

## **Submission**

Commerce Commission Targeted  
Information Disclosure Review – Electricity  
Distribution Businesses  
Process and Issues Paper

20 April 2022

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# 1. INTRODUCTION

1. Aurora supports the purpose of information disclosure (ID) – ensuring that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 of the Commerce Act 1986 (the Act) is being met.<sup>1</sup> This is an important element in the checks and balances that underpin an effective regulatory regime.
2. We expect that a number of the Commission’s proposals will give interested persons an enhanced understanding of whether the Part 4 purpose is being met, especially in the context of the expected change facing electricity distribution businesses (EDBs) driven by decarbonisation.
3. We have significant concerns, however, that if all thirty three of the Commission’s proposals were to be adopted and implemented, a step change in regulatory burden is likely to occur. Our view is that exempt EDBs are likely to be impacted the most since, in many cases, the most efficient solution to some of the problems identified by the Commission would be to extend information disclosure requirements contained in price-quality regulation to those EDBs (on a disclosure basis, not compliance). Exempt EDBs are in a privileged position of being able to pass those increased costs to consumers without restraint. Despite this, however, those EDBs may not have ready access to the resources required to manage such an increased workload.
4. For non-exempt EDBs, the increased regulatory burden is still not trivial. Non-exempt EDBs face the same resource challenges as their exempt contemporaries, especially in the current, tight labour market. Non-exempt EDBs are also exposed to the challenge of managing their expenditure allowances, or face significant penalties under the incremental rolling incentive scheme (IRIS); a challenge that is exacerbated by levels of inflation that were not contemplated when the third default price-quality path (DPP) was set.
5. In Aurora’s view, the current application of the Part 4 regime is focussed on ‘relatively low cost’ regulation (this may not be intentional, but it is a practical outcome). This is evidenced by:
  - Non-exempt EDBs being subject to the ‘relatively low cost’ DPP regime (except for those that have required a customised price-quality path);<sup>2</sup> and
  - Exempt EDBs being subject to no specific price-quality requirements (zero cost).
 It therefore seems illogical and unreasonable to create a ‘relatively high cost’ information disclosure regime applying to all EDBs.
6. The purpose of ID is to ensure that *sufficient* information is available to allow interested persons to assess whether the part 4 purpose is being met. By definition, this means that the information available to interested persons must be adequate for its purpose. It then follows that any information that is more than adequate must be thoroughly examined to determine whether it is, in fact, necessary to meet the Part 4 purpose.
7. In Aurora’s view, the information disclosure requirement is driven by the principles of governance and oversight, and can be considered alongside EDB’s observable performance outcomes. It is not an exploratory exercise to uncover everything that might be of interest to limited subsets of interested persons. Should the

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<sup>1</sup> Commerce Act 1986, section 53A.

<sup>2</sup> Commerce Act 1986, section 53K.

Commission observe performance outcomes that are inconsistent with information disclosure, or otherwise unexplained, it has appropriate powers to delve further.<sup>3</sup> This latter point is important, as it prevents costs being indiscriminately burdened on regulated suppliers.

8. Aurora recommends that the Commission carefully considers each of its proposals to ensure that it is actually necessary to meet the ID purpose. Even if that review does not result in any proposal being dropped, it will be a useful prioritisation exercise.
9. We note that the Commission has cited several examples of additional ID requirements imposed on Aurora as accountability measures for its customised price-quality path (CPP), and has suggested that these may be suitable for extending as general ID requirements. It should be noted that the issues that drove Aurora's CPP application are unique to Aurora, as are some associated consumer frustrations. It would be wrong for the Commission to assume that the burning issues for pockets of Aurora's consumers, as heard by the Commission during its public meetings on Aurora's draft CPP decision, are burning issues for Consumers nationally. In Aurora's opinion, untested assumptions of that sort leads, inevitably, to inefficient and ineffective regulation tailored to the lowest common denominator.
10. We note that some of the Commission's proposals suffer from inadequate problem definitions, or the proposed 'solutions' are broad, vague or ambiguous. This has made it difficult to consider those proposals and provide meaningful feedback. Where this occurs in a tranche 1 proposal, we have recommended that the proposal be deferred to tranche 2, to allow the proposal to be properly developed. This is particularly important because the tranche 1 timetable is very tight, and there is a significant risk of a poor regulatory outcome and/or unintended consequences.
11. We are very concerned that, for tranche 1 proposals, the Commission has allowed itself a short period of 30 working days from the close of consultation on the Process & Issues Paper to release of its draft decision.<sup>4</sup> It is difficult to conceive, given such a short intervening period, how responses to this consultation can be meaningfully considered, proposals amended, and reflected in the drafting of the draft decision and draft determination.
12. It is imperative that the Commission's proposals are properly formed and that stakeholders have adequate opportunity to consider and provide informed feedback. The final determination of the third DPP provides a recent example where inadequate consultation resulted in a sub-optimal regulatory outcome. The Commission implemented the new 'SAIDI<sub>N</sub>' methodology without consultation, resulting in a mechanism that is more complicated than necessary (therefore inefficient), and inconsistent with the standard electricity industry practices underpinned by use-of-system agreement<sup>5</sup> and electricity information exchange protocols.<sup>6</sup>
13. We consider that some flexibility should be provided in complying with the disclosures. We note the significant number of asset management plan (AMP)-related proposals which, if fully implemented, could result in an unwieldy document, or worse, EDBs abandoning their AMPs as a working document and treating them as a regulatory compliance document. We consider that would be a retrograde outcome. Depending on context,

<sup>3</sup> Commerce Act 1986, section 53ZD.

<sup>4</sup> Commerce Commission. (2022). Targeted Information Disclosure Review – Electricity Distribution Businesses: Process and Issues Paper. Table 4.1, p39.

<sup>5</sup> Now default distributor agreements.

<sup>6</sup> The 'SAIDI<sub>N</sub>' mechanism is also indicative of poor regulatory coordination and integration, where existing requirements relating to the notification of planned outages set by the Electricity Authority were neglected.

it may make information more accessible to interested persons if the requirement was satisfied by a stand-alone document, with a summary only provided in the AMP.

14. While the Commission has indicated that it intends to make regular 'tidy-ups' to ID in the future, we consider that there would have been merit, in this more substantive review, to consider whether all existing requirements remain fit-for-purpose, and whether some requirements could be dropped. This is a major omission in our view.

## 2. TRANCHE 1 ISSUES

### 2.1. QUALITY OF SERVICE

#### 2.1.1. Proposal Q1 – Planned outages

##### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

##### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

##### Potential Solution

*Expand ID requirements related to how much notice of planned outages is given to consumers, including planned outages that are booked but not carried out.*

15. Subject to our comments below, Aurora provides **provisional support** for this proposal.
16. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands. We further consider that the proposal is consistent with the requirements of the quality standards and incentives set within the DPP Determination.<sup>7</sup>
17. However, for this proposal to be more meaningful, we consider that it must be supported by further changes to the way reliability performance is reported in schedule 10. The normalisation methodology and calculation of assessed values within the ID determination<sup>8</sup> has long been neglected, and is out of step with the methods specified in the DPP Determination.<sup>9</sup> The methods specified in the ID determination are consistent with those specified for the first DPP period, applying from 1 April 2010 to 31 March 2015.<sup>10</sup>
18. We **recommend** aligning the methods for reporting normalised reliability performance between the DPP and ID. This would ensure consistent visibility of EDB’s outage performance, provide an incentive for all EDBs to manage and monitor planned outages in a similar manner, and provide appropriate information for interested persons to assess whether both exempt and non-exempt EDBs have been appropriately incentivised to provide services at a quality that reflects consumer demands.

<sup>7</sup> Commerce Commission. (2019). Electricity Distribution Services Default Price-Quality Path Determination 2020.

<sup>8</sup> Commerce Commission. (2021). Electricity Distribution Information Disclosure Determination 2012. Attachment B, p95.

<sup>9</sup> Ibid. Schedules 3.2 & 3.2, p60-65.

<sup>10</sup> Commerce Commission. (2012). Electricity Distribution Services Default Price-Quality Path Determination 2012. Schedule 2, p26.

## 2.1.2. Proposal Q2 – Power Quality

### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

### Potential Solution

*Add ID requirements on power quality.*

19. For the reasons set out below, Aurora **provisionally opposes** this proposal.
20. While Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to invest, innovate and provide services at a quality that reflects consumer demands, we are concerned that the Commission’s proposal is broad and vague.
21. We recognise that, as we transition to a more decarbonised economy, issues like network resilience, reliability and power quality will increase in importance. However, as we pointed out in paragraph 9 (p4), above, it need not be assumed that power quality issues are a universal concern for consumers.
22. In our response to the Commission’s Q5 proposal, below, we have recommended that all EDBs be required to develop, certify and publish a customer charter. Part of charter development would require EDBs to survey their customers to understand the issues of importance to them.
23. We **recommend** that the Commission abandons this proposal, as a standalone initiative, in favour of a more efficient, integrated approach based on development of EDB-specific customer charters (refer section 2.1.5, p9).

## 2.1.3. Proposal Q3 – New Connection Timeframes

### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

### Potential Solution

*Add ID requirements on time taken to set up new connections.*

24. For the reasons set out below, Aurora **provisionally opposes** this proposal.
25. While Aurora considers that the intent of the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands, there are significant practical impediments that may result in reporting being somewhat meaningless.
26. Aurora’s view is that the Commission’s proposal is unworkably broad, and neglects the complexity involved in consumer connections. At the less complex end of the continuum are new connections where a connection point already exists. These generally only require the consumer, or its agent, to apply for the connection and engage a connection contractor to perform the connection, and for the EDB, or its living agent, to perform its pre-livening safety checks and update registry information. The relative simplicity of these type of connections notwithstanding, significant variability in the duration between application and connection can occur depending on how early or late the application to connect is made relative to the construction of the consumer’s electrical installation, as well as connection contractors’ schedules.
27. For new connections where a connection point(s) need to be constructed, matters become significantly more complex.<sup>11</sup> The interval between application/enquiry and connection can range from weeks to years depending on consumer/developer commitment and intentions, consenting, and other design and planning considerations. Further, if the Commission is seeking comparability/relativity in such a metric, the proposal as stated is unlikely to produce usable information due to the wide variation in the intensity of connection growth across all 29 EDBs.
28. A more workable solution may be to require EDBs to monitor and report on consumers’ satisfaction with its new connection process. In section 2.1.5 (p9), below, we recommend that EDBs should be required to develop and disclose customer charters, and to develop and report on service measures. We consider that satisfaction with new connection processes could be incorporated into customer charters. We note, however, that if consumer satisfaction with EDBs’ connection processes is measured and reported on, it will be necessary to have consumers set aside views on capital contributions, as these are likely to dominate and skew survey responses.
29. Accordingly, we **recommend** that the Commission abandons this proposal, as a standalone initiative, in favour of a more efficient, integrated approach based on development of EDB-specific customer charters (refer section 2.1.5, p9).

#### 2.1.4. Proposal Q4 – Customer Service

##### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

##### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the*

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<sup>11</sup> We consider that we can speak authoritatively on this matter, as our service area encompasses the network reporting areas (Queenstown and Central Otago) with the first- and second-highest rate of connection growth nationally (Source: [www.emi.ea.govt.nz](http://www.emi.ea.govt.nz)).



*use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

#### Potential Solution

*Add ID requirements on customer service, e.g., customer complaints.*

30. For the reasons set out below, Aurora **provisionally opposes** this proposal.
31. Aurora considers that the proposal, as currently framed, is unlikely to be consistent with the ID purpose, as the proposal is unreasonably vague, making it:
  - unclear whether the change proposal would enhance interested persons’ ability to assess whether the Part 4 purpose is being met, and
  - difficult to provide meaningful and constructive feedback.
32. Further, the specific example of reporting on customer complaints is concerning, as it is a clear example of regulatory overlap and has the potential for inefficient, duplicate reporting. Utilities Disputes Limited (UDL) is the regulator tasked with industry dispute resolution,<sup>12</sup> requires reporting from EDBs, and conducts summary & analysis. If the Commission believes that information reported to, and summarised by, UDL could be richer and/or more accessible to consumers, then it should open discussions with UDL as to how that can occur.
33. We recognise the value in setting out performance indicators for customer service and reporting on them. In section 3.1.5, below, we recommend that EDBs should be required to develop and disclose customer charters, and to develop and report on service measures. We consider that, properly crafted, the Commission’s ‘Q5’ proposal can adequately cover customer service measures and reporting.
34. Accordingly, we **recommend** that the Commission abandons this proposal, as a standalone initiative, in favour of a more efficient, integrated approach based on development of EDB-specific customer charters (refer section 2.1.5, p9).

### 2.1.5. Proposal Q5 – Customer Charter & GSLs

#### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

#### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

#### Potential Solution

*Add ID requirements on information about customer charters and guaranteed service level (customer compensation) schemes, e.g., information about existing schemes, information that could be relevant to such schemes in the future.*

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<sup>12</sup> UDL is the provider of the approved dispute resolution scheme specified in Schedule 4 of the Electricity Industry Act 2010.

35. Aurora **provisionally opposes** this proposal, for the reasons outlined below, and **offers an alternative solution**.
36. Aurora considers that the proposal, as currently framed, is unlikely to be consistent with the ID purpose, as the proposal is unreasonably vague, making it:
- unclear whether the change proposal would enhance interested persons' ability to assess whether the Part 4 purpose is being met, and
  - difficult to provide meaningful and constructive feedback.
37. To the best of our knowledge, from an examination of EDB websites, only Aurora has a published customer charter (Board certified in accordance with the ID determination). A further examination of EDB default distributor agreements (**DDAs**) suggests that only 7 of 29 (24%) EDBs operate any form of customer compensation scheme, no matter how limited.
38. Aurora considers that the proposal that EDBs provide information on customer charter and customer compensation schemes is unlikely to deliver any additional useful information to consumers, other than that already available via EDBs' existing disclosures.
39. To provide consumers with greater clarity (including tailoring customer service/quality of supply measures specific to the concerns of each EDB's consumers), and to resolve underlying issues with the Commission's Q2, Q3 and Q4 proposals, we **recommend** that the Commission introduce a requirement for EDBs to develop, certify and publish a customer charter. The customer charter should, as a minimum, set out each EDB's approach to the following matters, and provide information where more detailed information can be found (if any):
- Consumer consultation;
  - Public safety;
  - Property access;
  - Service levels;
  - Inquiry and complaint management; and
  - Customer compensation (if applicable).
40. We do not think that it is possible to consider introducing any form of mandatory consumer compensation scheme at this time. Although the Part 4 framework explicitly contemplates the introduction of consumer compensation schemes,<sup>13</sup> such schemes, as implemented in other jurisdictions, are normally funded. If a consumer compensation scheme was mandated, a reconsideration of DPPs would be required under clause 4.5.6(1)(a)(ii) of the Input Methodologies (**IMs**) (change event). We consider that any consideration of mandatory consumer compensation schemes is held over until the next DPP reset.

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<sup>13</sup> Section 53M(2) of the Act provides the Commission with discretion to introduce consumer compensation schemes into DPPs. The Act is silent on consumer compensation schemes for exempt EDBs, and whether the Commission has the discretion to extend such schemes to exempt EDBs is unclear to us.

### 2.1.6. Proposal Q6 – Response to Outages

#### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

#### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

#### Potential Solution

*Expand ID requirements on response time to outages.*

41. For the reasons set out below, Aurora **provisionally opposes** this proposal.
42. Aurora considers that the proposal, as currently framed, is unlikely to be inconsistent with the ID purpose, as the proposal is unreasonably vague, making it:
  - unclear whether the change proposal would enhance interested persons’ ability to assess whether the Part 4 purpose is being met, and
  - difficult to provide meaningful and constructive feedback.
43. While SAIDI provides some measure of responsiveness to outages, the measure can vary significantly depending on a variety of factors, including the complexity of the fault and/or severity of environmental conditions.
44. It maybe that a fairly simple measure, such as the average time to truck-roll following identification of an outage, would suffice; however, the proposal is currently broad and vague, and needs to be refined for it to be appropriately considered. We **recommend** deferral to tranche 2 to allow for further development of the proposal, and to facilitate informed feedback.

### 2.1.7. Proposal Q8 - MAIFI

#### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

#### Problems with current ID requirements in achieving the outcomes sought

*ID could better capture the consumer’s experience of quality of service, when it comes to electricity reliability, by expanding it to include different types of measures. Without these other measures, ID gives a limited picture of how good quality actually is.*

#### Potential Solution

*Add ID requirements on the Momentary Average Interruption Frequency Index (MAIFI) to capture momentary interruptions that can be hidden or misrepresented by existing SAIDI and SAIFI requirements.*

45. For the reasons set out below, Aurora **provisionally opposes** this proposal.
46. We consider that the proposal is unlikely to be consistent with the ID purpose, as it is not immediately clear that the proposal would enhance interested persons' ability to assess whether the Part 4 purpose is being met.
47. There is significant complexity in implementing MAIFI as a quality measure:
- since the index is heavily influenced by transient faults, it is less comparable than SAIDI and SAIFI, as geographic location has a significant bearing on the outcome. For example, networks that are routinely exposed to a high incidence of lightning are likely to have a higher MAIFI; and
  - because of the weather influence described above, time-series comparisons for a single EDB may not be meaningful, as more severe or benign weather may skew annual results.
48. We are also concerned, should MAIFI be selected as an ID measure, that it remains an ID measure and is not introduced at some later stage as a compliance measure for non-exempt EDBs. In our view, this would have a high potential to result in a perverse outcome. Quality standards, based on SAIFI, incentivise EDBs to sectionalise their networks by installing auto-reclosing circuit breakers (**reclosers**) to limit consumer disruption from transient faults of the type that would drive MAIFI. If quality standards were to include SAIFI and MAIFI, both indices would be in tension with each other to some degree. An EDB that was close to breaching its MAIFI standard, but had headroom in SAIFI, would be incentivised to disable its reclosers to ensure that MAIFI did not increase. Such an outcome would not serve the interests of consumers.
49. We **recommend** that the Commission abandons this proposal or, if not prepared to abandon the proposal at this time, transfer the proposal to tranche 2 so it can be more carefully considered and developed.

### 2.1.8. Proposal Q9 – Worst Served Customers

#### Outcome the Commission is seeking

*Disclosed information reflects the consumer's experience of quality of service, enabling a more meaningful assessment of quality.*

#### Problems with current ID requirements in achieving the outcomes sought

*The consumer's experience of quality of service varies and can include localised problems that disproportionately affect small groups of consumers. Current ID requirements relating to quality are sometimes aggregated to a level that does not pick up these localised issues.*

#### Potential Solution

*Add ID requirements regarding those customers worst served on the network in terms of reliability. We had some requirements in this area in the regime that came before Part 4, but questions were raised about the value of the disclosed information in light of technical challenges producing it. We welcome feedback from EDBs in particular on the feasibility and usefulness of such information.*

50. Subject to our comments below, Aurora provides **provisional support** for this proposal.
51. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands. Information on worst served feeders is likely to be useful to consumers, especially if provided in conjunction with planning information that describes what is planned to improve matters.

52. The weakness of the measure, however, is that irrespective of how good an EDB’s reliability is, it will always have worst performing feeders. This can present a difficulty for EDBs, as consumers may expect further improvements to the reliability performance of those feeders. However, as general reliability improves, the cost of incremental improvement increases, and it may not be economic to seek further improvements (especially for cost constrained non-exempt EDBs).
53. It may be useful for EDBs to supplement the proposed disclosure by discussing the variance of worst performing feeders from performance expectations (urban, rural, remote rural, mixed urban/rural).
54. We **recommend** that clause 1.12.3 of Attachment C of the ID determination be transferred to Attachment A (Asset Management Plans) as a generally applicable ID requirement, subject to qualification that if the information is disclosed in another regulatory disclosure, it need not be included in the AMP.<sup>14</sup>

### 2.1.9. Proposal Q11 – Successive Interruptions

#### Outcome the Commission is seeking

*Disclosed quality information is comparable between EDBs and consistent over the time series, allowing both better assessment of quality and greater ability to learn and improve ID requirements and associated summary and analysis.*

#### Problems with current ID requirements in achieving the outcomes sought

*Low prescription/guidance on some interruption reporting requirements creates unnecessary inconsistency between EDBs, and over time.*

#### Potential Solution

*Refine ID requirements on interruptions by clarifying definitions to ensure successive interruptions are recorded consistently.*

55. Subject to our comments below, Aurora **supports** this proposal.
56. Aurora considers that the proposal is consistent with the ID purpose, as it allows interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands.
57. Aurora considers that improving the clarity of definitions enhances the workability of the Part 4 regime in general, and notes that the definitions of interruption contained in the ID determination and DPP determination are inconsistent (with the definition in the DPP determination being more expansive).
58. The issue of successive interruptions was first identified in 2019, and has not been satisfactorily resolved to-date. The Commission has continued to issue exemption notices modifying audit requirements in relation to ID Schedule 10.
59. In Aurora’s view, the issue of how successive interruptions are to be recorded was clarified in 2019, and EDBs have had sufficient time to implement procedural changes so that successive interruptions are recorded correctly. We do not see any reason why successive interruptions cannot be correctly reported in ID. We recognise that resolution of the issue in price-quality regulation, from the perspective of setting and complying with quality standards, is more complex and will likely require a different approach.

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<sup>14</sup> This would avoid the need for Aurora to make inefficient, duplicate disclosures.

60. We **recommend** that the Commission, in implementing this proposal, amends the ID definition of interruption so that it is consistent with the definition in the DPP determination.

#### 2.1.10. Proposal Q12 – Interruption Cause Categories

##### Outcome the Commission is seeking

*Disclosed quality information is comparable between EDBs and consistent over the time series, allowing both better assessment of quality and greater ability to learn and improve ID requirements and associated summary and analysis.*

##### Problems with current ID requirements in achieving the outcomes sought

*Low prescription/guidance on some interruption reporting requirements creates unnecessary inconsistency between EDBs, and over time.*

##### Potential Solution

*Refine ID requirements or add guidance on assigning interruptions to cause categories.*

61. Subject to our comments below, Aurora provides **provisional support** for this proposal.
62. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands. Aurora supports improving the clarity of ID definitions.
63. While the Commission has not provided any detail concerning the refinements or guidance it considers necessary, we have for many years experienced issues with assigning interruptions to ‘main equipment involved’, to the extent that we have had to create our own definitions of main equipment and disclose those in Box 13 of Schedule 14.
64. If, as a result of this proposal, EDBs are required to be more precise in assigning interruptions to cause categories, this may increase the number of interruptions categorised as ‘unknown’. Currently, it is possible to assign an interruption to a cause category if the cause is not firmly established but ‘likely’. We **recommend** that Commission consider how degrees of certainty are handled and disclosed in this proposal.

#### 2.1.11. Proposal Q13 – Disaggregate Cause of Third Party Interference Interruptions

##### Outcome the Commission is seeking

*The usefulness of disclosed information is maximised by targeting the requirements where appropriate..*

##### Problems with current ID requirements in achieving the outcomes sought

*Some ID requirements are too high level to allow important trends or underlying factors to be identified.*

##### Potential Solution

*Refine ID requirements on third party interference interruptions by breaking down into more specific categories, such as vehicle damage, “dig in”, overhead contact, and vandalism.*

65. Subject to our comments below, Aurora provides **provisional support** for this proposal.
66. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer

demands. Further disaggregation of third party interference interruptions should be useful to consumers, as it helps to expose the range of issues that EDBs cannot control (but may be able to weakly influence, in some circumstances).

- 67. From Aurora’s perspective, most of the examples of disaggregated third party interference causes provided by the Commission are already recorded by us, and we are not unduly concerned that the proposal would result in excessive additional costs.
- 68. From the perspective of identifying controllable and uncontrollable interruption causes, there may be merit in further disaggregating other cause categories. An example is vegetation, where EDBs are only tasked with managing or influencing vegetation control within, or closer, than the notice zone<sup>15</sup> (i.e., interruptions caused by fall-length trees are generally uncontrollable).
- 69. We **recommend** that the Commission considers what other disaggregated cause measures would be useful.

## 2.2. DECARBONISATION

### 2.2.1. Proposal D2 – New Loads Driven by Decarbonisation

#### Outcome the Commission is seeking

*Stakeholders better understand how EDBs are planning and preparing for decarbonisation.*

#### Problems with current ID requirements in achieving the outcomes sought

*Some EDBs have included in their AMPs an assessment of the potential effect of decarbonisation driving significant new large load on their network. However, this is not consistent across EDBs, and in any event, is not information that is explicitly required in ID.*

#### Potential Solution

*There are various approaches that could be used to require EDBs to report more consistently and provide greater transparency, which would allow stakeholders to better understand the magnitude and effect of new large electricity loads on EDBs’ networks.*

*One example of this would be a requirement for an EDB to identify and report on the top 10 fossil-fuel loads in their area that could convert to electricity and the effect on their network and how they were preparing. Alternatively, a threshold (either absolute or proportional) could be introduced which required EDBs to report this information on new loads above a certain size.*

- 70. Subject to our comments below, Aurora provides **provisional support** for this proposal.
- 71. While we understand the Commission’s intent in proposing this requirement, we foresee workability issues that may result in the information being of insufficient quality to be consistent with the ID purpose.
- 72. The proposal is a little unusual, in that it places an onus on EDBs to gain an understanding of non-electrical energy demands within their network area. Although some work of this nature has been undertaken by South Island EDBs, there may be reasonable barriers to securing this information, including confidentiality issues.

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<sup>15</sup> Electricity (Hazards from Trees) Regulations 2003.

73. It should also be noted that decarbonisation impact will not be confined to large energy loads. Policy decisions affecting smaller distributed energy loads could have a significant impact; for example, a Ministry of Education edict requiring schools to electrify their heating.
74. In light of these issues, we **recommend** that the Commission transfers this proposal to tranche 2 so it can be more carefully considered and developed, including whether:
- any information disclosed by EDBs is provided on a ‘reasonable endeavours’ basis;
  - is exempt from the assurance report required under ID clause 2.8;
  - disclosed information is limited to non-electrical energy demands above a specified threshold (MW); and
  - EDBs should be required to state their confidence in the accuracy of the data disclosed.
75. We consider that the most appropriate method of disclosure is as a narrative within AMPs (network development planning).

### 2.2.2. Proposal D3 – Network Constraints

#### Outcome the Commission is seeking

*Stakeholders better understand how EDBs are planning and preparing for decarbonisation.*

#### Problems with current ID requirements in achieving the outcomes sought

*There are existing disclosure requirements (clause 2.3.13) specific to related party transactions which require affected EDBs to provide a map of their anticipated network expenditure and network constraints.*

*However, not all EDBs undertake related party transactions, meaning these requirements do not apply to all EDBs.*

#### Potential Solution

*We want stakeholders to be better able to understand the current and likely future constraints on EDB networks. This includes helping those providing new technology or services to be able to plan to compete to offer a solution to the constraints and helping those planning to connect to the system to choose where to locate. There is a spectrum of options, from simply requiring EDBs to report on their plans and progress and different scenarios in this area, to more prescriptive approaches that could require EDBs to provide information on current and expected constraints in a standardised (geo-spatial) format.*

*We want to understand how ID can help facilitate a shift to national level reporting of constraints with an approach that does not impose an unnecessary regulatory burden on EDBs.*

*For example, would simply expanding the requirements so that they apply to all EDBs be sufficient or do the existing requirements not capture all of the information necessary to properly explain the full nature of a constraint.*

76. Subject to our comments below, Aurora provides **provisional support** this proposal.
77. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist to innovate, invest and provide services at a quality that reflects consumer demands.



78. We consider, however, that the Commission needs to be clear on the problem it wants to solve, and the information it requires to do so. Underlying issues relating to constraint identification and related party transactions are very different, therefore a more refined approach than just replicating the related party transaction requirements is necessary.
79. We **recommend** that the issue of network constraint identification is de-linked from related party transaction issues, and network constraint identification and reporting be required as a stand-alone disclosure for all EDBs.
80. Aurora supports standardised disclosure, but any form of prescribed geo-spatial reporting should be system agnostic and not impose material additional costs on EDBs.
81. We note that, related to this proposal, the Electricity Networks Association’s (ENA’s) Information Disclosure Working Group (IDWG) has proposed that Schedule 12b is updated to better reflect current engineering planning practice. Aurora **supports** the IDWG proposal.

### 2.2.3. Proposal D4 - Innovation

#### Outcome the Commission is seeking

*Stakeholders have a better understanding of how EDBs are adapting to the changing environment and technical settings in which they operate, which is especially important given the impact decarbonisation will have on EDBs.*

#### Problems with current ID requirements in achieving the outcomes sought

*EDBs are required to report on their innovation activities under various clauses within ID. However, it can be difficult to identify the full spectrum of such activities being undertaken by EDBs through their disclosed information.*

#### Potential Solution

*There are various options, but one approach might be to require EDBs to specifically report their innovations practices in a stand-alone way in terms of: (a) what measures are EDBs taking that are innovative; (b) why are they innovative; (c) what EDBs are trying to achieve by carrying out the particular innovation; and (d) how EDBs are measuring their success.*

82. Subject to our comments below, Aurora provides **provisional support** for this proposal.
83. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate and invest.
84. The existing ID determination requires only two aspects of innovation to be reported:
  - planned innovations that improve efficiencies within the network, such as improved utilisation, extended asset lives, and deferred investment (Attachment A, clause 11.9.3); and
  - description of innovations that have deferred asset replacements (Attachment A, clause 12.3.2).
85. To further this proposal, greater clarity of what is meant by innovation will be required. By definition, innovation contains an element of novelty, and we consider that it would be inefficient for EDBs to all be incentivised to chase novel approaches to consistent problems. In this context, we don’t consider the issue is one of encouraging all EDBs to be innovators, but ensuring that appropriate incentives exist for EDBs to adopt innovative practices once those practices have been confirmed and validated (fast following).

86. We consider that adoption of innovative practices could be linked to the opportunities and challenges facing EDBs. Accordingly, we consider that any discussion of innovation should link in some way to EDBs’ network transformation roadmaps.
87. The issue is complex, and we **recommend** deferral to tranche 2 to allow for further development of the proposal, and to facilitate more informed feedback.

#### 2.2.4. Proposal D5 – Flexibility Resources

##### Outcome the Commission is seeking

*Stakeholders have a better understanding of how EDBs are adapting to the changing environment and technical settings in which they operate, which is especially important given the impact decarbonisation will have on EDBs.*

##### Problems with current ID requirements in achieving the outcomes sought

*Currently ID requires EDBs to report on their activities related to distributed generation. However, the requirements do not cover all flexibility resources, such as demand response. Further, there is no requirement for EDBs to make a specific declaration regarding the investigations and investment they have undertaken into exploring flexibility resources, as an option to provide innovative, cost effective and reliable electricity distribution services.*

##### Potential Solution

*Require information on the investigations undertaken and investment into flexibility resources.*

88. Subject to our comments below, Aurora provides **provisional support** for this proposal.
89. While Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate and invest; we are concerned that this proposal has the potential to create regulatory overlap between the Commission (as competition regulator) and the Electricity Authority (as electricity market regulator).
90. We also consider that existing ID requirements adequately address the Commissions concerns. Attachment A of the ID determination sets out the requirements for AMPs and, under the heading of ‘network development planning’, clause 11.9 requires options analysis to be provided, including justification of selected options, discussion of alternatives considered, and planned innovations for efficiency:

*“11.9 Analysis of the significant network level development options identified and details of the decisions made to satisfy and meet target levels of service, including-*

*11.9.1 the reasons for choosing a selected option for projects where decisions have been made;*

*11.9.2 the alternative options considered for projects that are planned to start in the next five years and **the potential for non-network solutions described**; and*

*11.9.3 consideration of planned innovations that improve efficiencies within the network, such as improved utilisation, extended asset lives, and deferred investment;” [emphasis added].*

91. Clearly, if the AMP contains an appropriately crafted and compliant network development section, then the considered use of distributed energy resources and flexibility services would be addressed.
92. Accordingly, we **recommend** that the Commission adds a practice note/guidance<sup>16</sup> to clause 11.9 of Attachment A that clearly sets out the Commission’s expectations regarding disclosure of EDBs’ non-network solution deliberations.

## 2.3. ASSET MANAGEMENT

### 2.3.1. Proposal AM1 – Asset Age Profiles

#### Outcome the Commission is seeking

*EDBs’ investment and operational efficiency are better understood by stakeholders.*

#### Problems with current ID requirements in achieving the outcomes sought

*Asset age data currently captured by ID is not sufficient to support Replacement Expenditure (Repex) modelling because it lacks specificity. Repex modelling can be used to help inform stakeholders as to whether a particular EDB is making optimal asset replacement decisions.*

#### Potential Solution

*Possible improvements to improve the specificity of asset age data disclosed under ID include:*

- *Finding an appropriate way to report what is currently designated as ‘unknown’ in the asset age category; and*
- *Splitting out asset age data at a level that is more granular than by decade for assets installed before 2000.*

93. Aurora **provisionally opposes** this proposal, for the reasons outlined below.
94. We consider that the proposal is inconsistent with the ID purpose statement. We are not convinced that the additional granularity of information proposed is necessary for interested persons to assess whether the purpose of Part 4 is being met.
95. We are unclear as to what the Commission means when it says “*report what is currently designated as ‘unknown’*”. Unknown quantities are already reported by asset category and asset class in Schedule 9b, so it is unclear what more disaggregation would be required to satisfy this requirement, and what interested persons would gain from further disaggregation of asset classes containing ‘unknown’ ages.
96. It is also unclear what benefit interested persons would gain from further disaggregation of other age data. Decade data should be sufficient to understand the age profile of EDBs’ assets and generally sense-check whether replacement expenditure (**repex**) is reasonable. As we pointed out at paragraph 6 (p3), above, the purpose of ID is to provide sufficient information is available to allow interested persons to assess whether the part 4 purpose is being met.
97. We note that many Distributors provide charts of the age profile of each fleet in the body of their AMPs, providing interested persons with a high level view of each fleet.

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<sup>16</sup> Existing practice note/guidance at clause 11.5 of Attachment A provides a representative example.

98. We consider that it would be unreasonable for the Commission to assume that, because Schedule 9b requires asset age information aggregated at the decade level, EDBs' repex modelling is based on data aggregated by decade. Nor is it reasonable to expect that Interested persons should be able to replicate repex modelling from disclosed information.
99. We **recommend** that the Commission abandons this proposal.

### 2.3.2. Proposal AM6 – Vegetation Management

#### Outcome the Commission is seeking

*Key asset management information is more accurate and/or accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks.*

#### Problems with current ID requirements in achieving the outcomes sought

*There appears to be a minor clarification required around what is classified as "Overhead circuit requiring vegetation management" with values ranging from 0% to 100%. More accurate data on the proportion of an EDB's network that requires vegetation management can help stakeholders better understand the efficiency of EDBs' vegetation management expenditure.*

#### Potential Solution

*Potential changes to the definition of 'overhead circuit requiring vegetation management' so that it is based upon a maximum distance between vegetation and an overhead circuit. We welcome feedback on what this distance should be or how else it can be consistently defined in the ID determination.*

100. Subject to our comments below, Aurora provides **provisional support** for this proposal.
101. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to improve efficiency. We consider, however, that the Commission's key concern is to ensure that relative efficiency can be assessed (benchmarking).
102. It is clear that derived unit rates for EDBs' vegetation management activities have varied considerably across the sector, according to how each EDB has defined the length of 'overhead circuit requiring vegetation management' in Schedule 9c. As stated above, Aurora supports improving the clarity of ID definitions, and a more precise definition would be welcome in this instance.
103. We are concerned, however, that depending on how the new definition is crafted, significant data collection costs may be imposed on EDBs whose vegetation management modelling is conducted on a basis, or methodology, that is inconsistent with any proposed new definition. This is a more acute problem for non-exempt EDBs, who must live within the operational expenditure (**opex**) allowances set by the Commission or seek reconsideration of their DPP.
104. We consider that reporting on the basis of vegetation within a specified proximity to overhead lines is likely to be inefficient, as it would require relatively constant inspection, and associated high costs. Instead, a more effective approach may be to define 'overhead circuit requiring vegetation management' as the 'linear distance of overhead line route (not per circuit) that has the potential to require vegetation clearance management in the next 5 years' (or similar). This would support more efficient inspection practices.

105. This proposal has similar issues to those of proposal AM2, below, and we therefore **recommend** that the Commission defers this proposal to tranche 2 to allow the costs and benefits of this proposal to be carefully assessed before progressing any further.

### 2.3.3. Proposal AM7 – Lifecycle Asset Management Planning (Vegetation & Methodologies)

#### Outcome the Commission is seeking

*Improved confidence in forecasts disclosures:*

- Give stakeholders greater confidence in the robustness of EDB spend forecasts; and
- Support price-quality path resets, as changes in EDBs' operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements.

#### Problems with current ID requirements in achieving the outcomes sought

*Current reporting requirements on lifecycle asset management planning: (a) do not cover vegetation management-related maintenance; and (b) lack sufficient detail to properly justify the expenditure projections of each asset category.*

#### Potential Solution

*Potential changes to the lifecycle asset management planning provisions to: (a) include vegetation management-related maintenance; and (b) include sufficient detail on the assumptions, modelling and economic justifications underpinning the relevant policies, programmes, actions and expenditure projections of each asset category.*

106. Aurora **provisionally opposes** this proposal, for the reasons outlined below.
107. Aurora considers that, while the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate, invest and improve efficiency, the proposal may be interpreted as requiring EDBs to provide evidence at a level that is inconsistent with the 'relatively low cost' DPP framework (and zero cost framework applying to exempt EDBs).
108. Nationally, vegetation management accounted for approximately 21 percent of EDBs' network opex spend in 2021 (\$57 million). Given the significant expenditure incurred on vegetation management, we consider that it is reasonable for EDBs to set out in AMPs, in some detail, how vegetation is managed.
109. Accordingly, as an alternative to the proposal, we **recommend** that clause 12 of Attachment A is amended to:
- specifically include vegetation management as a lifecycle activity; and
  - require summary discussion of the material assumptions made, modelling approaches used, and economic justifications that inform vegetation lifecycle management and associated forecasts.
110. For the avoidance of doubt, we do not support EDBs being required to publish specific evidence, including lifecycle models, in support of its vegetation forecasts. That level of evidence is inconsistent with the relatively low-cost nature of DPP regulation (and the zero cost approach to exempt EDBs), and more consistent with CPP regulation.

### 2.3.4. Proposal AM8 – Lifecycle Asset Management Planning (Data & Methodologies)

#### Outcome the Commission is seeking

*Improved confidence in forecasts disclosures:*

- Give stakeholders greater confidence in the robustness of EDB spend forecasts; and
- Support price-quality path resets, as changes in EDBs' operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements.

#### Problems with current ID requirements in achieving the outcomes sought

*Current reporting requirements on lifecycle asset management planning: (a) do not include sufficient information related to the data used to forecast asset replacement and renewal projects and programmes; and (b) lack sufficient detail to explain the methodology used by the EDB to determine the forecast expenditure within the AMP planning period.*

#### Potential Solution

*Potential changes to the lifecycle asset management planning provisions to: (a) include the processes and systems used to gather and verify the data used to forecast asset replacement and renewal projects and programmes; and (b) provide sufficient detail on the assumptions, modelling, and consideration of non-network alternatives underpinning the methodology used by the EDB to determine the forecast expenditure within the AMP planning period.*

111. Subject to our comments below, Aurora provides **provisional support** for this proposal.
112. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate, invest and improve efficiency.
113. In relation to part (a) of the proposal, Aurora considers that it is appropriate that EDBs are able to describe how critical asset management data is created and curated; however, we **recommend** that the Commission give pause to consider whether descriptions of data management should be more general and not just restricted to lifecycle asset management planning provisions.
114. In relation to part (b) of the proposal, similar to our recommendation for proposal AM7, we **recommend** that clause 12 of Attachment A is amended to require summary discussion of the material assumptions made, modelling approaches used, and economic justifications that inform general lifecycle management considerations and associated forecasts.
115. We further note, in relation to part (b) of the proposal, the Commission's focus on options for non-network alternatives. We have already noted, in section 2.2.4 (p18) above, that clause 11.9 of Attachment A (network development planning) already sets requirements for discussion consideration of non-network alternatives. We consider that network development planning is the most appropriate location for discussion of non-network alternatives, as non-network alternatives are more likely to be deployed in managing network growth and development, than as an alternative to asset replacement within the ambit of asset lifecycle management consideration.

### 2.3.5. Proposal AM9 – Forecast Scenarios

#### Outcome the Commission is seeking

*Improved confidence in forecasts disclosures:*

- Give stakeholders greater confidence in the robustness of EDB spend forecasts; and
- Support price-quality path resets, as changes in EDBs’ operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements.

#### Problems with current ID requirements in achieving the outcomes sought

*EDBs must disclose ‘single point’ values in their forecasting schedules. However, in certain situations it may be beneficial for stakeholders if EDBs were to provide an explanation and exploration of scenarios, in addition to providing a single point forecast.*

#### Potential Solution

*We welcome further stakeholder feedback on whether it may be beneficial if EDBs were to disclose an explanation and exploration of scenarios, in addition to providing a single point forecast in their forecasting schedules, and if so, in which areas and format would this be most useful.*

116. Subject to our comments below, Aurora provides **provisional support** for this proposal.
117. We consider that the proposal is likely to be consistent with the ID purpose statement, as it may allow interested persons to assess whether appropriate incentives exist to provide to improve efficiency.
118. Aurora considers that it will be critical for non-exempt EDBs to provide adequate commentary on alternative approaches within AMP disclosures if they need to secure an uplift in their opex allowances to support the use of third-party flexibility services.
119. However, as we pointed out in section 2.2.4 (p18), above, in relation to flexibility services, existing ID requirements already require EDBs to disclose “[a]nalysis of the significant network level development options identified ...”.<sup>17</sup>
120. Accordingly, we **recommend** that the Commission adds a practice note to clause 11.9 of Attachment A, to clearly set out the Commission’s expectations on the level of detail required in describing the options/scenarios that EDBs have identified and considered.

### 2.3.6. Proposal AM10 – Forecast Disconnections

#### Outcome the Commission is seeking

*Improved confidence in forecasts disclosures:*

- Give stakeholders greater confidence in the robustness of EDB spend forecasts; and
- Support price-quality path resets, as changes in EDBs’ operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements.

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<sup>17</sup> Ibid. Attachment A, clause 11.9, p90.

### Problems with current ID requirements in achieving the outcomes sought

*Schedule 12 forecasts number of new connections (gross increase) but doesn't account for disconnection so that stakeholders can understand the forecast disconnections.*

### Potential Solution

*Change the relevant provisions so that stakeholders can understand the number of forecast disconnections on an EDB's network.*

121. Aurora **opposes** this proposal for the reasons outlined below.
122. We consider that the proposal is inconsistent with the ID purpose statement, as we are not convinced that the information proposed is necessary for interested persons to assess whether the purpose of Part 4 is being met. The proposed information is of very low quality and importance.
123. In practical terms, disconnections are generally recognised in three ways:
- ICPs are disconnected for various reasons, including vacancy, and then reconnected at a later date;
  - ICPs move between load groups due to capacity upgrades or downgrades. The ICP is recognised as a disconnection within the 'losing' load group, and as a connection within the 'gaining' load group; or
  - Connection to an ICP is decommissioned and the electrical installation is demolished.
124. Irrespective of how disconnections occur, they are difficult to forecast other than through an extrapolation of historic data. The key issue is that disconnections do not drive investment, and therefore do not impose additional costs on consumers.
125. We **recommend** that the Commission abandons this proposal.

## 2.3.7. Proposal AM11 – Decarbonisation & Technology Capex Drivers

### Outcome the Commission is seeking

*Improved confidence in forecasts disclosures:*

- *Give stakeholders greater confidence in the robustness of EDB spend forecasts; and*
- *Support price-quality path resets, as changes in EDBs' operating environment may mean historic spend requirements are no longer a good indicator of future spend requirements.*

### Problems with current ID requirements in achieving the outcomes sought

*Additional information is required to enable stakeholders to better understand, test, and assess EDBs' expenditure. In particular, additional or different data would have better enabled related ID metrics to support our capex forecasting for our last reset.*

### Potential Solution

*Potential changes to enable ID data to better inform stakeholders understanding of EDBs' expenditure proposals. Capex forecasts (particularly in the context of decarbonisation and technological change).*

126. Aurora provides **provisional support** for this proposal; however, we note that there may be practical difficulties in implementing aspects of the proposal.



127. We consider that aspects of the proposal may be consistent with the ID purpose statement. The Commission’s preferred outcome of giving “*stakeholders greater confidence in the robustness of EDB spend forecasts*” is likely to be consistent with ensuring that interested persons have sufficient information to assess whether EDBs have incentives to invest and improve efficiency. However, we are mindful that supporting price-quality resets is not a purpose of ID regulation that is contemplated in the Act. Information gathering for activities beyond the ID purpose is provided for in other sections of the Act. In particular, information requests under section 53ZD of the Act have occurred during previous resets.
128. The Commission’s proposal is not sufficiently developed, to the extent that meaningful and constructive feedback can be provided. We can see why segregating investment relating to decarbonisation and technological change would be useful; however, actually making that distinction may be difficult.
129. Potentially, investment aimed at increasing DER hosting capacity might be categorised as decarbonisation-driven capital expenditure (**capex**), as might connection upgrades to facilitate electric heating conversions (normally categorised as consumer connection). However, we foresee difficulties further back in the network, when system growth is the usual driver. It may be difficult to precisely distinguish between decarbonisation-driven growth and organic growth. This has the potential to introduce subjectivity/ambiguity into disclosures, especially considering EDBs are likely to be dealing with imperfect data.
130. In Aurora’s view, the complexity of this issue makes it unsuitable for inclusion in the expedited tranche 1 proposals, and we **recommend** that the proposal be deferred to tranche 2 to allow an enhanced problem statement and proposal to be developed.

## 2.4. INFORMATION DISCLOSURE ALIGNMENT

131. The Commission has not made any information disclosure alignment proposals in tranche 1. Aurora notes, however, that the tranche 2 alignment proposals are relatively straightforward and administrative in nature.
132. We have recommended that the tranche 2 alignment proposals are reprioritised to tranche 1. Further comment is provided in section 3.4 (p35), below.

## 3. TRANCHE 2 ISSUES

### 3.1. QUALITY OF SERVICE

#### 3.1.1. Proposal Q7 – Network Evolution

##### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

##### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service includes things beyond simply whether the power is on or off. As it stands, ID does not capture all of the aspects, meaning it gives a limited picture of quality. Changes in the use of electricity and in technology will likely make the meaning of quality of service expand further and increase consumer interest in this topic.*

##### Potential Solution

*Expand forward-looking AMP requirements on how EDBs will continue to perform for consumers, e.g., commitments to develop the network for future technology.*

- 133. Subject to our comments below, Aurora provides **provisional support** for this proposal.
- 134. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate and invest, and to provide services at a quality that reflects consumer demands.
- 135. Significant changes are expected to the way electricity distribution networks will be used in the near-to-medium term, as a result of decarbonisation. Withdrawal of carbon-based heating sources, in particular, is likely to make the resilience and reliability of electricity distribution networks increasingly important as electricity becomes the main source of household and business heating.
- 136. To meet these changes and challenges, EDBs are giving considerable thought as to how their network management and operating practices need to evolve and develop. The ENA has recently refreshed its network transformation roadmap (NTR) and many EDBs are developing NTRs specific to the circumstances of their networks.
- 137. Attachment A of the ID determination already contains requirements for network development planning which, on the face of it, should adequately cover the requirement to describe how electricity networks will continue to perform for consumers. Accordingly, we **recommend** that this proposal is implemented by the inclusion of additional guidance and/or practice notes within clause 11 of Attachment A.

### 3.1.2. Proposal Q10 – Reliability by Network Category & Region

#### Outcome the Commission is seeking

*Disclosed information reflects the consumer’s experience of quality of service, enabling a more meaningful assessment of quality.*

#### Problems with current ID requirements in achieving the outcomes sought

*The consumer’s experience of quality of service varies and can include localised problems that disproportionately affect small groups of consumers. Current ID requirements relating to quality are sometimes aggregated to a level that does not pick up these localised issues.*

#### Potential Solution

*Expand ID requirements to include disaggregated SAIDI and SAIFI by network category (e.g., urban, rural) and region.*

138. Subject to our comments below, Aurora provides **provisional support** for this proposal.
139. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to provide services at a quality that reflects consumer demands.
140. We consider that some level of regional reporting may be feasible for some EDBs, depending on the topology of each individual network. However, we expect that there may be significant difficulty in reporting reliability on the basis of on a rural/urban characteristics.
141. The ID determination already contains requirements for sub-network reporting; however, for the most part, this requirement was poorly defined and implemented in relation to sub-networks that were geographically separate or non-contiguous.
142. Firstly, the term geographically separate was never defined. Secondly, a significant discrepancy occurred between how the Commission intended sub-networks to be defined, evidenced in its 2012 ID reasons paper, and the actual definition in the ID determination. The Commission intended that “[a] lines or pipeline service charging different standard prices across different regions also constitutes non-contiguous networks, particularly if the incremental cost of disclosing by sub-networks is low”.<sup>18</sup>
143. This discrepancy and definitional imprecision resulted in the Commission creating bespoke sub-network reporting requirements for Aurora in its annual delivery report (ADR), specified in Attachment C of the ID determination, to ensure that separate reporting was undertaken for each of Aurora’s pricing areas.
144. The historic issues with defining sub-networks provides a salient lesson. The Commission’s intentions must be clearly reflected in the ID determination since, as we pointed out in our submission on the Commission’s draft decision on Aurora’s CPP disclosures:

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<sup>18</sup> Commerce Commission. (2012). Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper. Paragraph 7.3, p101.

*“Reasons papers provide useful contextual information, and explain the rationale for the decisions that underpin the requirements of regulatory determinations. Reasons papers are not, however, an extension of regulatory determinations with additional compliance obligations.”<sup>19</sup>*

145. Should the Commission require disaggregated reliability reporting by pricing area, for all EDBs, then we **recommend** that the Commission replicate the appropriate Aurora ADR requirements.
146. We consider that reliability reporting on the basis of rural/urban split is more problematic.
147. The definitions of urban and rural, within the ID determination, are both cumbersome and imprecise, requiring EDBs to make an assessment of high voltage overhead span length combined with a judgement as to whether the location is “urbanised” or “ruralised” (neither term being further defined). This makes it difficult to set a hard boundary between rural and urban network segments.
148. Further compounding the issue is that, for many networks, high voltage feeders very often start within an urban setting and terminate in a rural setting, with significant variation in the proportions of circuit length that reside in either setting. In our view, it is only feasible to assess disaggregated reliability performance at the feeder level (FAIDI/FAIFI), and therefore determining how each feeder would be categorised is critical. Even if the requirement was to report reliability according to ‘mainly (>50%) rural’ or ‘mainly (>50%) urban’, we are not convinced that the resulting information would be meaningful or useful.
149. We therefore **recommend** that the Commission abandons this proposal to report reliability on the basis of urban/rural location and, instead, suggest that Distributors should establish their own method of disaggregating their networks, set service level targets for each level of disaggregation and report performance against these targets, including remediation actions where performance does not yet meet the target. This should be accompanied by a map showing how each location is classified, which would be useful for consumers as it provides better transparency of performance and consumers would understand the level of reliability they need to plan for. This is an approach that Aurora intends to develop in the near-term.

### 3.1.3. Proposal Q14 – Raw Outage Data

#### Outcome the Commission is seeking

*The usefulness of disclosed information is maximised by targeting the requirements where appropriate.*

#### Problems with current ID requirements in achieving the outcomes sought

*Some ID requirements are too high level to allow important trends or underlying factors to be identified.*

#### Potential Solution

*Expand ID requirements to include some raw outage data, which is currently only provided to us by non-exempt EDBs in advance of price-quality path resets.*

150. Subject to our comments below, Aurora provides **provisional support** for this proposal.
151. On a standalone basis, we consider that the proposal is unlikely to be consistent with the ID purpose statement. The Commission’s problem statement is not sufficiently developed to make it clear that providing

<sup>19</sup> Aurora Energy Limited. (2021). Aurora Energy’s Additional Information Disclosure Requirements: Submission on the Commerce Commission’s Draft Decision . Paragraph 12, p4.

raw outage data, in addition to audited and certified schedule 10 disclosures, would enhance interested persons' ability to assess whether the Part 4 purpose is being met.

152. However, in response to proposals Q1 and AM5, we have recommended that the Commission amends the SAIDI and SAIFI normalisation methodology for ID reporting so that it is consistent with the normalisation methodology specified in the DPP3 determination. Should those recommendations be adopted, then we see it as inevitable that exempt EDBs will need to disclose raw interruption data.

## 3.2. DECARBONISATION

### 3.2.1. Proposal D1 – Low Voltage Network Practices

#### Outcome the Commission is seeking

*Stakeholders better understand how EDBs are planning and preparing for decarbonisation.*

#### Problems with current ID requirements in achieving the outcomes sought

*We expect that decarbonisation may affect EDBs' networks in terms of increased power flow, potentially, resulting in localised congestion and power quality issues, caused by EV uptake and new DER connections. A significant portion of EDBs' assets consist of low voltage (LV) networks, which unlike the higher voltage networks, generally have limited network monitoring. Current ID requirements do not require EDBs to provide much information about their LV networks and stakeholders have very little visibility of EDBs' LV networks, in terms of information on capacity and power quality.*

#### Potential Solution

*The range of changes that could be made to ID for EDBs to provide more information on their LV networks fall along a spectrum. At the more prescriptive end of the spectrum, there could be a requirement for EDBs to provide detailed and potentially much more frequent information about metrics of their LV network, such as those on capacity and power quality.*

*A less prescriptive approach would be for EDBs to disclose their plans to develop and improve their LV network practices. This would be similar to the approach adopted for Aurora.*

*We welcome feedback from stakeholders on the appropriate approach to take.*

153. Subject to our comments below, Aurora provides **provisional support** for this proposal.
154. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to innovate and invest, and to provide services at a quality that reflects consumer demands.
155. This proposal has significant similarity to, and alignment with, the Commission's Q7 proposal (Network Evolution) above. Accordingly, our comments on this proposal are largely the same.
156. Given the criticality of low voltage networks to decarbonisation and EDBs' technological adaptation, we consider that it is reasonable for EDBs to disclose how they are planning to develop and improve their low voltage network practices and visibility.

157. We consider this is best achieved by providing a summary of low voltage network development planning in AMPs, although some EDBs may choose to disclose their NTRs in full. Attachment A of the ID determination already contains requirements for network development planning which, on the face of it, should adequately cover the requirement to describe low voltage network development planning. Accordingly, we **recommend** that this proposal is implemented by the inclusion of additional guidance and/or practice notes within clause 11 of Attachment A that clearly sets out the Commission’s expectations regarding disclosure of EDBs’ development of low voltage network practices.

### 3.2.2. Proposal D6 – Standardise Price Components & Categories

#### Outcome the Commission is seeking

*Stakeholders are better able to assess and compare EDBs’ performance on pricing.*

#### Problems with current ID requirements in achieving the outcomes sought

*We currently require EDBs to disclose revenue by price category and component, but the information is not standardised which we understand has made interested parties’ analysis of pricing unnecessarily difficult. Understanding pricing performance is increasingly important given the increased demands on capacity during peak times due to increased electrification, and the ability of technologies to respond to price signals.*

#### Potential Solution

*Refine current requirements by providing standardised price components and/or price categories that EDBs can record revenue against in addition to a free field for revenue that does not fit one of the standardised categories or components.*

158. Aurora **provisionally opposes** this proposal, for the reasons set out below.
159. Aurora considers that the proposal is unlikely to be consistent with the ID purpose. In our view, the Commission’s problem statement is not sufficiently developed to make it clear defining standard price components and categories would enhance interested persons’ ability to assess whether the Part 4 purpose is being met.
160. We are concerned that this proposal creates a situation where the Commerce Commission (as competition regulator) is creating an overlap with the Electricity Authority, (as electricity market regulator). Further, there is a hint of regulatory over-reach, given that the Electricity Authority is tasked with regulating distribution pricing and pricing methodologies.
161. We are also concerned that the proposed solution may have unintended consequences. The proposal implies that the Commission is picking winners and losers, in terms of pricing structures. ‘Standard’ price components and categories are likely to be interpreted as ‘good’ (or having the Commission’s seal of approval) by consumers, and non-standard price components and categories interpreted as ‘bad’.
162. The Commission should be mindful that most EDBs are moving forward with distribution pricing reform and development of more cost-reflective pricing. An examination of EDBs’ pricing methodologies and distribution pricing roadmaps suggests that most EDBs are pursuing, or intend to pursue, time-of-use pricing for residential consumers. This process of distribution pricing reform can be expected to drive greater industry standardisation over time.

163. Aurora **recommends** that the Commission abandons this proposal. The Commission should let the Electricity Authority get on with its work programme and if, through monitoring development of distribution pricing, the Commission has lingering concerns, it should engage directly with the Electricity Authority to determine how its concerns could be resolved.

### 3.3. ASSET MANAGEMENT

#### 3.3.1. Proposal AM2 – Unit Costs

##### Outcome the Commission is seeking

*EDBs' investment and operational efficiency are better understood by stakeholders.*

##### Problems with current ID requirements in achieving the outcomes sought

*The expenditure categories that EDBs are required to report are not sufficiently granular to enable stakeholders to understand the nature and efficiency of EDBs' expenditure.*

##### Potential Solution

*Identifying cost categories with known or observable relationships to other data that can enable better understanding of the efficiency of EDBs' expenditure plans. Unit costs are one basic approach we might explore, including:*

- *Capex unit costs e.g., asset replacement cost per unit (poles, conductors, transformers etc.); and*
- *Opex unit costs e.g., vegetation management expenditure/per km cut.*

164. Aurora **provisionally opposes** this proposal, for the reasons set out below.
165. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to improve efficiency; however, we are concerned that there may be significant workability issues that must be resolved before this proposal is tenable.
166. We are concerned that the Commission's key interest is to ensure that relative efficiency can be assessed (benchmarking). Benchmarking that was attempted to support the Commission's draft decision on Aurora's CPP<sup>20</sup> demonstrated the issues that can arise with poor technique, which we outlined along with supporting evidence in our submission on the draft decision.<sup>21</sup>
167. A key issue that is likely to impact the reliability and usefulness of unit rate benchmarks, is the way in which EDBs' expenditure programmes are setup, forecast and reported against. Take, for example, a pole replacement programme. An EDB may plan replacement of a number of poles as part of its renewal programme, and will forecast its capex requirement to undertake that work. However, there are a number of situations where poles will be replaced for reasons other than renewal; including:
- customer-driven asset relocations, including installing taller poles to increase conductor height to facilitate access to property;

<sup>20</sup> Commerce Commission (2020). Aurora Energy's proposal to customise its prices and quality standards: Draft Decision. 12 November 2020.

<sup>21</sup> Aurora Energy Limited. (2020). Aurora Energy's CPP Proposal: Submission on the Commerce Commission's Draft Decision. 19 December 2020.

- reconductoring programmes that cause the design/normal loading of existing structures to be exceeded; and
- customer driven works that required installation of additional equipment (transformers, etc.) that cause the design/normal loading of existing structures to be exceeded.

All of these secondary activities may result in derived unit costs that vary significantly from those attributable to the primary pole replacement programme.

168. Unit cost derivation may be more useful to inform a time-series comparison of an individual EDB rather than benchmarking across EDBs. Even then, care will be needed, as there are a wide range of factors that will influence costs. Taking again the example of poles, the delivery mix can have a significant influence; for example, if an EDB has a high proportion of simple rural pole replacements in one year, followed by a much higher proportion of complex urban poles in the next year, the unit cost will inevitably increase and is likely to be incorrectly regarded as a loss of efficiency.
169. We note the strong link between this proposal and proposal AM6 (Vegetation management), above. As a consequence, we have recommended that proposal AM6 be recategorised as a tranche 2 proposal.

### 3.3.2. Proposal AM3 – Accessibility of AMP Information

#### Outcome the Commission is seeking

*Key asset management information is more accurate and/or accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks.*

#### Problems with current ID requirements in achieving the outcomes sought

*Key information relating to asset management practices is located in various places within the AMPs, and the structure of AMPs varies between EDBs. This makes it difficult for stakeholders to identify and access such information.*

#### Potential Solution

*There is a wide spectrum of information that may be useful to stakeholders as well as various options for presentation in terms of format and location within the AMP. We are seeking feedback from stakeholders on the key information that stakeholders would like to be most accessible and the most useful manner it can be presented within an AMP. One approach to receiving this feedback may be through a user group forum to inform areas of interest.*

170. Subject to our comments below, Aurora provides **provisional support** for this proposal.
171. We accept that giving stakeholders an opportunity to provide feedback on AMPs, to make information more accessible, is directly related to enhancing interested persons ability to assess whether the Part 4 purpose is being met. However, the proposal is not sufficiently developed, making it difficult to provide meaningful and constructive feedback.
172. We would have strong reservations over any move toward standard, templated AMPs. In our view, subject to the requirements of Attachment A of the ID determination, EDBs must retain latitude to develop their AMPs in a manner that is consistent with the way in which they manage their business, or the AMP risks becoming an unused regulatory compliance document.



173. Another key consideration in changing the structure of AMPs is the cost to do so. Several EDBs have comprehensive, well developed AMPs and the time, cost and resource required to materially reconfigure those documents would be far more than trivial. This is especially concerning for non-exempt EDBs, who must live within a fixed operational expenditure limit.
174. We would support some form of user group forum whose focus would be to develop guidance aimed at increasing transparency and accessibility.
175. We look forward to considering the Commission’s more developed proposal in tranche 2.

### 3.3.3. Proposal AM4 – Network Resilience

#### Outcome the Commission is seeking

*Key asset management information is more accurate and/or accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks.*

#### Problems with current ID requirements in achieving the outcomes sought

*EDB reporting is currently not comprehensive enough to fully capture the range of resilience related risks EDBs face, including those posed by the effects of climate change on weather and sea levels (and possibly other factors such as vegetation growth rates).*

#### Potential Solution

*Improved reporting on the resilience and contingency planning of an EDB’s network could be enabled through ID changes, which we note would consequently support the work of the EA and other stakeholders. We are seeking feedback on how disclosure requirements could capture more comprehensive information on resilience and contingency planning.*

176. Subject to our comments below, Aurora provides **provisional support** for this proposal.
177. Aurora considers that the proposal is likely to be consistent with the ID purpose, as it may allow interested persons to assess whether appropriate incentives exist for EDBs to invest and innovate, and to provide services at a quality that reflects consumer demands.
178. We generally support the work of the ENA’s Quality of Supply Working Group, which has recommended that EDBs use the resilience guide developed by the Electricity Engineers’ Association (EEA)<sup>22</sup> to assess the resilience of their networks, and incorporate this information into AMPs.
179. The ENA has suggested that a self-assessment rating should be used, similar to that used in the ID Schedule 13 Asset Management Maturity Assessment Tool (AMMAT). Aurora’s only reservation with that recommendation is the significant subjectivity in self-assessment ratings. This is evident in the significant optimism shown in some EDB’s AMMAT scores, especially relative to the self-assessment provided by ISO55000<sup>23</sup> certified organisations.

<sup>22</sup> Electricity Engineers’ Association. (2020). Resilience Guide. Available from [www.eea.co.nz](http://www.eea.co.nz).

<sup>23</sup> International Standards Organisation. (2014). Asset management — Overview, principles and terminology (ISO55000:2014).

### 3.3.4. Proposal AM5 – Major Events

#### Outcome the Commission is seeking

*Key asset management information is more accurate and/or accessible to stakeholders, and better accounts for the challenges facing EDBs around maintaining resilience and managing increased weather-related impacts on their networks.*

#### Problems with current ID requirements in achieving the outcomes sought

*It is not always clear whether an outage that occurs during a storm is (a) primarily due to the storm itself; or (b) due to the impact of the storm on network assets that are in a poor state of repair or with insufficient design tolerance for their conditions.*

#### Potential Solution

*Require a summary report of each significant storm event. This could be informed by internal reporting and recording that could include the following:*

- *wind speed and wind direction data; and*
- *whether the wind speed actually exceeded the design tolerances of the network.*

*We are seeking further feedback on this from stakeholders to achieve a cost-effective solution that is useful to stakeholders.*

180. Subject to our comments below, Aurora provides **provisional support** for this proposal.
181. We consider that the intent of the proposal is likely to be consistent with the ID purpose statement, as it may allow interested persons to assess whether appropriate incentives exist to provide services at a quality that reflects consumer demands.
182. In Aurora’s view, this is an area where EDBs should be looking to gain greater understanding of operational performance, and differentiating between the triggers and causes of outages.
183. We note, however, that making assessments like “*whether the wind speed actually exceeded the design tolerances of the network*” can be very difficult. Design tolerances change over time as networks age and condition deteriorates. A line design may have a 1-in-200-year event design tolerance when it is first constructed, but renewal intervention may not occur until it has a 1-in-20-year (or less) design tolerance. That is, more risk is accepted as assets age.
184. Under the DPP3 quality standards regime, non-exempt EDBs are already required to provide summaries of investigations into major event days, and reporting is automatically extended in the event that the EDB breaches any of its quality standards.
185. The most efficient and consistent way of addressing the Commission’s problem underpinning this proposal is to require exempt EDBs to provide equivalent reporting. However, to do so, further changes to ID are required beyond the initiatives outlined in the Process & Issues Paper. As identified in section 2.1.1 (p6), above, the normalisation methodology for ID is out-of-step with the normalisation methodology currently used in price-quality regulation. The ID normalisation methodology has not been updated since 2012, and reflects the quality standards that were in force for DPP1.

186. To achieve the Commission’s preferred outcome, and consistent with our recommendation for proposal Q1 (section 2.1.1), we **recommend** that the Commission:
- aligns the ID normalisation methodology with the DPP3 normalisation requirements; and
  - requires exempt EDBs to identify and report on the causes of MEDs, in the same way that non-exempt EDBs are required to under DPP3.

### 3.4. INFORMATION DISCLOSURE ALIGNMENT

#### 3.4.1. Proposal A1 – Definitional Consistency

##### Outcome the Commission is seeking

*ID is aligned with our other regulatory rules.*

##### Problems with current ID requirements in achieving the outcomes sought

*The definitions of “recoverable costs” and “pass through costs” are inconsistent between the ID determination, the IMs and the current price-quality path.*

##### Potential Solution

*Changes proposed to the relevant clauses to ensure consistency of definitions of “recoverable costs” and “pass through costs”.*

187. Aurora **supports** this proposal with modification, as outlined below.
188. While Aurora’s view is that the proposal is not consistent with the ID purpose statement, in that alignment of definitions is unlikely to improve interested persons ability to assess whether the Part 4 purpose is being met, we consider that the proposal is consistent with the IM purpose statement. Consistent definitions will promote certainty for suppliers and consumers in relation to the rules and process of Part 4 regulation.
189. That the definitions of “recoverable costs” and “pass through costs” in ID and price-quality regulation have diverged from the IM definitions indicates that good regulatory policy practice has not been observed.
190. We disagree with the Commission’s prioritisation of this proposal, however. This is a housekeeping issue that should be undertaken as a tranche 1 change. Accordingly, we **recommend** that proposal be transferred to tranche 1 and that the Commission implements administrative practices that ensure that, in future, definitions remain consistent cross various regulatory instruments.

#### 3.4.2. Proposal A1 – Accelerated Depreciation

##### Outcome the Commission is seeking

*ID is aligned with our other regulatory rules.*

##### Problems with current ID requirements in achieving the outcomes sought

*Currently there is no mechanism in ID to allow EDBs to disclose their accelerated depreciation data. In our 2016 IM Review we decided to allow applications for adjustment factors in order to allow non-exempt EDBs, successful in an adjustment factor application, to disclose their accelerated depreciation data.*

### Potential Solution

*As part of this change, we will consider whether to amend the definition of 'asset or assets with changes to depreciation'.*

191. Aurora **supports** this proposal with modification, as outlined below.
192. While Aurora's view is that the proposal is not consistent with the ID purpose statement, in that alignment of depreciation methodologies is unlikely to improve interested persons ability to assess whether the Part 4 purpose is being met, we consider that the proposal is consistent with the IM purpose statement. A consistent approach to depreciation will promote certainty for suppliers and consumers in relation to the rules and process of Part 4 regulation.
193. The rules relating to RAB calculation (including depreciation) are contained within the IMs, which should be amended to ensure that RAB rules are consistent applied across various regulatory instruments.
194. We disagree with the Commission's prioritisation of this proposal, however. This is a housekeeping issue that should be undertaken as a tranche 1 change. There is no reason why different depreciation rules should apply to exempt and non-exempt EDBs, and the fact that the rules have been allowed to diverge indicates that good regulatory policy practice has not been observed. Accordingly, we **recommend** that proposal be transferred to tranche 1 and that the Commission implements administrative practices that ensure that, in future, common rules remain consistent cross various regulatory instruments.
195. A simple solution to disclosure of accelerated depreciation rates would be to expand ID Schedule 4 and require EDBs to disclose depreciation rates that are inconsistent with IM Schedule A.