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Aurora Energy Limited Proposed Additional Information Disclosure Requirements Draft Reasons Paper

Thank you for the opportunity to submit on the above.

We repeat from our submission to the draft CPP:

We note that, during public meetings in Central Otago, the Commission expressed regret as to the quality of oversight provided during the time period where Aurora failed to invest adequately in the maintenance and required growth of its network. We further recognise and acknowledge the considerable concern expressed by many members of our public at this failing by the Commission.

We note further the near-complete lack of trust felt by the Central Otago community toward Aurora; a lack of trust that we believe will not be remedied for many years, if not decades to come.

We also emphasise the obvious fact that our community is caught in a monopoly situation. A significant role of the Commerce Commission is to protect consumers who could become victims of a monopoly. We submit however that the people caught in the lines company monopoly in the Central Otago pricing area require greater protection due to the circumstances within the overall area that Aurora covers. The company is ultimately owned by the people of Dunedin; one part of the network. The Queenstown part of the network does not suffer from a monopoly as there is a competitor company operating in that area. Only Central Otago stands exposed to the full threat of monopoly behaviour. It can't help but be noted at this point that, although the Commission identifies that the average user across the whole network between 2009-2019 paid approximately \$360 less in annual line charges than the New Zealand average, Central Otago users paid approximately the New Zealand average. Simple mathematics dictate therefore that Dunedin and Queenstown customers paid significantly less than the \$360 average for the whole network. We acknowledge and recognise many in our community that view this as being evidence of unfavourable monopoly behaviour toward Central Otago consumers having already occurred.

With those factors in mind; our submission to the Commission must start by stating our expectation that, for the length of this and any consequent CPP, the Commission takes the role of a watchdog not sitting in its kennel but straining at the end of its leash ensuring the company fulfils its obligations to its customers; especially those in Central Otago.

Having read the relevant portions of the Aurora Energy Limited Proposed Additional Information Disclosure Requirements Draft reasons paper of 31 March 2021, we believe the Commission has gone some way to addressing the concerns raised in our submission but submit that there is much room for refinement and improvement.

While being at risk of labouring the point; the resentment the community we serve feels toward not just the company but the entire system that is supposed to protect from poor monopoly behaviour is palpable and on-going. We submit a very hands-on, prescriptive approach is required from the Commission during this CPP to give the public of Central Otago some assurance that it will not be victim to failure by the system moving forward.

In particular:

1. We agree entirely with the statement at X11 that *“Consumers and stakeholders need information to be able to judge performance for themselves and whether the performance of EDB’s such as Aurora is consistent with the performance outcomes they would expect to find in a workably competitive market”*. We are concerned however that the draft does not go far enough to address the power imbalance created by the knowledge gap between the company and the consumer. We reiterate that the only way this can be achieved is by the Commission taking an active role on behalf of the public in ensuring accuracy and understandability of reporting by the company.

We note the Commission goes some way to addressing this in stating that the Commission will analyse the information that Aurora discloses and publish this analysis for the public along with a summary of disclosed information. However, we remain concerned that this will not allow for the public to adequately question the statements being made by the company. While the publishing of summaries and analysis is a good start, a further layer is required in our view whereby the Commission stands alongside the public in its questioning of the Aurora disclosures and assuring correct and understandable answers are provided.

2. We welcome the additional requirement to produce an Annual Delivery Report and the inclusion of the stated reporting requirements. In particular, we thank the Commission for the attention paid to community concerns regarding cancelled scheduled outages. We submit however that the recording of cancelled scheduled outages can, and should, be done in real time which is then reported back on annually. A simple traffic light reporting system could be used, namely if the outage occurred as planned a green light is used, if it occurred but went over-time, an orange light with accompanying data could be used and if it is cancelled a red light would be used; such data to be available on the Aurora website. We note the traffic light system being suggested (5.30) for reporting compliance to the Annual Delivery Report but submit that the real-time aspect of reporting via the company website should be utilised where practicable, and especially in the case of cancelled planned power outages. Such a real-time reporting system protects both the consumer and the company.

From the consumer perspective, annual reporting risks having instances of failure forgotten over the course of time which makes checking the accuracy of reporting challenging. For the company, should it be successful in limiting failures; it will have a clear, public-facing record of success that will take little to create and maintain. If the company is determined to improve performance in this area of its work, it should welcome this idea.

3. We question the reliance on the Powerco experience as an indicator of the best way forward for the Aurora CPP. While we have no direct knowledge of the Powerco CPP application, we question whether the level of mistrust and anger in the public that is present with the Aurora CPP was present in the Powerco example. In particular, we disagree with the Commission position at 5.34 of supporting “an approach of describing the outcome desired instead of applying an overly prescriptive approach, so the reporting can be adapted over time to ensure it remains targeted and meaningful for consumers and stakeholders”. With apologies for bluntness, Aurora has not earned the right to be in charge of the manner it chooses to report compliance to the community. Poor communication has been identified many times as being a fundamental community concern and we submit that a prescriptive regime for reporting is exactly what is required moving forward if the public is to have any hope of gaining faith in the process.

4. We strongly support the proposal that regional reporting of the measures in the ADR be undertaken (5.36). We state this despite noting the comments by the company at 5.39 that *“requirement to disaggregate reporting to levels more granular than its three pricing regions (ie, ‘Dunedin’, ‘Central Otago & Wanaka’, and ‘Queenstown’)* would be difficult and costly, given the capabilities and constraints of its current systems and operations”. The company has been very clear in all its discussions around regional pricing that these are three distinct networks and it is galling to now read the company claiming it is difficult to treat these as such when it comes to reporting to the people in those three different regions, especially given the extreme cost increases that those in the Central Otago region are facing.

5. We welcome the proposal for annual public meetings in the three pricing areas but submit that the integrity of these meetings would be greatly enhanced by the Commission attending, and indeed running the meetings. As was evidenced in public meetings involved with the Commissions CPP consultation, these can be very difficult affairs. We submit that the Commission acting as an intermediary between the company and a mistrusting public is crucial for the success of this proposal. We also note previous justified criticism of the company and its inadequate efforts to hold public engagement meetings during its consultation on the CPP proposal.

6. We welcome the requirement for the company to disclose additional information on how prices are calculated in relation to regional pricing, its plan for continuing to improve its asset management processes, its project quality assurance processes, its improvements to its cost estimation processes and its data collecting and sharing processes but caveat that by saying that the information must be in a form that is understandable and accessible to the average person, with the Commission playing a greater role in ensuring that happens than is proposed in this draft.

7. We welcome the requirement for an expert report to be provided in 2023 but submit that the current proposal that the independent expert(s) be engaged by Aurora (with Commission approval) will cast a veil of suspicion over the concept with an already very mistrusting public in Central Otago. We would rather that the expert(s) were appointed by the Commission and paid by the Commission, with the company reimbursing the Commission for those costs. We believe this falls within the broad scope contained in Section 53(C)(f). We are uncomfortable with the company being the appointor and paymaster of an independent expert as this would risk putting the integrity of the review, from the perspective of the public, in jeopardy. At the least, Aurora could provide a number of experts for consideration with final choice lying with the Commission, but a totally independent process of selection is favoured by Council.

In summary; the Disclosure Requirements draft goes some way to addressing our concerns regarding reporting by Aurora during this CPP, but our sense is that the Commission is, to use our own phrase, sitting far nearer to its kennel than it is to being on the end of its leash.

Given the failings of the past, and the consequences of those failings on the public and businesses of Central Otago including massive cost increases, we urge the Commission to remain active and present overseeing the reporting processes during the CCP.

Yours sincerely



Tim Cadogan
Mayor Central Otago District Au