona

We estimate the increase on the average residential total power bill would be 23% between 2021 to 2024 under our proposed CPP plan, compared to 3.5% if we stayed on a default price path.

(That would see the total power bill increase from \$177 to \$218 a month for the average residential household in Central Otago and Wanaka.)

TOTAL POWER BILL
+23%
CENTRAL OTAGO AND WANAKA

LINE CHARGES

Indicative average monthly distribution line charge in constant 2020 dollars.

Under our proposed CPP plan	2021	2022	2023	2024
Residential	\$59	\$81	\$90	\$101
Small business	\$95	\$130	\$145	\$162
If we stayed on a default price path	2021	2022	2023	2024
Residential	\$59	\$61	\$61	\$65
Small business	\$95	\$98	\$99	\$106
Difference resulting from CPP plan	2022	2023	2024	
Residential	\$20	\$29	\$36	
Small business	\$32	\$46	\$56	

- 22,900 customer connections by 2022 (24% of total)
- 2,600 km network length (38% of total)
- Broadly 33% of total annual revenue is allocated here

QUEENSTOWN

Arrowtown, Frankton, Queenstown, Glenorchy, Gibbston, Jack's Point, Wye Creek

We estimate the increase on the average residential total power bill would be 16% between 2021 to 2024 under our proposed CPP plan, compared to 2.9% if we stayed on a default price path.

(That would see the total power bill increase from \$219 to \$253 a month for the average residential household in Queenstown.)

TOTAL POWER BILL
+16%
QUEENSTOWN

LINE CHARGES

Indicative average monthly distribution line charge in constant 2020 dollars.

Under our proposed CPP plan	2021	2022	2023	2024
Residential	\$45	\$62	\$70	\$79
Small business	\$73	\$100	\$112	\$124
If we stayed on a default price path	2021	2022	2023	2024
Residential	\$45	\$47	\$47	\$51
Small business	\$73	\$75	\$76	\$81
Difference resulting from CPP plan	2022	2023	2024	
Residential	\$15	\$23	\$28	
Small business	\$25	\$36	\$43	

- 14,800 customer connections by 2022 (16% of total)
- 1,100 km network length (16% of total)
- Broadly 17% of total annual revenue is allocated here

PRICING TRANSITION

You pay for your electricity supply through line charges included in your power bill. Changes in network investment ultimately flow through to your line charges.

Our proposed plan would result in an increase in line charges. We have some flexibility around how the price increases can be introduced.

Either we could increase line charges by a similar amount each year (smoothed) or introduce a larger increase upfront followed by smaller annual increases (stepped).

Both options would recover the same amount of revenue over three years.

We will consider, in discussion with the regulator, what phasing options may be most appropriate.

What is the long term impact on prices?

Our consultation focuses on the price impact over the three year CPP period 2022-2024 where we can be more confident in our projections. Forecasts become less certain beyond these three years.

For information though, we will provide a separate update on the longer term pricing trend (beyond 2024) via the Your Network, Your Say website www.yoursay.auroraenergy.co.nz

HAVE YOUR SAY



WHAT IS THE
FAIREST WAY
TO INTRODUCE
INCREASES IN
LINE CHARGES?

WOULD YOU
PREFER THE
INCREASES TO
BE STEPPED OR
SMOOTHED?

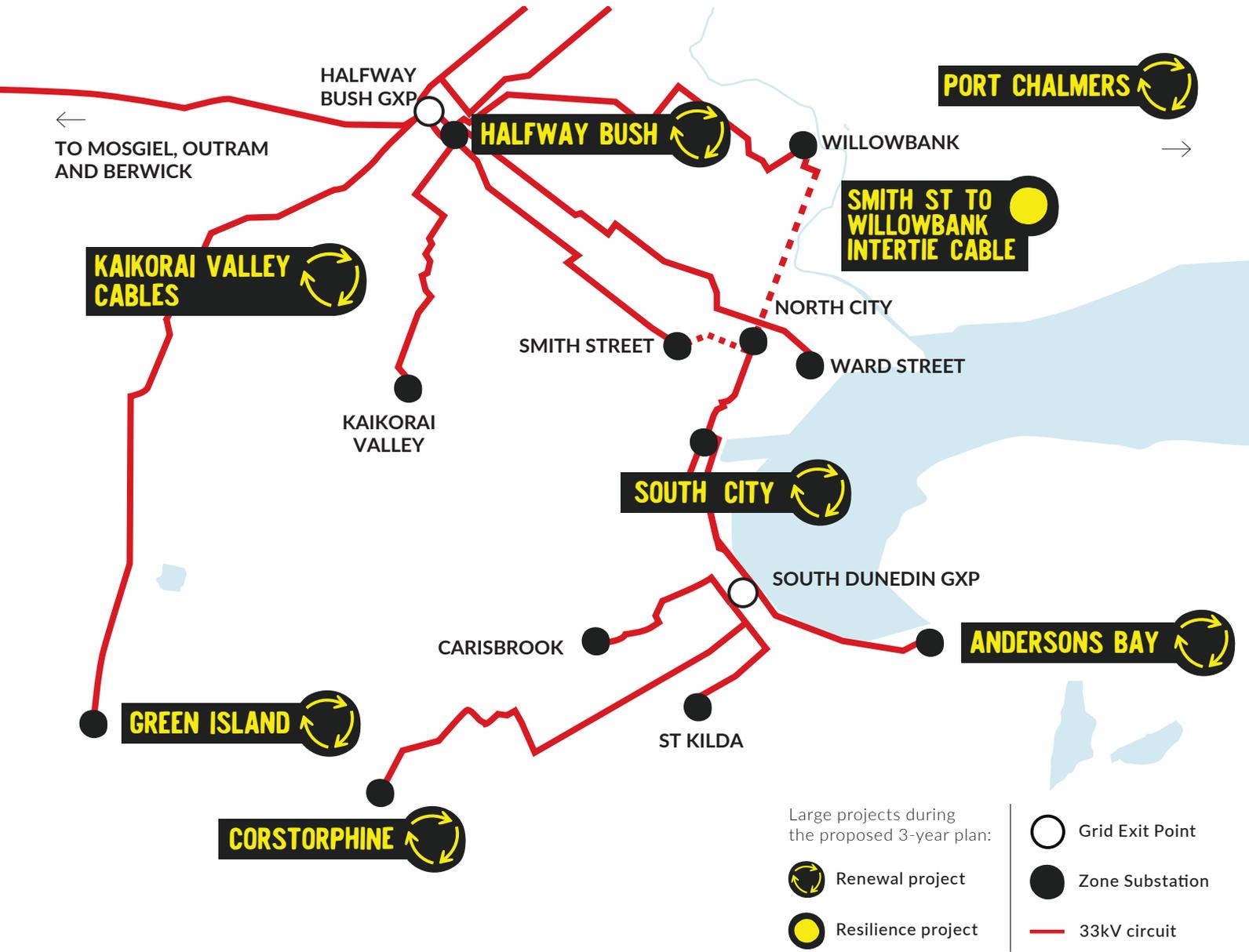


REGIONAL OVERVIEWS

HERE IS A VIEW BY REGION ON WHAT OUR PROPOSED PLAN WOULD DELIVER DURING THE THREE-YEAR CPP PERIOD, TRENDS IN ENERGY USE AND TECHNOLOGY UPTAKE AND REGIONAL NETWORK PROFILES.

REGIONAL OVERVIEW

DUNEDIN



INSIGHTS

NETWORK PROFILE

- 55,600 customer connections
- 29,500 poles
- 3,100 km network length
- 18 zone substations
- 2,650 distribution transformers

DUNEDIN IS SUPPLIED FROM TWO TRANSPOWER GRID EXIT POINTS AT HALFWAY BUSH AND SOUTH DUNEDIN.

To supply 100 customers in Dunedin takes

6km

of network

MAJOR USERS

- University of Otago
- Dunedin City Council
- Port Otago
- Supermarkets and coolstores

PROPOSED PLAN

Under our proposed plan, we would spend about \$137 million during the 3-year CPP period 2022-2024 on renewal and growth projects in this area.

MAJOR PROGRAMME SPEND

We are renewing equipment nearing the end of its useful life for safety and reliability.

\$25m **\$34m**

POLES

LINES AND CABLES

\$14m **\$12m**

ZONE SUBSTATIONS

DISTRIBUTION SWITCHGEAR AND TRANSFORMERS

\$6m

PROTECTION SYSTEMS

LARGE PROJECTS

This project increases the security and resilience of the system:

- New Smith Street to Willowbank intertie cable.

These projects renew ageing infrastructure:

- Port Chalmers, Halfway Bush, South City, Anderson's Bay, Corstorphine and Green Island zone substation renewals
- Kaikorai Valley-to-Halfway Bush cable replacement.

FUTURE RESILIENCE

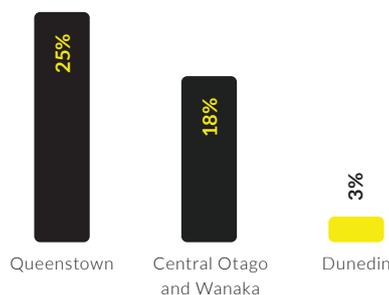
Over the next ten years, we're planning more high voltage subtransmission connections between Dunedin zone substations to create a meshed network that will improve the city's resilience in a major earthquake or tsunami.

REGIONAL TRENDS

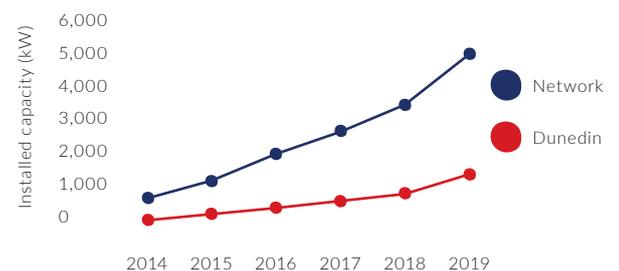
Customer connections have grown

3%
GROWTH
IN FIVE
YEARS

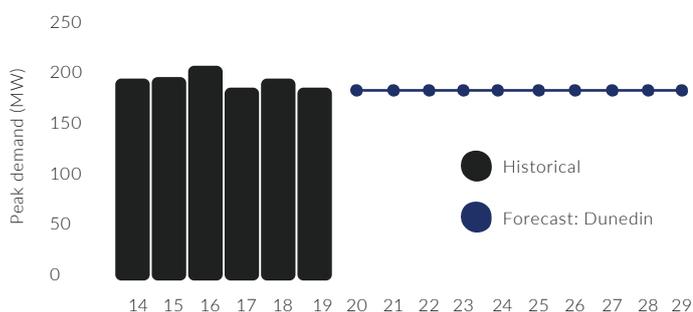
NZ average: 6%



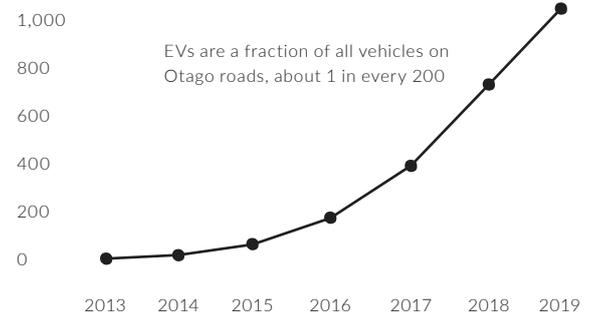
Solar panels



Electricity demand is forecast to be stable

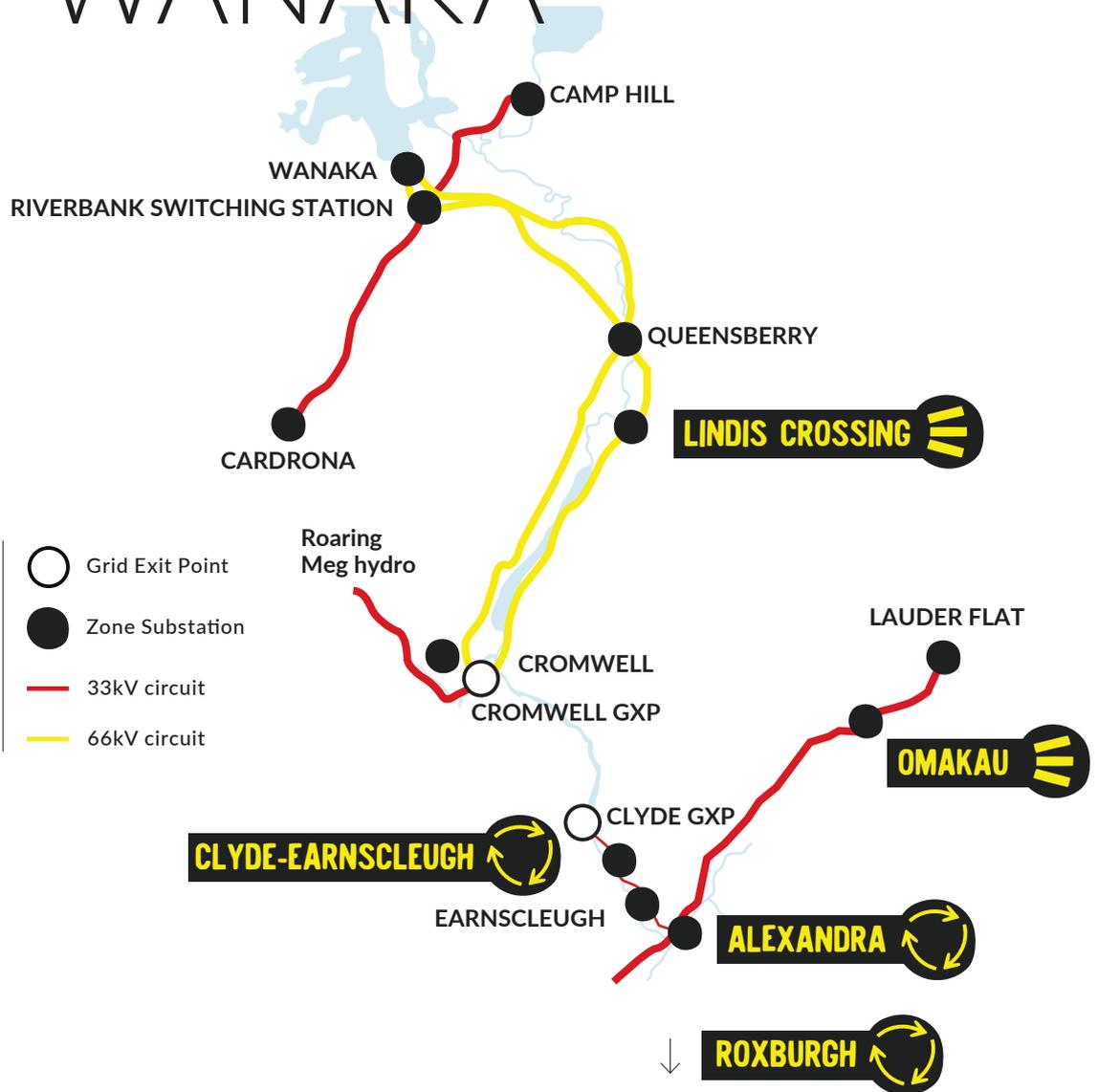


Electric vehicle uptake in Otago



REGIONAL OVERVIEW

CENTRAL OTAGO AND WANAKA



INSIGHTS

NETWORK PROFILE

- 21,100 customer connections
- 19,800 poles
- 2,600 km network length
- 13 zone substations
- 3,170 distribution transformers

THE CENTRAL OTAGO AND WANAKA AREA IS SUPPLIED FROM TWO TRANSPOWER GRID EXIT POINTS AT CROMWELL AND CLYDE.

To supply 100 customers in Central Otago/Wanaka takes

12km

of network

MAIN DEMAND CENTRES

- Wanaka
- Cromwell
- Alexandra

MAJOR USERS

- Supermarkets and coolstores
- Hospital
- Ski fields
- Central Otago District Council

PROPOSED PLAN

Under our proposed plan, we would spend about \$114 million during the 3-year CPP period 2022-2024 on renewal and growth projects in this area.

MAJOR PROGRAMME SPEND

We are renewing equipment nearing the end of its useful life for safety and reliability.

\$17m **\$15m**

POLES

LINES AND CABLES

\$9m **\$11m**

ZONE SUBSTATIONS

DISTRIBUTION SWITCHGEAR AND TRANSFORMERS

\$4m

PROTECTION SYSTEMS

LARGE PROJECTS

These projects add capacity to meet growth in demand:

- Omakau new zone substation
- Lindis Crossing zone substation upgrade.

These projects renew ageing infrastructure:

- Clyde-Earnsclough, Alexandra and Roxburgh zone substation renewals.

FUTURE RESILIENCE

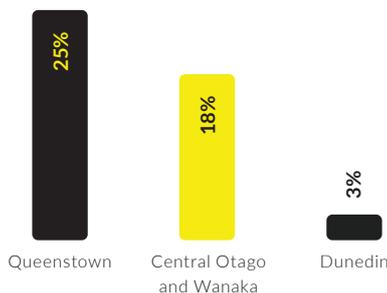
To improve regional resilience in an extreme weather event or major earthquake, we will investigate an option for a new high voltage subtransmission link between Wanaka and Queenstown in the next ten years.

REGIONAL TRENDS

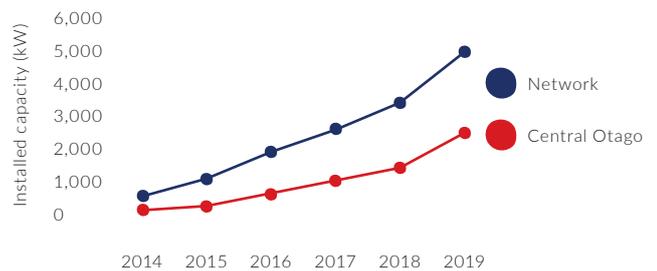
Customer connections have grown rapidly

18%
GROWTH
IN FIVE
YEARS

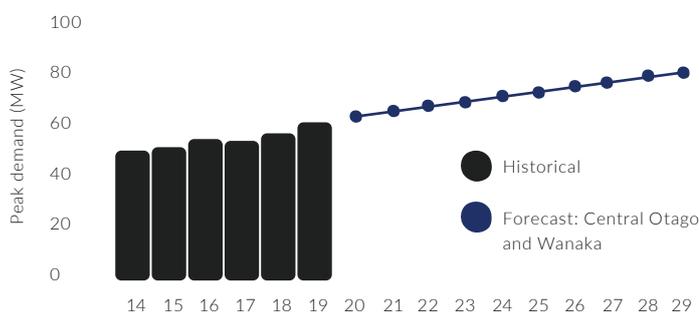
NZ average: 6%



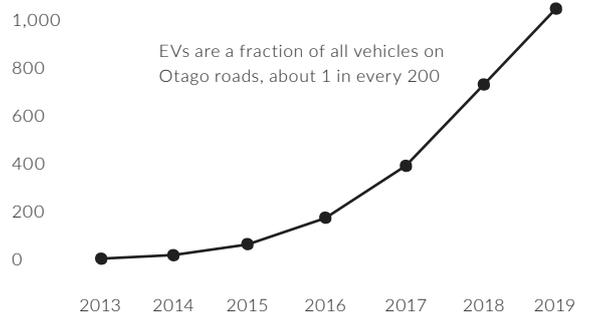
Solar panels



Electricity demand is forecast to increase



Electric vehicle uptake in Otago



REGIONAL OVERVIEW

QUEENSTOWN



Large projects during the proposed 3-year plan:

- Renewal project
- Growth project

- Grid Exit Point
- Zone Substation
- 33kV circuit

INSIGHTS

NETWORK PROFILE

- 13,900 customer connections
- 4,800 poles
- 1,100km network length
- 8 zone substations
- 1,260 distribution transformers

THE QUEENSTOWN AREA IS SUPPLIED FROM THE TRANSPOWER GRID EXIT POINT AT FRANKTON.

To supply 100 customers in the Queenstown area takes

8km

of network

MAIN DEMAND CENTRES

- Queenstown
- Frankton
- Arrowtown

MAJOR USERS

- Queenstown Lakes District Council
- Ski fields
- Queenstown airport
- Hotels

PROPOSED PLAN

Under our proposed plan, we would spend about \$55 million during the 3-year CPP period 2022-2024 on renewal and growth projects in this area.

MAJOR PROGRAMME SPEND

We are renewing equipment nearing the end of its useful life for safety and reliability.



LARGE PROJECTS

These projects add capacity to meet growth in demand:

- Arrowtown-Frankton high voltage supply ring upgrade
- Frankton zone substation upgrade.

These projects renew ageing infrastructure:

- Arrowtown and Queenstown zone substation renewals.

FUTURE RESILIENCE

To improve regional resilience in an extreme weather event or major earthquake, we will start planning a new high voltage subtransmission link between Queenstown and Wanaka in the next ten years.

REGIONAL TRENDS

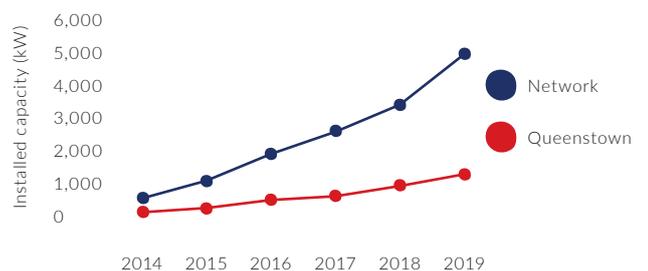
Customer connections have grown rapidly

25% GROWTH IN FIVE YEARS

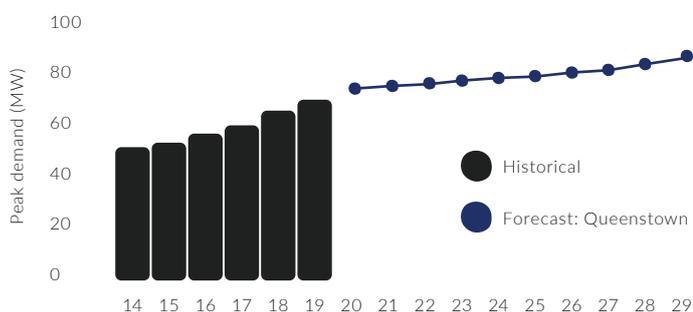
NZ average: 6%



Solar panels

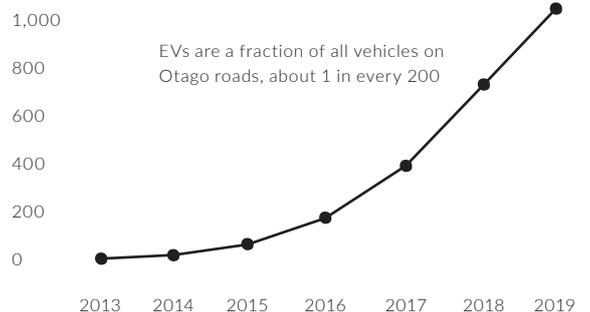


Electricity demand is forecast to increase



We are working with Council, Transpower, NZTA and others to align our growth forecasts for the region.

Electric vehicle uptake in Otago



EVs are a fraction of all vehicles on Otago roads, about 1 in every 200



SERVICE OPTIONS



HERE WE OUTLINE
TWO ADDITIONAL
SERVICE OPTIONS
FOR IMPROVING
RELIABILITY FOR
WORST-SERVED
CUSTOMERS
AND IMPROVING
CUSTOMER SERVICE.

Whether we do these depends on whether you as a customer value that service and are willing to pay the additional costs on your lines charges.

We also outline other ideas that were considered but have been delayed to future years in favour of prioritising core safety and reliability investment.

At the end of this document, we will be asking you to rank these future options in order of priority to be considered beyond the three-year period.

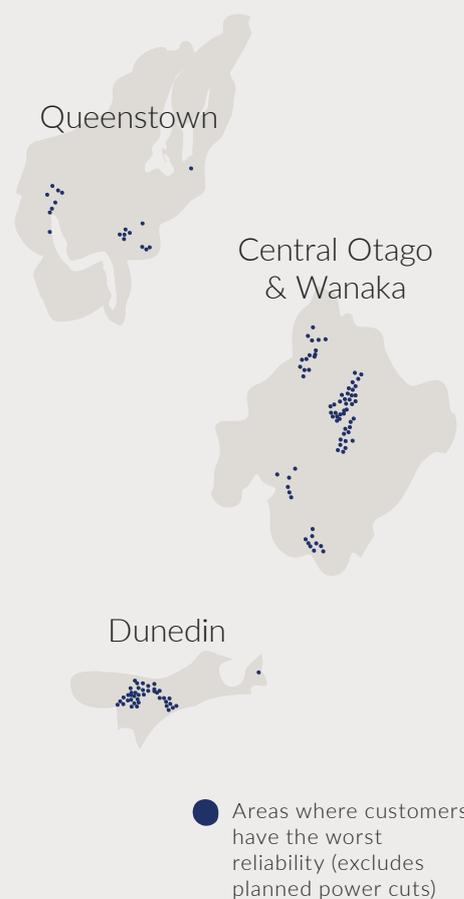
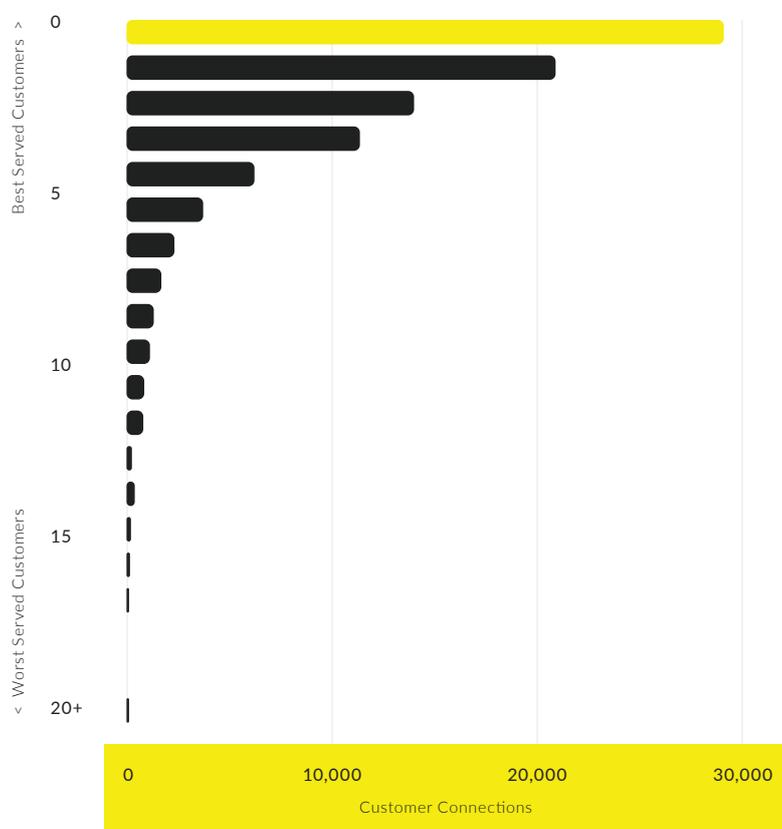
OPTION A: IMPROVED RELIABILITY FOR WORST-SERVED CUSTOMERS

Our proposed plan would make an improvement in overall reliability. Here, we are seeking your views on the option of spending more to further improve those areas with the worst reliability (customers with more than 6-8 unplanned outages a year). Usually, it would be uneconomic to spend more in these more remote parts of the network with fewer customers. We've presented this option to ask customers if they want us to do more.

Last year, 80% of customers on the Aurora Energy network had no more than three power cuts and 32% had uninterrupted supply. However, on more remote parts of the network, further away from zone substations, there is a smaller number of customers that have much worse reliability than the average.

Here is a map of the areas where customers have the worst unplanned reliability on the network. Under this option, we would target these areas to improve unplanned reliability, starting with the parts of the network with the worst reliability first, over the three year period.

Outages per customer 2019 (year ended 31 March)



Worst-served customers are based on average number of unplanned power cuts for the four years ended March 2016-2019.



**FORECAST SPEND FOR OPTION A: IMPROVED RELIABILITY FOR WORST-SERVED CUSTOMERS
(CONSTANT 2020 \$MILLION)**

	2022	2023	2024
Capital spend	\$3.0m	\$3.0m	\$3.0m
Operating spend	\$0.5m	\$0.5m	\$0.5m
Total	\$3.5m	\$3.5m	\$3.5m

WHAT WE COULD INVEST IN

Under this option, we would target \$10.5 million over three years towards improving reliability for those customers who receive the worst service. Depending on the cause/s for poor reliability, the investment would include:

- Upgrading the capacity of existing supply line
- Upgrading other equipment such as transformers or switchgear
- Investigating alternative supply options such as local generation
- Clearing vegetation away from overhead lines.

WHAT YOU GET

Examples of areas with the lowest reliability include:

- Dunedin - Brighton, East Taieri, Berwick, Cape Saunders
- Central Otago - Ettrick, Fruitlands, Tarras, Poolburn, Moa Creek, Lindis Valley, St Bathans, Becks, Omakau, Lauder Flat
- Queenstown Lakes - Hawea Flat, Gibbston, Lake Hayes, Dalefield, Glenorchy

WHAT YOU WOULD PAY

The forecast price increase on line charges for the *Improved reliability for worst-served customers* option would see line charges increase by an average \$8.50 per year per customer by 2024.

OPTION B: IMPROVED CUSTOMER SERVICE

We have already made a range of improvements in our customer service, including expanding our customer call team, providing information on planned power cuts online and improving the process for new connections. Our proposed plan would continue to provide a basic level of customer service. Here, we ask whether you think we should spend more and make greater improvements in customer service and responsiveness.



You've told us what you value most in customer service is communication about planned power outages and unplanned power cuts. We have also had feedback that our process for connecting new customers could be improved.

“ YOU GET BETTER SERVICE, NO MATTER WHEN YOU CALL ”



FORECAST SPEND FOR OPTION B: IMPROVED CUSTOMER SERVICE (CONSTANT 2020 \$MILLION)

	2022	2023	2024
Capital spend	\$0.1m	\$0.1m	\$0.1m
Operating spend	\$0.7m	\$0.7m	\$0.7m
Total	\$0.8m	\$0.8m	\$0.8m

WHAT WE COULD INVEST IN

Under this option, we would target \$2.4 million over three years on additional customer service improvements that would include:

- Extend our customer call centre operations so that you have guaranteed service 24 hours, 7 days per week
- Increase our team for new connections to meet growth in our regions and enable us to be more responsive
- Improve real-time information about unplanned power cuts available to customers to ensure you know when, for how long and why you experience power cuts
- Establish nominated contacts for large customers to support increasing development across our region
- Continue the Customer Advisory Panel beyond 2020 to advocate on behalf of customer interests and continue our commitment to customer engagement.

WHAT YOU GET

- Better service to customers, no matter when they call
- Better information about unplanned outages via the website
- Faster connection times
- Improved key account management for large customers.

WHAT YOU WOULD PAY

The *Improved customer service* option would see line charges increase by an average \$8.20 per year per customer by 2024.



**OTHER
PROPOSALS
WE CONSIDERED,
BUT REJECTED**



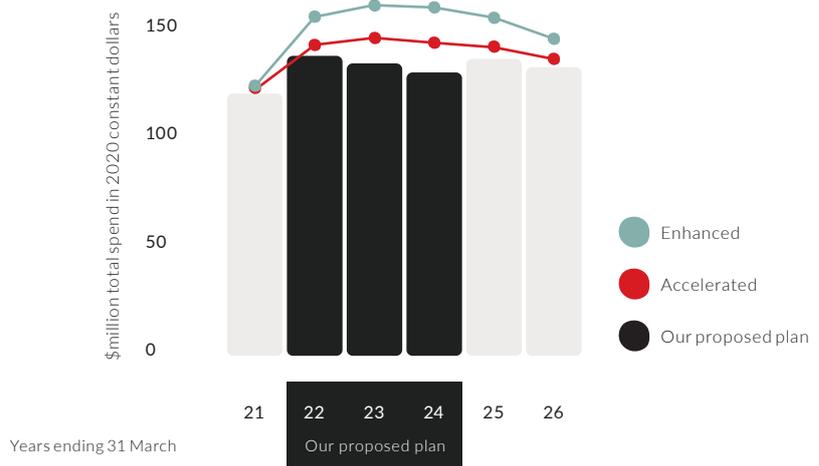
HERE WE OUTLINE TWO VARIATIONS ON OUR PROPOSED PLAN THAT WOULD HAVE DELIVERED MORE AND SOONER, BUT THAT WE HAVE REJECTED.

WHILE BOTH VARIATIONS WOULD DELIVER BETTER RELIABILITY AND SECURITY OF SUPPLY AND SEE MORE MAJOR PROJECTS COMPLETED, THEY WOULD COST MORE AND INVOLVE MORE WORK AND MORE RESOURCES TO COMPLETE IN THREE YEARS.

We have decided to defer these additional investments, recognising the already significant impact on prices associated with our proposed plan and the limits on our capacity to deliver efficiently a proposed work plan that is much larger than we have done in the past.

ALTERNATIVES TO OUR PROPOSED PLAN WE CONSIDERED, BUT REJECTED

HERE IS A COMPARISON OF THE INVESTMENT UNDER OUR PROPOSED PLAN COMPARED TO ALTERNATIVES WE CONSIDERED:



HERE IS A COMPARISON OF OUR PROPOSED PLAN TO TWO ALTERNATIVES WE CONSIDERED, BUT REJECTED

OTHER ALTERNATIVES WE CONSIDERED, BUT REJECTED

	Our proposed plan	Accelerated	Enhanced
Total spend over 3 years:	\$404m	\$437m	\$483m
Average residential line charges at end of CPP period	\$72 per month	\$74 per month	\$76 per month
How the alternatives compare	Our proposed plan is described on page 22 and has been carefully developed to focus on our immediate priorities of safety, reliability, demand growth and at the same time position the network for the future.	Under an Accelerated alternative, we could spend an extra \$34 million over three years focused on network capacity and network automation. The expected benefits would be further improvements in overall reliability, security of supply in growth areas of the network and our ability to monitor and control the network operation. Included spend of \$10 million on major projects would bring security of supply closer to industry good practice.	Under an Enhanced alternative, we could spend an extra \$80 million over three years, including everything in Accelerated plus more on vegetation management and renewal of ageing overhead power lines. The expected benefits would be a further improvement in overall reliability. Included spend of \$25 million on major projects would achieve industry good practice for security of supply.
Large projects Growth projects are driven by demand growth Renewal projects are to replace infrastructure nearing the end of its life.	Our proposed plan includes: Growth <ul style="list-style-type: none"> ● Omakau new zone substation ● Lindis Crossing zone substation upgrade ● New Smith Street to Willowbank intertie cable ● Arrowtown-Frankton 33kV high voltage supply ring upgrade ● Frankton zone substation upgrade Renewal <ul style="list-style-type: none"> ● Queenstown, Arrowtown, Clyde-Earnscliffe, Alexandra, Roxburgh zone substation renewals ● Anderson's Bay, Corstorphine, Green Island, Port Chalmers, Halfway Bush, South City zone substation renewals ● Kaikorai Valley-to-Halfway Bush cable replacement 	Accelerated includes everything in our proposed plan, plus: Growth <ul style="list-style-type: none"> ● Arrowtown zone substation upgrade ● Riverbank zone substation upgrade ● New Upper Clutha 66kV line Renewal <ul style="list-style-type: none"> ● Dalefield zone substation renewal 	Enhanced includes everything in our proposed plan and Accelerated, plus: Growth <ul style="list-style-type: none"> ● Second Omakau - Alexandra 33kV circuit ● Camp Hill zone substation second transformer ● Omakau zone substation second transformer Renewal <ul style="list-style-type: none"> ● Kaikorai Valley zone substation renewal

Here is a comparison of the unplanned reliability improvement each alternative could potentially provide. This table shows the forecast average improvement in unplanned reliability by customer location by 2024 (minutes off per year).

	Now	Our proposed plan	Accelerated	Enhanced
Urban	75	→ 70	→ 65	→ 60
Rural	440	→ 410	→ 390	→ 360
Rural remote	960	→ 860	→ 790	→ 680

OTHER IDEAS WE CONSIDERED, BUT REJECTED



We also considered options for extra investment during the three year period on other services that customers have indicated are important to them: on regional resilience, future technologies and visual amenity.

For the three-year period, we have focused on safety, reliability and essential future planning and positioning work as foremost priorities, whilst keeping the cost impact as low as possible. We consider these three service options would be very difficult to deliver within the three year period. The options would also cost more, and as none directly relates to improving safety or reliability, we don't think the extra cost is justified at this time.

Given that customers and stakeholders have indicated these are important areas of investment, we think they should wait and be considered after the three-year CPP period, in our five to ten year asset management plans.

At the end of this document, we ask you to rate these options to assist in our future planning.

IMPROVED REGIONAL RESILIENCE

WHAT WE WOULD HAVE INVESTED IN

Under this option, we would have targeted \$6 million over three years on additional investment on regional resilience to:

- Increase the back-up spares we hold for critical equipment such as power transformers and switchgear (known as strategic spares)
- Start to design and build a new high voltage subtransmission link between Queenstown and Wanaka
- Develop more high voltage subtransmission connections between Dunedin zone substations to create a meshed network.

WHAT YOU GET

- Shorter restoration times in the event of zone substation equipment fails in service and needs to be replaced
- Improved resilience for Queenstown and Wanaka in an extreme weather event or major earthquake
- Improved resilience for Dunedin's high voltage network in a major earthquake or tsunami.

WHAT YOU WOULD PAY

The forecast price increase on line charges for *Improved regional resilience* would have been an average additional \$1.25 per year per customer.

WHY WE REJECTED THIS OPTION

We assessed that our proposed plan will be enough to maintain adequate network resilience during the three-year CPP period. We will retain the extra resilience work in our longer term plans.

IMPROVED FUTURE TECHNOLOGY READINESS

WHAT WE WOULD HAVE INVESTED IN

Under this option, we would have targeted \$37 million over three years on additional investment to prepare the network for future technology uptake by:

- Encouraging consumer participation in demand management to reduce network congestion at peak times (non-network alternatives)
- Supporting consumer uptake of electric vehicles, battery storage and solar generation by using smart meter data to gain insights on how the network is used
- Installing smart sensors on equipment to monitor asset condition and help us understand when maintenance or replacement is required.

WHAT YOU GET

- A network that accommodates your future energy choices in the most efficient way
- A network that can connect future technologies with the least disruption to other consumers.

WHAT YOU WOULD PAY

The forecast price increase on line charges for *Improved future technology readiness* would have been an average additional \$26.65 per year per customer.

WHY WE REJECTED THIS OPTION

We assessed that our proposed plan will be enough to keep pace with technology uptake over the three-year CPP period. We are already developing plans for what will be needed to prepare the network for the future. We will include the extra work on future technology readiness in our longer term plans.

IMPROVED VISUAL AMENITY FOR COMMUNITIES

WHAT WE WOULD HAVE INVESTED IN

Under this option, we would have targeted \$15 million a year on additional investment to convert overhead distribution power lines to underground cables, conditional on matching community funding. The locations for underground conversion would be places where the local community considers visual appearance is a high priority and where they are willing to pay an equal share of the costs.

WHAT YOU GET

- Removal of unsightly overhead poles and lines in locations where the community sees visual improvement is important
- Enhanced visual amenity in those areas.

WHAT YOU WOULD PAY

The forecast price increase on line charges for *Improved visual amenity for communities* would have been an average additional \$3.90 per year per customer.

WHY WE REJECTED THIS OPTION

Individuals or the community can already have overhead lines placed underground if they wish, provided it is practical to do so and they pay the full costs. We think that undergrounding for visual improvement is discretionary, and a lower priority than much-needed spend on safety, reliability and growth.

FAQS

What will be the impact on my line charges?

We've set out the expected impact on your monthly line charges of our proposed investment in pages 26-28.

Why aren't the line charges I've already paid enough to renew and maintain the network?

In past decades, Aurora Energy's average line charges have been some of the lowest in the country. Our network is now ageing and the region is growing. The costs to provide a safe and reliable service now and into the future are now higher as more work needs to be done to renew, upgrade and maintain the network.

In the past, we've not spent the money and we've not charged customers. This wasn't the right approach and allowed our assets to deteriorate.

Where can I find out more information about the CPP process?

The Commerce Commission has more information about electricity distribution regulation and the CPP process on its website www.comcom.govt.nz.

More information is available at yoursay.auroraenergy.co.nz, including FAQs on the following topics

- Network planning and asset management
- Network performance
- The regulatory regime
- Ownership – who pays and how
- Pricing
- Comparison with other lines companies
- Investment in remote and rural areas
- Undergrounding



WE WANT TO HEAR YOUR VIEWS ON OUR DRAFT PLAN.

WE ARE SEEKING YOUR FEEDBACK BY **24 JANUARY 2020** SO WE CAN INCLUDE YOUR FEEDBACK IN OUR PROPOSAL.

OUR FINALISED DRAFT PROPOSAL WILL BE SUBMITTED TO THE COMMERCE COMMISSION BY **JUNE 2020**.



HAVE YOUR SAY

Use this form to have your say or submit online at Your Network, Your Say yoursay.auroraenergy.co.nz by 24 January 2020. Your name and feedback will remain anonymous.

NAME/ORGANISATION

ADDRESS

PHONE

EMAIL

YES/NO I would like to speak to Aurora Energy about my feedback. If yes, please provide a daytime contact phone number.

OUR PROPOSED PLAN

> Refer page 22

OUR PROPOSED PLAN

Our recommended investment programme to meet minimum compliance standards, reduce the backlog of ageing assets and operate a safe and reliable network.

Investment spend \$404 million over three years. Average residential line charges would increase to \$72 a month by 2024 (instead of \$47 if we stayed on a default price path)

- Yes, I support this
- No, I don't support this
- Unsure

Why / why not? (continue over the page)

PRICING TRANSITION

> Refer page 28

Select which option you prefer for the introduction of pricing (choose one)

SMOOTHED (a similar amount of increase each year)

STEPPED (a larger increase upfront followed by smaller annual increases)

Why / why not? (continue over the page)

ALTERNATIVES WE CONSIDERED, BUT REJECTED

> Refer page 42

ACCELERATED

This would see a bigger improvement in unplanned reliability, faster reduction in the backlog of ageing assets and earlier completion of major projects than our proposed plan. We consider this extra work would be very hard to achieve in full within three years.

Investment spend \$437 million over three years. Average residential line charges would increase to \$74 a month by 2024.

ENHANCED

This would see a bigger improvement in unplanned reliability, faster reduction in the backlog of ageing assets and earlier completion of major projects than both our proposed plan and the Accelerated alternative. We consider this extra work would be extremely hard to achieve in full within three years.

Investment spend \$483 million over three years. Average residential line charges would increase to \$76 a month by 2024

I would like Aurora Energy to include elements from alternative options above...

- Yes, Accelerated
- Yes, Enhanced
- No, none of the above
- Unsure
- I would like Aurora Energy to consider this work beyond the three year CPP period

Comments (I have other ideas I would like to share, provide over the page)

SERVICE OPTIONS

> Refer page 36

OPTION A: I would be willing to pay more for improving reliability for worst-served customers

Investment spend \$10.5 million over three years. Average line charge impact of \$8.50 per year per customer by 2024.

- Yes, I support this
- No, I don't support this
- Unsure

Why / why not? (continue over the page)

OPTION B: I would be willing to pay more for additional customer service improvements

Investment spend \$2.4 million over three years. Average line charge impact of \$8.20 per year per customer by 2024.

- Yes, I support this
- No, I don't support this
- Unsure

Why / why not? (continue over the page)

Please rank these future service options in order of priority. We propose these would be considered beyond the three-year CPP period. We will consider your preferences in our future planning.

- Customer service initiatives
- Future technologies
- Improving reliability for worst-served customers
- Regional resilience
- Visual amenity



Rank 1-5

1 = most important
5 = least important

Why / why not? (continue below)

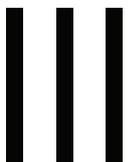
WANT TO MAKE A SUBMISSION?

If you would like to make a submission or provide more detailed feedback, please submit online at yoursay.auroraenergy.co.nz, email yoursay@auroraenergy.co.nz, or write to us at Aurora Energy, Freepost CPP Consultation, PO Box 5140, Dunedin 9054

MY NEW IDEAS

Got other thoughts or ideas you would like to share with us? We are keen to hear them, the ideas you share will feed into our future planning processes.

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



Aurora Energy
Freepost CPP Consultation
PO Box 5140
Dunedin 9054

MORE INFO

- Online at Your Network, Your Say
yoursay.auroraenergy.co.nz
- Email yoursay@auroraenergy.co.nz
- Return feedback form inside
this document
- Write to Aurora Energy, Freepost CPP
Consultation, PO Box 5140,
Dunedin 9054
- Freephone 0800 22 00 05
- In person drop in sessions



**YOUR ⚡ NETWORK
YOUR ≡ SAY**

[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

Aurora
ENERGY

YOUR ⚡ NETWORK. YOUR ≡ SAY.

Welcome to Your Network, Your Say

Help shape Aurora Energy's future plans for the electricity network supplying homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes. Join the conversation - register today and stay up to date.



Draft CPP Proposal 2022-24



Consultation Closed



Customer Advisory Panel



Customer Voice Panel



Videos



Updates

REGISTER TO GET INVOLVED ≡



Project Timeline

- May - October 2019: Engage
- November 2019 - January 2020: Preliminary Proposal Consultation
- February 2020 - April 2020: Review feedback and finalise proposal **CURRENT**
- April - May 2020: Feedback to consumers
- June 2020: Apply to the Commerce Commission for a customised price-quality path
- July - December 2020: Commerce Commission consultation
- March 2021: Inform Consumers

Recent Updates

- Consultation now closed
- Customer Advisory Panel provides its report on Aurora Energy's future investment plans

Document Library

- Customer Advisory Panel response to Aurora Energy CPP consultation document [File](#)
- Aurora-Energy-Annual-Report-2019 [File](#)
- WSP-Final-Report-Independent-Review [File](#)
- Regulation-for-electricity-lines-companies [File](#)
- Customised-price-quality-regulation-factsheet-September-2017 [File](#)



Home » About Aurora Energy

About Aurora Energy



Aurora Energy is the electricity network supplying homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes.

Our job is to deliver power from the national grid through our network of poles and wires to 90,000 customers across our network.

We build, maintain and upgrade the poles, power lines, underground cables, substations and other equipment that deliver power.

Over the next ten years, Aurora Energy plans to invest more than \$700 million in renewing, upgrading and maintaining the network to provide safe and reliable electricity supply.

The key services we provide the Otago community include:

- Delivering electricity through poles and wires to your home or business
- Providing an emergency response in the event of outages
- Clearing trees away from network power lines for safety and reliability.

We're not the only ones responsible in connecting your home with electricity. Several companies work together to supply your electricity, from generation and transmission to sending you your power bill.



YOUR ELECTRICITY SUPPLY



Our prices are regulated

What we charge for our services is regulated by the Commerce Commission.

You pay the cost of providing these distribution services in the line charge component of your power bill, although this cost is not usually shown separately on your bill.

As a distribution company, Aurora Energy makes up approximately 24% of a typical household power bill (averaged across the network).



Every five years, the Commerce Commission sets the total that can be charged and minimum service levels for each regulated electricity distribution business in New Zealand - known as the default price-quality path. The current five-year period ends 31 March 2020.

The Commerce Commission will set the default price-quality path for the next five year period 1 April 2020 - 31 March 2025 by November 2019.

REGISTER TO GET INVOLVED

Project Timeline (click to expand)

- February 2020 - April 2020: Review feedback and finalise proposal**
 After carefully considering your feedback, we will finalise our future investment proposal for the Commerce Commission to review. Our proposal involves asking the Commission for a customised price-quality path (CPP), an option under the rules that oversee electricity lines companies such as Aurora Energy.

FAQ

- Who is Aurora Energy?
- Where is the Aurora Energy electricity network?
- Who are Aurora Energy's customers?
- What's Aurora Energy's role in providing electricity?
- What is this process all about?
- Why have you started planning now for 2021?
- How can I help shape Aurora Energy's future electricity network plans?
- What do you do with the feedback we provide?
- How can I get involved?
- more..

Document Library

- Aurora Energy-This-Is-Aurora-Energy-Aug-2018 (184 KB) (pdf)
- Aurora-Energy-2018-Annual-Report (1.93 MB) (pdf)
- Aurora-Energy-Report-Card-to-October-2018 (274 KB) (pdf)
- Aurora-Energy-2018-AMP-Exec-Summary (2.2 MB) (pdf)
- more..

Who's Listening

- Gary Johnson**
 Head of External Relations
 Aurora Energy
- Sian Sutton**
 General Manager Customer and Engagement
 Aurora Energy
- Alec Findlater**
 General Manager Regulatory and Commercial
 Aurora Energy
- Glenn Coates**
 General Manager Asset Management and Planning
 Aurora Energy

Key Dates

HAVE YOUR SAY

Home » Draft CPP Proposal 2022-24

Draft CPP Proposal 2022-24



Your local electricity network has served the community well for many years, but is getting old and needs further investment to replace ageing assets, add capacity to meet the needs of a growing region and keep pace with changes in technology.

Aurora Energy's distribution prices have been the among the lowest in the country but are no longer sufficient to support the level of investment needed to provide a safe and reliable service and to prepare the network for the future.

As a regulated business, Aurora Energy is required to consult with consumers before we can change our prices or service levels and our proposed investment plan must be approved by the industry regulator, the Commerce Commission.

In June 2020, we are submitting our proposal for a customised price-quality path, or CPP, for managing the Aurora Energy electricity network with the Commerce Commission.

As we develop our proposal, we want to hear your views about what you expect from your electricity supply and what you value, what our network investment could mean for future network charges and your customer service preferences.

Throughout this process we'll be reviewing the types of services we provide and the way we manage and invest in our network to ensure we continue to deliver services safely, reliably and efficiently and meet our customers' needs and expectations.

Customised Price-Quality Path Proposal

Electricity networks, and what they can charge to recover the costs of providing electricity supply, are regulated by the Commerce Commission. The Commerce Commission can set a customised price-quality path to better suit the needs of a regulated electricity business and the long term interests of its consumers.

Aurora Energy has decided to apply for a customised price-quality path in June 2020, when we will submit our proposal for managing the Aurora Energy electricity network. Our situation and future network investment plans will be reviewed by the Commerce Commission and its independent verifier before a customised price-quality path is determined in late 2020.

Our proposal will outline our planned network investment, service levels and pricing for a period of up to five years. If approved, our customised price-quality path would take effect from 1 April 2021.

Where investment alternatives exist, we need to understand customers' views on the trade-off between the prices they pay and the service they receive for a range of possible options. And to make these options meaningful, we need feedback that reflects the diverse mix of customers connected to our network.

With your help, we can better understand your future energy requirements, what services matter to you and the prices you expect to pay.

Consultation now closed

Consultation has now closed on Aurora Energy's draft proposal for future network investment in the years 2022-2024.

Thank you to those who provided us with valuable feedback. Over the past few months we have had conversations with the community and received your submissions and comments on what we are planning.

We'll consider all your feedback as we refine our draft proposal.

What's next?

Between now and April 2020, we will review our draft proposal based on your feedback and the feedback from the Commerce Commission's independent verifier.

We will finalise our proposal and apply for a customised price-quality path to the Commerce Commission in June 2020.

A summary of all the feedback we received during consultation, and how we responded to the issues raised, will be included in our final application to the Commerce Commission and will be publicly available.

There will be further opportunity for feedback when the Commerce Commission holds its own consultation during the period July - December 2020.

Register here for future updates, or keep an eye on the Updates section of this website <https://yoursay.auroraenergy.co.nz/news-and-updates>.

REGISTER TO GET INVOLVED



Project Timeline

Phase 3: Review feedback and finalise proposal
February 2020 - April 2020

After carefully considering your feedback, we will finalise our future investment proposal for the Commerce Commission to review. Our proposal involves asking the Commission for a customised price-quality path (CPP), an option under the rules that oversee electricity lines companies such as Aurora Energy.

Who's Listening

Gary Johnson
Head of External Relations
Aurora Energy



Sian Sutton
General Manager Customer and Engagement
Aurora Energy



more..

Key Dates

Notify public of CPP application
October 2019

Apply to the Commerce Commission for a customised price quality path
June 2020

more..

Document Library

Aurora Energy-This-is-Aurora-Energy-Aug-2018 (184 KB) (pdf)

Aurora-Energy-2018-AMP-Exec-Summary (2.2 MB) (pdf)

more..

FAQ

What will be the impact on the line charges consumers pay?

Where can I find out more information about the CPP process?

Where can I find out more information about Aurora Energy's future plans?



Home » Consulting Now

Consulting Now

Consultation has concluded

Over the past few months we've had lots of conversations with the community, businesses and other key stakeholders. Now is your opportunity to have your say on our draft proposal and what's important to you. Take a look at our **Your Network, Your Say Consultation Document**. It contains a summary of information that will help you join this important conversation.

How to submit your feedback

You can provide your feedback in lots of different ways, either online, by phone, in person at our drop-in sessions or via the postage paid section at the end of the **Your Network, Your Say** [Continue reading](#)

[SUBMIT YOUR ...](#)
[NEWS FEED](#)
[QUICK POLL](#)
[IDEAS](#)
[ASK US](#)

CLOSED: This survey has concluded.

Submit your feedback

Use this form to submit your feedback on our future investment plans as outlined in our **Your Network, Your Say Consultation Document**.

It should only take about 10 minutes to complete, and your responses are completely confidential.

You can only complete this form once. Questions marked with an asterisk (*) are required.

If you have any questions about the survey, please **email us**. We really appreciate your input!

Consultation has concluded

[REGISTER TO GET INVOLVED](#)

[DOWNLOAD CONSULTATION DOCUMENT \(PDF\)](#)

Community drop-in sessions

Dunedin

Tuesday 26 November 2019, 10am - 11am
Otago Chamber of Commerce, 442 Moray Place, Dunedin

Mosgiel

Tuesday 26 November 2019, 3pm - 4pm
Mosgiel Senior Citizens Hall, 5 Hartstonge Avenue, Mosgiel

Alexandra

Wednesday 27 November 2019, 11am - 12pm
Mezzanine floor, Alexandra Library, 43 Tarbert Street

Wednesday 18 December 2019, 5pm - 6.30pm
Alexandra Community Centre, 15 Skird Street

Cromwell

Wednesday 27 November 2019, 2pm - 3pm
Room 1, Cromwell Community House, 5 Murray Terrace

Wanaka

Thursday 28 November 2019, 10am - 11am
Meeting room, Wanaka Recreation Centre, 41 Sir Tim Wallis Drive (off Ballantyne Road)

Queenstown

Thursday 28 November 2019, 2pm - 3pm
Meeting room, Queenstown Library, 10 Gorge Road

FAQ

What will be the impact on the line charges consumers pay?

Where can I find out more information about the CPP process?

Where can I find out more information about Aurora Energy's future plans?

Who's Listening

Alec Findlater

General Manager Regulatory and Commercial
Aurora Energy



Glenn Coates

General Manager Asset Management and Planning
Aurora Energy

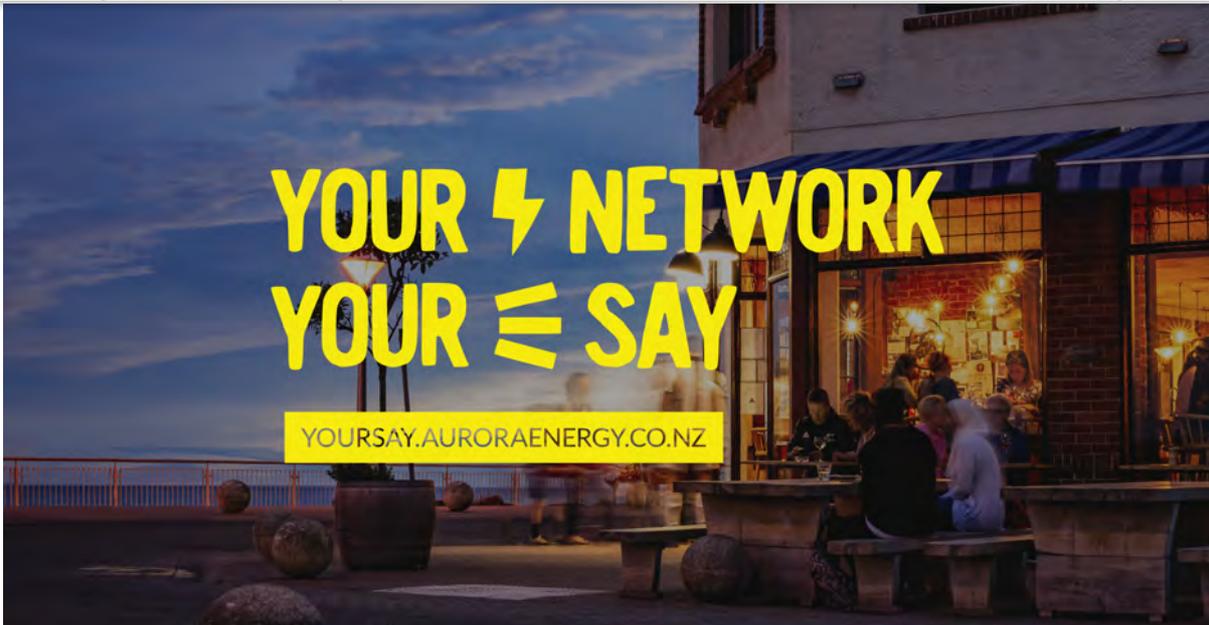


[more..](#)

Document Library

Aurora Energy Your Network, Your Say Consultation Document (4.87 MB) (pdf)

[REGISTER](#) to get involved!



Dear <<First Name>>

Over the next four months, local electricity consumers will get to have their say on Aurora Energy's future network investment plans from 2021 on.

As <<Phrase>>, we want to hear your views on what you expect from your electricity network and what services you value.

We have set up a dedicated consultation website *Your Network, Your Say* at yoursay.auroraenergy.co.nz to make it easy for you to have your say.

Register to get involved [here](#)

Watch a video overview [here](#)

Take the survey about your electricity use [here](#)

Your views really do matter and we want to hear from you.

We encourage you to share this information with your stakeholders to ensure that they too can have their say.

I invite you visit the [website](#) for more information and to register for updates.

Kind regards

Richard Fletcher
Chief Executive

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electricity network supplying 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes. Our job is to deliver power from the national grid through our network of poles and wires to local electricity consumers.



Share



Tweet



Forward

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Want to change how you receive these emails?
You can update your preferences or unsubscribe from this list.



Good morning <<First Name>>

As a valued stakeholder, we want to let you know that our consultation document on our proposed plan is now live for your input and consideration.

In the last three years, Aurora Energy has started a major investment programme to upgrade ageing infrastructure and ready the network for the future. To meet our community's future needs, we will need to increase our prices to continue the work.

Our targeted consultation process will be open until 24 January 2020 and we hope that you have previously registered to our '[Your Network Your Say](#)' site to get involved in the conversation.

The Aurora Energy management team is committed to hearing your views and the views of our customers and we have been consulting our communities on our future investment plans since May 2019.

We have undertaken consultation across multiple channels and the themes arising from this consultation have fed into our draft proposal for your consideration and submission.

We are now reaching a critical point in our consultation process and we invite you to submit on our draft proposal. If you haven't registered please do, and

Thanks again for getting involved in this important conversation.

Regards,

Sian Sutton

GM Customer and Engagement Aurora Energy

Aurora Energy is the electricity network supplying 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes. Our job is to deliver power from the national grid through our network of poles and wires to local electricity consumers.



Share



Tweet



Forward

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Good afternoon<<First Name>>

Starting November last year, we have been asking customers to have their say on a draft proposal to tackle ageing electricity infrastructure in Dunedin, Central Otago and Queenstown Lakes and ready the network for the future.

The proposal outlines a three-year \$400 million programme to continue essential investments, maintenance and upgrades to improve the safety, reliability and resilience of the Aurora Energy electricity network.

Consultation closes at 5pm on Friday 24 January 2020 – have your say today via the **Your Network, Your Say website**. After that, there will be further opportunity for feedback when the regulator, the Commerce Commission, holds its own consultation during the period July - December 2020.

An overview of the proposal and why Aurora Energy is proposing to make the investment and an online submission form are available on the **Your Network, Your Say website**. Paper copies are available on request from Aurora Energy and from local libraries and Council offices.

You can have your say:

- Online via the **Your Network, Your Say website**.

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- By email at yoursay@auroraenergy.co.nz
- In writing to freepost Aurora Energy CPP Consultation, PO Box 5140, Dunedin 9054
- By freephone 0800 22 00 05
- We are also happy to arrange to meet in person.

Thanks again for being part of this important conversation.

Regards,

Sian Sutton

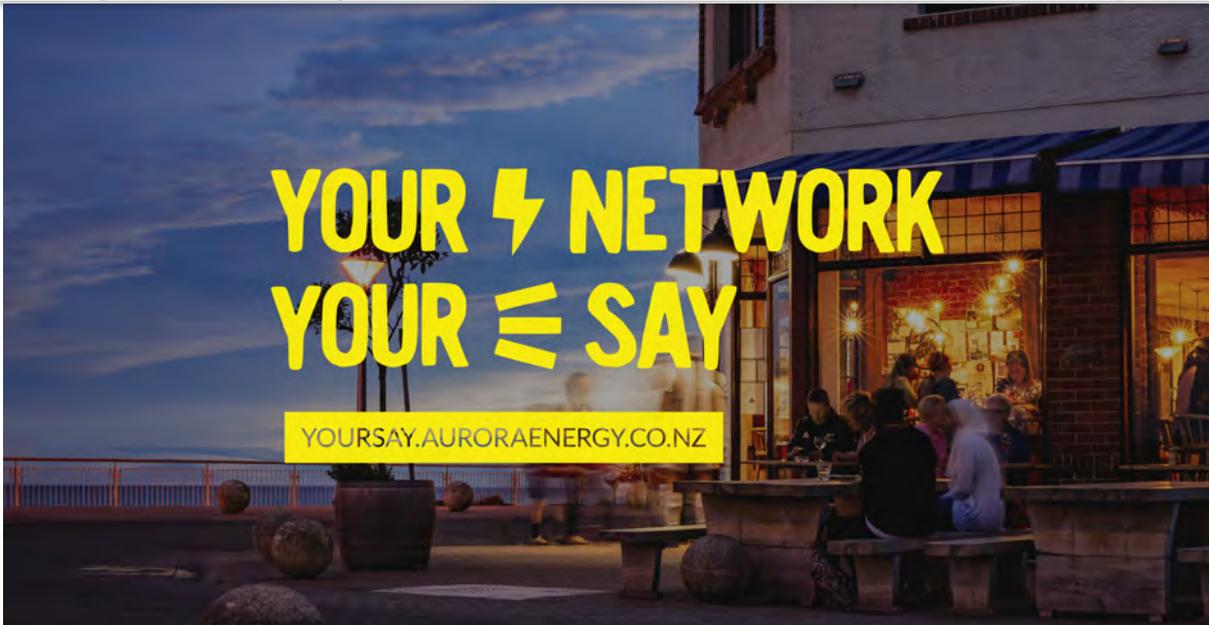
GM Customer and Engagement Aurora Energy

Aurora Energy is the electricity network supplying 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes. Our job is to deliver power from the national grid through our network of poles and wires to local electricity consumers.



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You can update your preferences or unsubscribe from this list.



6 March 2020

Good afternoon<<First Name>>

From November 2019 to January 2020 Aurora Energy consulted its customers and the community on its future investment plans for the three years 2022-2024 outlined in the consultation document, Your Network, Your Say.

We've prepared a top-level summary of our public consultation that covers the key themes around what people told us, who participated and what happens next in the consultation process. The consultation summary is available on the Your Network, Your Say website [here](#).

We're currently considering all your feedback as we refine our draft customised price-quality path or CPP proposal for submission to the Commerce Commission in June this year.

A consultation report, with a detailed summary of customer feedback will be part of our application to the Commerce Commission and publicly available. There will be further opportunity for feedback when the Commerce Commission holds its own consultation during the period July - December 2020.

Register here for future updates, or keep an eye on the [News and Updates section of the Your Network, Your Say website](#).

Sian Sutton

GM Customer and Engagement Aurora Energy

CONSULTATION SUMMARY

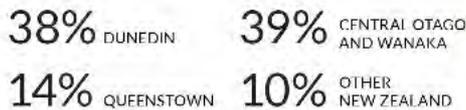
YOUR NETWORK YOUR SAY

YOURSAY.AURORAENERGY.CO.NZ

From November 2019 to January 2020 Aurora Energy consulted its customers and the community on its future investment plans for the three years 2022-2024 outlined in the consultation document, Your Network, Your Say.

WHO PARTICIPATED?

Location of registered users on consultation website



HOW DID YOU PARTICIPATE?



WHAT DID YOU TELL US?

The need for essential work was accepted

- You generally accepted the need for essential work, especially for safety reasons
- You also agreed that investment needed to be made to renew the existing network and prepare for the future

“WHILE I APPRECIATE WE NEED UPGRADES, THIS SHOULD NOT BE A COST TO THE CONSUMER IN SUCH A SHORT PERIOD OF TIME”

- The Advisory Panel supported “Our proposed plan” and rejected Accelerated and Enhanced alternatives based on sudden and large increases in customer prices

Price increases were unwelcome

- You felt the size of the proposed price increases was unexpected and unwelcome with widespread concern, especially the impact on vulnerable households
- Many of you suggested our owner should pay for deferred maintenance and not consumers

“POWER IS ALREADY HIGH ENOUGH WITHOUT ADDING TO THE LINE CHARGE”

- You said you wanted us to do something to help vulnerable customers with the impact of price increases

Little appetite for improving reliability if prices go up

- Nearly 9 out of 10 households said they were satisfied with their current level of unplanned power cuts (unplanned reliability)
- Only a very few (8%) wanted better reliability if this meant paying more

“I WILL BE HAPPY TO RETAIN EXISTING RELIABILITY AND MINIMISE THE INCREASE”

- The Advisory Panel wanted us to defer Option A: “Improved reliability for worst served customers” to later periods and consider it alongside other initiatives to improve reliability

Regional pricing was questioned as unfair

- Customers facing the largest price increases in Central Otago and Queenstown felt this was unfair
- Once cost reflective pricing was explained, you understood the principle, even if the outcome remained unappealing

“...EVERYONE ON THE NETWORK SHOULD PAY THE SAME FOR THE SAME SERVICE”

WHAT'S NEXT?

We will take your comments and concerns in relation to our proposal and use them to refine our draft proposal before we submit our customised price path application to the regulator, the Commerce Commission in June 2020. You will have a further opportunity for feedback when the Commerce Commission holds its own consultation during July - December 2020.

Please keep visiting our website to have your say. We will be listening.

YOURSAY.AURORAENERGY.CO.NZ



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supplying 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes. Our job is to deliver power from the national grid through our network of poles and wires to local electricity consumers.



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Integrated Awareness Campaign

Appendix H. INTEGRATED AWARENESS CAMPAIGN

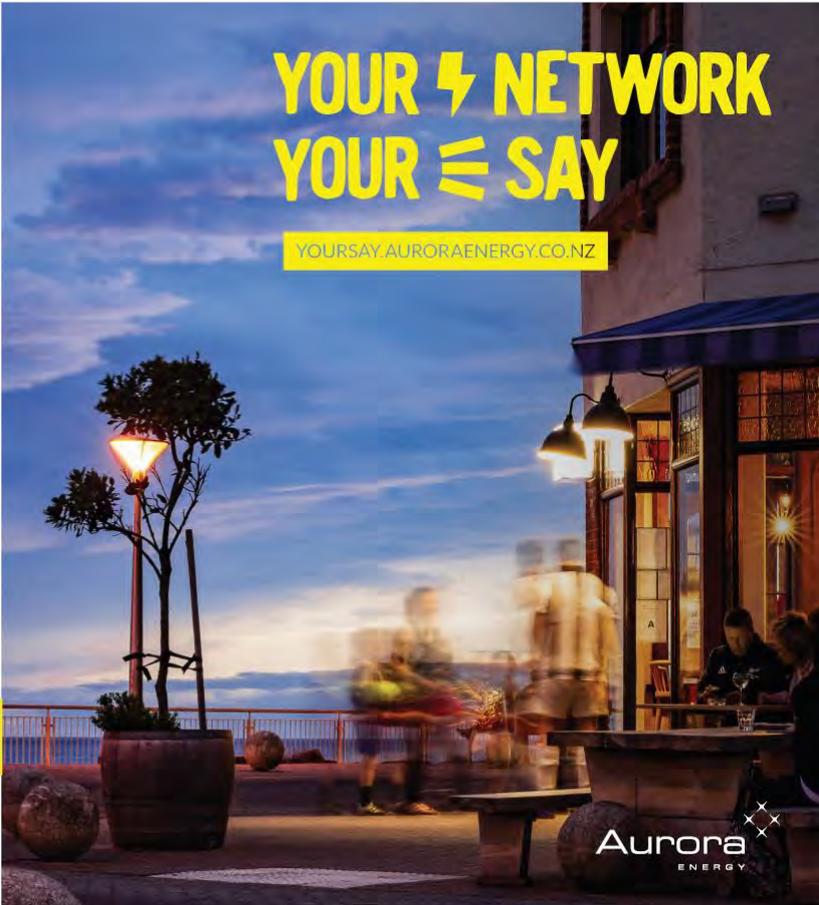
181. Starting in March 2019, we ran an integrated awareness campaign using owned and paid media across a range of channels - print, online, social media and direct communication, to inform consumers of the consultation process, the opportunities to engage and to provide feedback and promote engagement channels and consultation events. Promotional activities included:

- consultation website yoursay.auroraenergy.co.nz
- online promotion (posts on our own channels and paid advertising via Google and Facebook)
- video education and promotion series via YouTube, Facebook and LinkedIn
- e-newsletters to stakeholder databases
- quick polls, online and phone surveys
- print advertising in regional and community newspapers
- direct email to individual stakeholders
- partner shares to third party social media and newsletter channels
- media releases, media relations and resulting news coverage
- key stakeholder briefings
- group stakeholder events
- customer panels
- drop in sessions
- staff updates.

Integrated Awareness Campaign

H.1. CONSULTATION ADVERTISEMENT

182. Here is an example of advertising used to promote awareness of the CPP consultation and registration on the consultation website.



We want to hear from you.

In recent years, your local electricity network Aurora Energy has started a major programme of investment to upgrade ageing infrastructure.

We need to continue to invest if the network is to deliver a safe and reliable service, meet the needs of a growing region and keep pace with changes in technology.

As we develop our future investment plans, we want to hear your views about what you expect and what you value from your electricity supply.

Our future investment plans, and any change in our prices, must first be approved by the industry regulator.

Register to get involved at:
yoursay.auroraenergy.co.nz

Aurora Energy is the electricity network supplying 90,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes.

**YOUR ⚡ NETWORK
YOUR ≡ SAY**

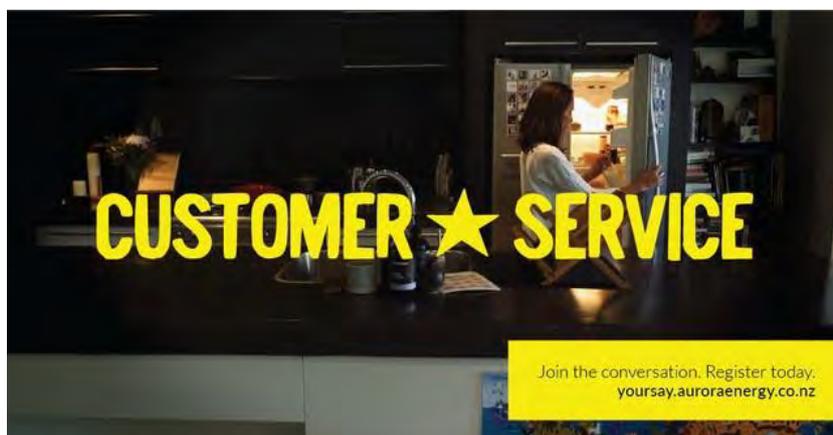
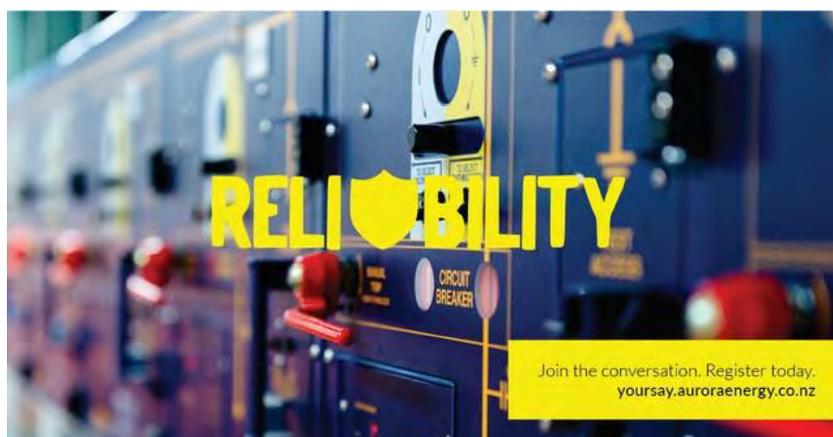
[YOURSAY.AURORAENERGY.CO.NZ](https://yoursay.auroraenergy.co.nz)

Aurora
ENERGY

Integrated Awareness Campaign

H.2. SOCIAL MEDIA ADVERTISING

183. Here are examples of online advertising used to promote awareness of the CPP consultation and registration on the consultation website.



Video and Digital Engagement

Appendix I. VIDEO AND DIGITAL ENGAGEMENT

184. Here we provide the video used during CPP consultation. Video was used in our digital engagement to provide information accessible, shareable and interesting way. Videos were available on our consultation site, YouTube channel and promoted through our social media channels on Facebook, LinkedIn and Instagram and online advertising through Google and Facebook.

- Videos on *Your Network, Your Say* Consultation Site
<https://yoursay.auroraenergy.co.nz/videos>
- Aurora Energy YouTube Channel
<https://www.youtube.com/channel/UCPCZgZdRnkuT87v9lc2gpyQ/videos>

I.1.1. Consultation summary (2 June 2020)

185. <https://www.youtube.com/watch?v=5d0yOd39PMk>

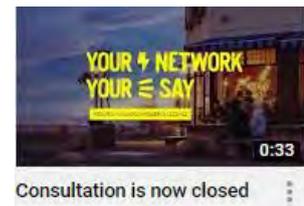
We asked our customers and the community for their views on our future investment plans. Here's what you told us. Thanks for participating in our consultation and sharing your views. We have taken your feedback into consideration as we finalised our application for review by the sector regulator, the Commerce Commission. You will have a further opportunity for feedback when the Commerce Commission holds its own consultation in late 2020.



I.1.2. Consultation closed (27 January 2020)

186. https://youtu.be/Zx1M3t_U_EA

Thanks for your feedback on our future investment plans. Aurora Energy chief executive Richard Fletcher explains what happens next.



I.1.3. Customer Advisory Panel Session Four, November 2019 (13 January 2020)

187. <https://www.youtube.com/watch?v=wVoDyFsTTrI>

The fourth Customer Advisory Panel held in November 2019 discussed Aurora Energy's draft plan for future network investment, released for public consultation the week before.



Video and Digital Engagement

I.1.4. Consulting Now – Your Network, Your Say (10 December 2019)

188. <https://youtu.be/dLrMtgMR2DQ>

Consultation on our draft plan for future investment closes on 24 January. We'd really like to hear your views. Submit your feedback today. <https://yoursay.auroraenergy.co.nz/>



I.1.5. Aurora Energy - Consultation now open! (12 November 2019)

189. https://youtu.be/n_21XgS4F8Y

Consultation document out now! Here's your opportunity to help us shape the electricity network of the future. Your views matter. Give us your feedback today and be in to win a \$50 prezzy card. <https://yoursay.auroraenergy.co.nz/>



I.1.6. Aurora Energy - Consultation Is Coming (4 November 2019)

190. <https://youtu.be/tkzt6n3yjMM>

We want to hear your views about what you expect from your electricity supply. In November, we're launching a widespread consultation on our draft plan for future investment.



I.1.7. Customer Advisory Panel Session Three, September 2019 (13 January 2020)

191. <https://www.youtube.com/watch?v=dPN04ZlbP1c>

The third Customer Advisory Panel held in September 2019 discussed future trends for the region, in technology and a transition to a low-carbon economy.



Video and Digital Engagement

I.1.8. Interview with Customer Advisory Panel member Anna Mickell, September 2019 (13 January 2020)

192. <https://www.youtube.com/watch?v=YYLc0pxnJoE>
Anna Mickell reflects on the third Customer Advisory Panel held in September 2019 that discussed future trends.



I.1.9. Customer Advisory Panel Session Two, August 2019 (21 August 2019)

193. <https://youtu.be/ooPEqRzuCGg>
The Customer Advisory Panel held its second session on 13 August 2019. The panel discussed service expectations with a focus on reliability, customer service initiatives and how pricing is set.



I.1.10. Introducing the Customer Advisory Panel (31 July 2019)

194. https://youtu.be/IRKk_BLxAao
We're excited to introduce the members of our independent Customer Advisory Panel members. We're very fortunate to have such a diverse and experienced group of people representing the views of electricity consumers on our network.



I.1.11. Who is Aurora Energy? (9 October 2019)

195. <https://youtu.be/0VjSKvi0ITo>
We asked people on the street who Aurora Energy is. Hear what they say and keep watching for the right answer!



I.1.12. Aurora Energy - How does electricity get to you? (8 October 2019)

196. <https://youtu.be/ZSeDDI9P2JQ>
Our job is to deliver power from the national grid through our network to 90,000 homes, farms and businesses. How exactly does electricity get from where it's made to where you can use it? Watch this video to find out.



Video and Digital Engagement

I.1.13. Aurora Energy Your Network, Your Say (28 May 2019)

197. <https://youtu.be/oAhh03H0DnQ>

Aurora Energy Chief Executive Richard Fletcher explains why your views are important to the future of our electricity network. Have your say at yoursay.auroraenergy.co.nz



