

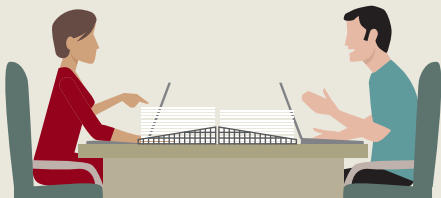
# Restoring Otago and Queenstown's power network

We are preparing to receive an application from Aurora Energy to invest around \$400 million in its network to address safety and reliability issues. Our role is to decide how much money it should be allowed to recover from its customers to carry out its plan and over what period. The amount we approve will affect your power bill. We want to make sure you are informed about our role so you can have your say throughout our assessment process.



## Why is investment needed in Aurora's network?

Aurora has historically under-invested in its network. This has resulted in a deterioration of its assets, including poles, lines and transformers. Aurora says its proposed investment is critical to ensuring its consumers have a safe and reliable supply of electricity and Aurora workers have safe and modern equipment to operate.



## How much more will I have to pay?

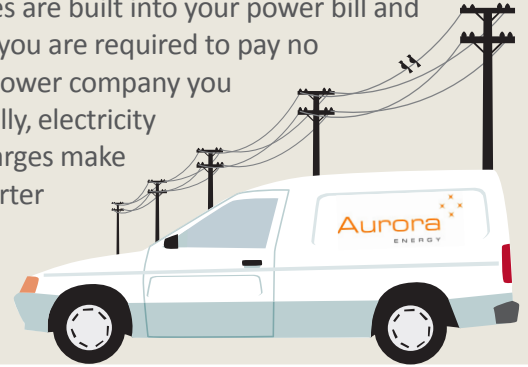
We will know Aurora's final proposed price increases in June when it submits its application to us. However, under its draft plan which it consulted its consumers on, it estimated that an average household's monthly power bill would increase by 18%. That equates to increases in residential line charges of up to \$21 a month in year one, followed by up to an additional \$10 more a month in both years two and three.

## About Aurora Energy

Aurora Energy owns and maintains the poles and wires that distribute electricity from Transpower's national grid to 90,000 homes, businesses and farms in Dunedin, Central Otago and Queenstown Lakes.

Aurora Energy is a wholly-owned subsidiary of Dunedin City Holdings Limited, owned by the Dunedin City Council.

Aurora's charges are built into your power bill and are something you are required to pay no matter which power company you are with. Typically, electricity distribution charges make up about a quarter of an average household's electricity bill.



## How will the Commission decide what revenues Aurora should be allowed to earn?

The Commission will assess Aurora's plan to ensure it fixes its network at the least cost to consumers.

Key issues we will assess include:

- whether Aurora has demonstrated that the investment is justified to address network safety and reliability issues
- your preferences as consumers of Aurora in regards to things like the timing and extent of planned power outages.

Before Aurora submits its plan to us it must consult with its consumers, as well as getting an independent expert to review its plan. This means when we come to make our decision, we have a good understanding of what consumers want and what key issues we need to focus on.

We will further scrutinise Aurora's plan to test the work of the independent expert. We will then determine Aurora's new revenue allowances and quality standards, which will come into effect on 1 April 2021.

A key consideration for us in this is balancing the cost to consumers with the urgent need to fix Aurora's network.



## What else has the Commission done to address issues with Aurora's network?

In March 2020 Aurora was penalised almost \$5 million by the High Court for breaching its quality standards between 2016 and 2019 in a case brought by the Commission. Among other things, Aurora admitted to under-investment in asset maintenance and renewal. This led to much of its equipment being in a deteriorated state, resulting in an increased level of power outages.

In 2018, we also encouraged Aurora to undertake an independent assessment of the state of its network. This provided a high level view of the key risks on Aurora's network and the areas where future investment should be prioritised.

## Why does Aurora have to apply to the Commission to earn more revenue?

Aurora is the only electricity lines company in the Dunedin, Central Otago and Queenstown Lakes area and consumers have no choice other than to connect to it. Therefore, the Commission regulates the total amount of revenue Aurora can earn from its consumers and the quality of service it must deliver. We do this by setting maximum allowed revenues and minimum quality standards for lines companies across New Zealand once every five years. However, if a lines company needs more revenue to invest in its network it can submit an investment plan to us to better meet its individual needs.



## Timeline

The key opportunities for you to have your say are outlined below.



<b>June 2020</b>	Aurora submits its investment plan to the Commission.
<b>July 2020</b>	Release of consultation paper outlining the key issues we intend to focus our review on.
<b>November 2020</b>	Release of our draft decision for consultation.
<b>March 2021</b>	Release of our final decision.
<b>1 April 2021</b>	Consumer price increases expected to take effect.

## The Commission's role in the electricity sector

The Commerce Commission is New Zealand's competition, consumer and regulatory authority. Our role in the electricity sector is to regulate monopolies like Aurora to encourage them to invest, innovate and deliver a quality of service their consumers expect, at an appropriate price.

We have a range of regulatory tools to achieve this and we can take legal action when monopolies break the rules.

While we set the maximum revenue lines companies can earn from their consumers, we do not set electricity prices, or manage the day-to-day operations of the regulated monopolies.

## Key steps to get power to your place

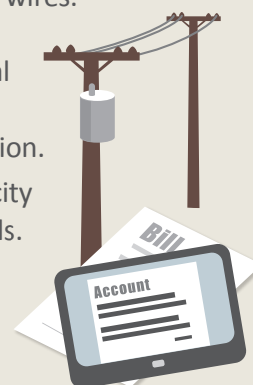
**Generation** – Most of our electricity is generated from hydro-electric power stations. Generation charges make up about a third of an average residential consumer's power bill. Generators are regulated by the Electricity Authority.



**Transmission** – Transpower owns and operates the national grid which moves electricity from where it is generated to where it is needed. Transmission charges make up about a tenth of an average power bill. Transpower is also regulated by the Commission as it has no competitors.

**Distribution** – Local lines companies, including Aurora, connect to the national grid and deliver power to your place through a network of poles and wires. Distribution charges make up about a quarter of an average power bill. Local lines companies are regulated by the Commission as they face no competition.

**Retail** – Power companies sell electricity to you and send you your monthly bills. Retail costs, GST and other charges make up about a third of an average power bill. Power companies are regulated by the Electricity Authority.



Find out more at [www.comcom.govt.nz/aurora](http://www.comcom.govt.nz/aurora)