Summary of Meeting between Aurora Energy and Commerce Commission staff (1 March 2021)

Purpose

1. This document summarises a meeting held on 1 March 2021 between Aurora Energy's (Aurora) management and Commerce Commission (Commission) staff.

2. The purpose of the meeting was to assess the workability of the Commerce Commission's draft policy decisions on information disclosure (ID) published in Attachment I of our Aurora CPP Draft Decision Paper in November 2020 (**November 2020 draft policy decisions**),[1] including:
   a. how the seven key ID topic areas (Annual Disclosure Report (ADR), quality of services, regional pricing, asset management, project quality assurance, cost estimation and data quality) may align with any actions Aurora currently undertakes under its existing operations; and
   b. any implementation difficulties that may arise for Aurora based on our draft policy decisions.

Meeting Location

3. The meeting was held virtually on Microsoft Teams at 1 PM on 1 March 2021.

Attendees

4. The following people were present at the meeting:

Commerce Commission

Grant Weston - Chief Advisor
Sapna Nair - Chief Advisor
Chris Peters - Senior Analyst

Aurora Energy

Alec Findlater - General Manager Regulatory and Commercial
Gary Dixon - Chief Financial Officer and General Manager Accounting and Finance
Glenn Coates - General Manager Asset Management and Planning

---

[1] https://comcom.govt.nz/__data/assets/pdf_file/0017/228023/Draft-decision-Aurora-Energy27s-proposal-to-customise-its-prices-and-quality-standards-12-November-2020.pdf

Sian Sutton – General Manager Customer and Engagement
Di Trainer – Executive Assistant to Richard Fletcher
David Healy – Broadhaven Consulting

5. Please note:
    a. This document is intended as a summary and does not provide a record of discussion verbatim.

6. Aurora prepared a slide presentation that formed the basis of what was discussed at the meeting. The meeting is summarised in the order of topic area as they were covered in the presentation. The slides used at the meeting are included in Attachment A. Aurora has confirmed that its slides do not contain confidential information and that they may be published with this summary.

Meeting Summary – 1 March 2020

7. The individuals at the meeting introduced themselves and their roles within their organisations.

8. Aurora stated that they will need to better understand the Commission's proposed ID requirements before it makes informed judgements on feasibility. Nevertheless, it has begun to test the indicative requirements and welcomes the opportunity to explain its initial views to the Commission.[2]

9. Aurora stressed the importance of focussing on key metrics and performance indicators and acknowledged its resources are generally constrained.[3]

10. Aurora presented its ADR Reporting Principles which it suggested should be used for testing reporting requirements.[4]

11. Aurora noted the importance of providing value added information that is of interest to consumers and that the development of its key systems may necessitate transitional reporting.

Financial Reporting

12. Aurora indicated that it uses a financial management system (SAP) to manage reporting and that annual information disclosures are already subject to audit and are prepared in a similar way for financial reporting.

13. Aurora stated that current improvement initiatives in financial reporting include regional reporting.

14. Aurora has anticipated the need for increased granularity in reporting and the need for new data fields within its FMIS, including transactional data by various reporting regions.

15. Aurora indicated that the timing for establishing new reporting procedures will depend on the extent and timing of the final requirements specified by the Commission and that these may require transitional mechanisms.

---

[2] Attachment A, pg. 2
[3] Attachment A, pg. 2
[4] Attachment A, pg. 3

16. Aurora presented its views on indicative financial reporting requirements.[5]

17. Aurora provided a comparison against initial financial reporting requirements.[6]

18. Commission staff noted that unit rate data was useful in measuring the improvement of efficiency of spend.

19. Aurora indicated that three pricing regions would be the maximum it could realistically deliver given the current reporting structure that is already in place.

20. Aurora provided a summary of its views on indicative financial reporting requirements.[7]

Works Delivery

21. Aurora highlighted the introduction of improved project processes, specifically the introduction of Sentient to better track individual projects.

22. Commission staff noted the value of giving consumers by region a sense of how Aurora's intentions were changing over time with regards to works delivery.

23. Aurora noted that the Asset Management Plan (AMP) currently provides information on projects.

24. Aurora provided some context and current status in regard to the proposed works delivery reporting requirements.[8]

25. Aurora provided a comparison against indicative work delivery reporting requirements.[9]

26. Commission staff noted the purpose of the ADR is to communicate information to consumers.

27. Aurora expressed concern related to duplicating effort by including information in the AMP and the ADR.

28. Aurora stated that information on, and reasons for, regional variances in the costs associated with vegetation management are complex and therefore may be of limited value to consumers.

29. Aurora provided a summary of its views on indicative works delivery reporting requirements.[10]

Customer Engagement

30. Aurora provided a summary of its current consumer engagement initiatives.[11]

31. Commission staff raised the practice by some other lines companies of using digital applications to notify of outages and updates on outages. Aurora stated that it has been looking at these

---

[5] Attachment A, pg. 7
[6] Attachment A, pg. 8
[7] Attachment A, pg. 9
[8] Attachment A, pg.11
[9] Attachment A, pg.12
[10] Attachment A, pg. 13
[11] Attachment A, pg. 15

options but acknowledges that an upgrade to its outage management system to enable real time data is required first.

32. Aurora acknowledged that further work is required to mature its customer management system and highlighted its planned improvements to customer engagement and reporting.[12]

33. Aurora provided a comparison against its indicative customer engagement reporting requirements.[13]

34. Aurora summarised its views on indicative customer engagement reporting.[14]

35. Aurora sought clarification on the definition of "worst-served customers", citing the need for an objective specification

36. Aurora summarised its proposed approach to improving voltage quality on its low voltage network. Aurora stated that it was tracking voltage quality inquiries through its quality team and bringing any complaints to a conclusion. Aurora also stated that it was installing voltage loggers at strategic locations on its network and intend to rely on smart meter data once it becomes economically available.

37. Aurora indicated that it intends to consult with its customers on its existing customer charter, pending the results of the final CPP decision.[15]

Reliability and Safety

38. Aurora indicated that it is prioritising the most critical safety improvements and is not yet in the position to fully optimise safety investments.

39. Aurora provided context and current status of its reliability and safety initiatives.[16]

40. Aurora provided a comparison against indicative reliability and safety reporting requirements.[17]

41. Aurora provided a summary of its views on indicative reliability and safety reporting requirements.[18]

Pricing and Environmental

42. Commission staff noted that the November 2020 draft policy decisions intend to make pricing more understandable for consumers.

43. Aurora provided context and current status related to pricing and environmental reporting requirements.[19]

---

[12] Attachment A, pg.16
[13] Attachment A, pg. 17-19
[14] Attachment A, pg. 20
[15] Attachment A pg. 17
[16] Attachment A, pg. 22
[17] Attachment A, pg. 23-24
[18] Attachment A, pg. 25
[19] Attachment A, pg. 27

44. Aurora provided its comparison against indicative pricing and reporting requirements.[20]

45. Aurora provided a summary of its views of indicative pricing and environmental reporting requirements.[21]

Process Improvements

46. Aurora provided context and the current status of its process improvements.[22]

47. Aurora provided its comparison against the indicative process improvement reporting requirements.[23]

48. Aurora provided a summary of its views on indicative process improvement reporting requirements.[24]

---

[20] Attachment A, pg. 28
[21] Attachment A, pg. 29
[22] Attachment A, pg. 31
[23] Attachment A, pg. 32-35
[24] Attachment A, pg. 36

Attachment A

Feedback on Proposed ADR Requirements 1 March 2021

Feedback on Proposed ADR Requirements

Commerce Commission Session

1st March 2021

Aurora Energy is investing a significant amount of money on its electricity network on behalf of its customers and as a regulated business should be 'held to account' for the delivery of its work plan.

Demonstrating the value of our investments and how we are improving as a business is important and will help build confidence in our ability to deliver a safe, reliable, and efficient service for customers. Such reporting may include:

- delivery against engagement plans and improvement initiatives;

- explanations for variances in our plans; and

- increased regional reporting on spending and outages.

We need to better understand the Commission's proposed requirements before we make informed judgements on their value and feasibility. Nevertheless, we have begun to test the indicative requirements at a high-level and welcome the opportunity to explain these initial views to the Commission.

Overall, we believe reporting requirements should be fit-for-purpose and provide genuine value. Focussing on key metrics and performance indicators will be of more value than a wide range of less compelling information.

To guide this, we have suggested a set of **Reporting Principles** (next slide).

In our view, proposed requirements should be tested against the following ADR Reporting Principles:

- **value-adding**: requirements should provide demonstrable value to customers, the Commission, and other stakeholders;

- **cost-effective**: requirements must weigh-up resourcing implications;

- **avoid duplication**: recognise existing ID reporting, other Aurora disclosures, and the role of the Electricity Authority;

- **commensurate**: recognising the relative maturity of the business, reflecting what's feasible now and later in the CPP Period;

- **flexible**: allow for transitional reporting (year to year) and include staggered reporting windows to avoid resource conflicts;

- **streamlined**: take opportunities to streamline reporting (e.g. incorporate WSP updates); and

- **deliverable**: improvement initiatives will need to align with expenditure allowances (particularly SONS). Number and scope to be confirmed post final decision.

The remaining slides set out our initial views on the proposed requirements, including:

- whether the proposed requirements align with the reporting Principles;

- the degree of related/similar current reporting we currently undertake;

- improvements we are making in the relevant areas (e.g., expanded customer engagement);

- our ability to report the information, both for RY22 and in RY23 and beyond (under a transition mechanism);

- a summary of key issues in each reporting area (based on Appendix I and our internal management structure):

    - areas requiring further definition to enable us to comment effectively;

    - areas likely to require a transitional mechanism;

    - areas that may be limited by availability of resourcing; and

Please note the views expressed in this presentation should be read together with our submission on the Commission's Draft Decision.

The material presented today covers *all items* included in the Commission's agenda. We have structured our feedback based on our previous analysis of the requirements, which was aligned with Appendix I of the Draft Decision and our internal management responsibilities.

Financial Reporting (Gary Dixon), Works Delivery (Glenn Coates)*

- The Annual Delivery Report – the ADR (what it is and how it might be delivered to consumers and other stakeholders) – covering quantitative measures (e.g., worst-served customers) and qualitative measures (e.g., customer satisfaction) [Para I20 to I34 and Figure I1];

Customer Engagement (Sian Sutton), Reliability and Safety (Glenn Coates)

- The quality of services, including monitoring voltage quality, customer charter and compensation scheme, safety, and non-notified planned outages [Para I35 to I47];

Pricing and Environment (Alec Findlater)

- Enhanced regional pricing information [Para I48 to I54];

Process Improvements (Glenn Coates)

- Asset management improvements [Para I55 to I62];

- Cost estimation process improvements [Para I69 to I73];

- Data collection and data quality process improvements [I74 to I78]; and

- Project quality assurance improvements [Para I63 to I68].

* Note some aspects of Figure I1 will also be covered in the other presentations.

Financial Reporting

Indicative requirements based on Figure I1

Financial performance of opex and capex projects and programmes	By region: Financial performance of opex and capex projects and programmes Actual spend vs planned spend of projects and programmes, with high-level reasons for variances, for each region split by category: • Capex- renewals, growth and security, other network, non-network (and further detail on sub-categories within each) • Opex – network, non-network (and further detail on sub-categories within each)

Context and Current Status

We are currently measuring the financial performance of opex and capex programmes utilising our SAP financial management system. External reporting is by way of:
• Audited annual Information Disclosures in accordance with input methodologies;
• Audited Annual Report in accordance with International Financial Reporting Standards (IFRS); and
• Management reporting to our Board on a regular basis.

Our ongoing improvement programme is targeting:
• reallocation of expenditure forecasts by pricing region (where practical);
• data capture process improvements to enable more granular reporting of actual expenditure;
• financial management system changes to better monitor out-turn costs;
• continuous improvements via automation of data capture processes where business case supports; and
• continuous improvement in accuracy and timeliness of management reporting.

Comparison against indicative financial reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23 + Feasibility	Comments
Capex Forecasts	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Capex Actuals	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Variance from forecast	✓	Partial, ID	TBC	Possible	
Unit rates	?	No	No	Possible	Unit rates are most informative for repetitive/volumetric programmes of work
Opex Forecasts	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Opex Actuals	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects
Variance from forecast	?	No	TBC	Possible	Less meaningful for trended forecasts, definition of how this can be effectively tracked
Unit rates	✗	No	No	TBC	Information not currently collected at a granular level Likely to require system changes

Alignment with ADR Principles	
✓	Aligned
?	TBC, subject to detailed requirements
✗	One or more potential issues

Reporting areas that require further definition

- Extent of regional reporting and dealing with multi-region works

- Application/extent of unit rates to programmes of work – unit rates are generally more informative for repetitive/volumetric types of work

Reporting areas likely to require transitional process

- Regional reporting of reactive / volumetric works

- Collection of more granular deliverables or those relating to new programs

- Opex-related deliverables

- Unit rate/average cost reporting

Aspects that may be impacted by future Aurora resourcing

- Data capture process improvements for regional reporting will require additional resources (people and/or system based)

- Systems based reporting improvements for regional reporting and unit rates will require software development and systems integration

- Data integrity and reporting capabilities compromised if resourcing for process/systems-based improvement is constrained

Works Delivery

Indicative requirements based on Figure I1

Asset replacement	By region: actual assets replaced vs planned, with high-level reasons for variances; and unit cost per unit replaced
Projects	By region: description on progress (% complete) and priority of all projects and programmes
Maintenance backlogs	By region: Work backlog numbers and age profile, split by corrective, preventative and reactive maintenance; and Description of progress on clearing backlogs
Vegetation management	By region: Kilometres of vegetation inspected and cleared, rates per kilometre

Context and Current Status

The introduction of Sentient has enabled better tracking of individual projects on a day to day basis but is not seen as an effective tool to report auditable quantities and costs. Significant changes are currently being made to the structure of capital Project Work Packs (PWPs) at the scoping and contractor pricing stages to identify the work driver and asset category of each component in the work pack. Similarly, SAP purchase order changes (using the PWPs) are being made to capture the asset quantities and the associated expenditure. These changes are reasonably material, and we may face some SAP challenges during implementation.

The transition to new format PWPs is ongoing and we will seek to ensure they provide sufficient information to meet ADR (as these are confirmed) and our own internal requirements. These changes will have varying cost/process impacts and we are seeking to manage these. This will mean that RY22 reporting will be need to be transitional unless significant resource is made available to reformat legacy PWPs and associated purchase orders.

Meaningful reporting of forecasts by pricing region is impractical for some expenditure categories (particularly in earlier years of CPP). Reporting by region achievable but will have resourcing implications.

Comparison against indicative work delivery reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Asset Replacement • actual assets replaced vs planned	✓	Partial	Transitional	Yes	Annual Delivery report
• high-level reasons for variances	✓	No	Possible	Yes, subject to definitions	Scope clarity required, e.g. materiality thresholds
• regional	?	No	Transitional	Yes (see comment)	Forecasting by pricing region impractical for some categories. Reporting by region achievable
• unit cost per unit replaced	?	No	Transitional	Yes	Scope clarity required, e.g. some works will be aggregated e.g., zone sub site works and earthing
Projects • description on progress (% complete) and priority of all projects and programmes	✓	Partial, ID	TBD (scope?)	Yes	Definition of projects/programmes. Priority is indicated by timing
• regional	?	No	TBD (scope?)	TBD	Further definition required. See 'regional' above.
Maintenance backlogs • work backlog numbers and age profile, split by corrective, preventive and reactive maintenance	?	No	TBD (scope?)	TBD	Backlog definition required, e.g. no reactive backlog, while preventive and corrective backlogs could be defined, noting that corrective backlogs will increase as preventive backlogs are cleared
• Regional	✗	No	No	TBD	Opex related regional metrics less feasible while we implement AMS maintenance module
Vegetation management • kilometres of vegetation inspected and cleared	✓	Partial	Yes	Yes	Annual report
• Unit rates	?	Partial	Transitional	Yes	May be commercially sensitive
• Regional	✗	No	Possibly	TBD	Change to contractor reporting required and may be commercially sensitive

Alignment with ADR Principles

✓ Aligned
? TBC, subject to detailed requirements
✗ One or more potential issues

12

Reporting areas that require further definition

- Definition of maintenance backlog

- Reporting of variances (e.g., materiality thresholds)

- Project priority – planned sequence (per AMP) indicates priority

Reporting areas likely to require transitional process

- Regional reporting, especially volumetric forecasts where we ordinarily would not plan to develop regional models

- Some aspects of vegetation unit rates may require new contractor reporting arrangements to be put in place, especially regional reporting at a unit rate level

Aspects that may be impacted by future Aurora resourcing

- Maintenance backlogs, subject to definition this may require significant resource

- AMS critical to capturing and reporting maintenance programmes and defects

Customer Engagement

Indicative requirements based on Figure I1

Consumer engagement initiatives	Description of how Aurora has engaged with consumers in each of the three regions using various communication channels including public meetings, results of regional stakeholder events to present the ADR, detail proposed actions as a result of these events, narrative on outage communication performance and actions to improve, initiatives around worst served customers, vulnerable customers, providing quicker connections, charity work
Customer satisfaction	Detail the number of customer complaints received both general and in reference to charter commitments and the response times to these Complaints include ones referred to Utilities Disputes and voltage quality issues
Quality of services	High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) Description of how Aurora is improving consumer awareness of its existing charter, how it is tracking with meeting its existing service commitments in its charter and results of consumer consultation on proposed changes to its charter, including a mid-period review of progress Update of progress in improving voltage quality on its LV network processes against ID requirement, including a mid- period expert review in year 3 of the CPP period
Outages	By region: unplanned and planned SAIDI and SAIFI <u>actual performance against charter commitments, with high-level reasons for variance</u> average length of planned and unplanned outages on the distribution and sub transmission network

Context and Current Status

Aurora Energy has a three-year customer and engagement plan to deliver against its strategic commitment to customer orientation and build the foundations for improved customer experience. Focus areas are 1) improved outage communication and customer experience, 2) stakeholder and community engagement and consultation, 3) external communication, and 4) customer connections.

Outage communication and customer experience. Multi-channel customer communication for planned outages in addition to retailer notification through website, print, social direct mail. Direct contact with key affected customers (vulnerable customers, essential services and businesses) for all high-risk outages. Process and reporting improvements are underway for planned outages and include setting customer service expectations with contractors. In-depth and quantitative consumer research on customer service expectations through customer panels and surveys.

Engagement. A community engagement plan is in place for 2021 that identifies key stakeholders and engagement opportunities. Major projects plan for stakeholder and community engagement (e.g. Omakau upgrades, Otago Harbour Crossing, Clyde upgrades). We have regular, direct engagement with stakeholders including councils, businesses and community groups and individual customers. A pilot schools programme has been launched focused on safety education.

Indicative requirements based on Figure I1

Context and Current Status *continued*

Consultation. Through the CPP process, Aurora Energy established a customer advisory panel of representing consumer interests and regional customer voice panels of individual customers to provide the voice of customer in Aurora Energy's planning, customer experience improvements and stakeholder communication.

Communication. Development and use of owned communication channels (e.g., community newsletter, social media posts, video, stakeholder briefings). Proactive communication on progress against plan (e.g., Upper Clutha solarZero, drone inspections, Otago harbour crossing, pricing changes and review). Community updates are distributed to over 70,000 households and 350 stakeholders and planned on a quarterly cycle for 2021. A digital content strategy is in place and being rolled out with a 150% growth across social media channels and production of 30 consumer-focused videos. By volume, customers' preferred communications channel is our website. The home page has been upgraded with better visibility of outage information (the most visited webpage). Direct mail is used to inform about major planned outages.

Sponsorship and partnerships. Limited sponsorship activity is aligned to our regional footprint and technology focus. Key partnerships support electric vehicle uptake and falcon safety.

Customer connections. A new team is in place with a dedicated customer-initiated works (CIW) function. Progressive implementation to automate new connections portal with Stage 1 (simple connections) in place and Stage 2 (standard connections) underway.

Ongoing improvements and planned developments

Key planned improvements to customer engagement and reporting include:

- Improved reporting and monitoring of customer metrics including planned outages, customer complaints, Customer Charter compliance

- Transition to a new service provider for after-hours contact handling service, following completed review.

- Outage Management System (OMS) to provide real time outage and fault information to customer channels

- Next phase of website development to enhance ease-of-use for customers, targeted content and integration with future OMS

- Next stage of CIW new connections portal for standard connections, Stage 2 in development.

- Scope requirements for customer relationship management system to support stakeholder engagement and customer experience improvement

- Customer consultation on Customer Charter and regional pricing reviews.

Comparison against indicative customer engagement reporting requirements – I

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
how Aurora has engaged with consumers in each of the three regions using various communication channels including [list]…	✓	Partial	Yes		
detail proposed actions as a result of these events [list]	✓	Partial, CAP	Yes		Extent of actions will vary.
narrative on outage communication performance and actions to improve …	✓	No	TBC		Scope to be defined
initiatives around worst served customers, vulnerable customers, providing quicker connections, charity work	?	Partial	No	Yes	Definitions required, potential systems changes
Description of how Aurora is improving consumer awareness of its existing charter, how it is tracking with meeting its existing service commitments in its charter and results of consumer consultation on proposed changes to its charter	✓	No	Yes		Initiative underway to begin tracking this information
Update of progress in improving voltage quality on its LV network processes against ID requirement	?		TBC		Scope to be defined
Para (I27/29) – process improvements Aurora to provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to: • Customer satisfaction • Customer engagement	?	No	TBC		Scope to be defined. Cost and resource implications.

Alignment with ADR Principles

✓ Aligned

? TBC, subject to detailed requirements

✗ One or more potential issues

Comparison against indicative customer engagement reporting requirements – II

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
actual performance against charter commitments, with high-level reasons for variance	✗	No	Some	Yes	Value of measure unclear
Para (I36) – process improvements Aurora to provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to: • Outage communications	?	No	Yes		Scope to be defined
Para (I42) – Quality of service report on the extent to which it meets its service commitments in its voluntary charter and any associated compensation it has paid out	?				Value of reporting compensation payments is unclear
• restoring service after any unplanned outages	✓	Partial	Yes		Annual report Regional reporting would require system changes
• notifying about planned outages	✓	No	TBC		More definition needed
• responding to power quality complaints	✓	No	TBC		More definition needed
• response time to customer queries	✓	No	TBC		More definition needed Tracking would require data capture and system changes
• maximum power outage targets for customers in different regions (urban and rural)	✓	Yes	Yes		Covered in Annual Report Regional reporting would require system changes
• quality of supply, including voltage stability	✓	No	Some	Yes	Dependent on resources for power quality monitor installations and access to smart meter data

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Para (I44) – Service commitments • publicly disclose its compensation scheme and service level targets	✓	Yes	Yes		Website
• report on how it has consulted with consumers on any proposed changes to its minimum service commitments and associated compensation	✓	No	Yes		
• report the number and type of complaints it receives from customers and whether the complaints are covered by the service level targets and compensation.	?	No	No	TBC	May require system changes
Para (I45) – reporting on charter • performance increasing compliance with the DPP3 notification criteria	✓	No	Yes		
• planned outages that: are cancelled at short notice	?	No	TBC		Definition needed (e.g., < 24hours) May require system changes
• planned outages that are > 10% notified time	?	No	TBC		May require system changes
Para (I46) – charter payments • payments made against individual service standards	✗	No	Yes		Value of this reporting unclear
Para (I47) – outage system improvements • Information on its performance against its voluntary charter	✓	No	Yes		
• improvements it has publicly committed on outage notification.	✓	No	TBC		Definitions needed
• implementing an improved outage management system	✗	No	TBC		Value of this reporting unclear
• improving contractor expectations correspondence about cancelled outages	?	No	TBC		Definitions needed

Reporting areas that require further definition

- Definition of worst served customers

- Complaint numbers

- Restoration times

- Outage communication

- Customer queries and connection timings (external driven process)

Reporting areas likely to require transitional process

- Response time to customer queries

- Collection of more granular information, including regional breakdowns

Aspects that may be impacted by future Aurora resourcing

- Need for increased staff capability / capacity to maintain and increase customer consultation, engagement and reporting back

- Specialist external support / advice to deliver staged CIW process improvement, customer satisfaction research

- System improvements to capture and report more granular information, introduction of CRM system, reporting by pricing region

Reliability and Safety

Indicative requirements based on Figure I1

Safety initiatives	• Identify top 5 safety risks in the network, list and discuss statistics and corrective actions on public hazard and protection failure incidents • Describe measures implemented to improve public and staff safety • Explain how the cost effectiveness of safety investments have been determined using frameworks such as ALARP • Summarise investments by asset class that have been installed for safety purposes • If applicable, consider a mid-period expert review in year 3 of the CPP period, as outlined below
Outages	By region: • unplanned and planned SAIDI and SAIFI • actual performance against charter commitments, with high-level reasons for variance • average length of planned and unplanned outages on the distribution and sub transmission network
Worst served customers' performance	By region, report on worst served customers: • Numbers of planned/unplanned outages • Length of outages • Restoration times

Context and Current Status

Safety Reporting

As an example of how the proposed requirements are not commensurate with our current capability is the request to demonstrate the 'cost effectiveness' of safety investments. In the short term, decisions are fundamentally based on all reasonably practical steps (with the information available) we can take to address risks above the 'intolerable risk' line. Justifying and managing risks through additional control measures to a lower level through business case analysis is a secondary phase. Some of the requested reporting would likely require additional supporting documentation and would necessarily include fleet strategies/plans and risk treatment plans which are yet to be fully developed.

Quality of Service (power quality)

Customer power quality enquiry tracking has been implemented and we have plans in place for increased power quality monitoring.

Quality of Service (reliability/outages)

While the reporting of outages by location, subtransmission and high voltage can be achieved with targeted resources to develop automated reports, the value of this reporting is in the explanation of the information and associated trends which is a lot more resource intensive. Given our safety-led CPP proposal, our focus is on the 'root cause' of outages where this has a safety consequence (e.g., inline failure of line joint bringing a conductor to ground). We also note that forecasting outages at a location or voltage level requires significant data and modelling and is not practically achievable, making reporting at this level less meaningful/useful. We therefore do not propose to extend our reliability forecasting beyond network-wide SAIDI and SAIFI.

Worst served customers

Our CPP consultation outcomes led us to remove investments targeted at improving reliability for worst served customers.

Comparison against indicative reliability and safety reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Outages • Unplanned SAIDI and SAIFI • Planned SAIDI and SAIFI	✓	Yes	Yes		This assumes current disclosure requirements are sufficient
• Regional	?	Not by pricing region	Partial	Partial	Note this excludes pricing region forecasting but includes regional reporting. We do not and will not have sufficient statistical information or renewal forecast granularity to produce pricing region forecasts of sufficient quality to usefully inform stakeholders of future reliability
• average length of planned and unplanned outages on the distribution and sub transmission network	✗	No	Possible	Possible	While reporting this is feasible, it would be very resource intensive to explain trends which are multi-faceted and can be unstable in the short term
Worst served customers • Numbers of planned/unplanned outages	?	No	Possible	Possible	Definition of worst-served required.
• Length of outages	?	No	Possible	Possible	Definition required.
• Restoration times	?	No	Possible	Possible	Definition required, e.g., how is this different to length of outages (above)
Safety Initiatives					
• Identify top 5 safety risks in the network, list and discuss statistics and corrective actions on public hazard and protection failure incidents	?	No	Plan only	Yes	Scope TBD. Top 5 probably not the best approach. Opportunity to integrate with WSP reporting and align with internal risk reporting and risk treatment plans when sufficiently mature.

Alignment with ADR Principles

✓	Aligned
?	TBC, subject to detailed requirements
✗	One or more potential issues

Comparison against indicative reliability and safety reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Safety Initiatives continued • Describe measures implemented to improve public and staff safety	✓	Partial, not as a separate document	Partial with an outline of our plan to report	Possible subject to scope and resources	Potential overlap with AMP and WSP reporting. This is very broad and very resource intensive to do effectively for stakeholder understanding and to demonstrate prioritisation.
• Explain how the cost effectiveness of safety investments have been determined using frameworks such as ALARP	?	Risk framework explained in the AMP	TBD – subject to scope and resources	Possible subject to scope and resources	This is very broad and very resource intensive to document – the above category is the 'what' and this is the 'why' and the two are developed together.
• Summarise investments by asset class that have been installed for safety purposes	?	No	TBD	TBD	Greater clarity on what this means is required. Most of our asset investments have a safety focus or component to them. Our AMP partially outlines such safety drivers.
Para (I35) – Quality of service • requiring Aurora to report on the causes of its outages	?	Partial	No	TBD	Effectiveness/usefulness of this reporting is subject to the data quality associated with root cause capture – this is a process improvement area
Para (I36) – Quality of service update consumers on how it is delivering services consumers value by reporting on Network reliability	✓	Disclosure and AMP at high level	TBD	TBD	The nature of reliability reporting will determine whether it is cost-effective to produce and represents good value for stakeholders. We will produce new measures based on CAP feedback and recommend discussing this area further.
• Safety improvements	?	Partial	TBD	TBD	Scope to be determined. Reporting on pole failures and lines down events is feasible but the value of reporting would depend on the quality of root cause information.
Para (I35) – Quality of service provide an updated plan in the first half year of the CPP period that details how it will continue to develop improvements to its processes for <u>monitoring of voltage quality on its LV network</u> and how it plans to communicate the results of those improvements to customers	?	No	Possible subject to scope and resources	Possible subject to scope and resources	We are progressing efforts to report and monitor LV performance. In terms of our plans, please see broader discussions on process improvements.

Reporting areas that require further definition

- Many areas require further definition to assess stakeholder usefulness and feasibility

- Definitions need to be mindful of linking reporting to CPP drivers – reliability was not the main driver of the CPP, a consequential benefit only

- Safety definitions particularly important given CPP focus and the wide coverage of safety initiatives in our CPP proposal.

- There is a need to avoid overlap with AMP and WSP reporting

Reporting areas likely to require transitional process

- Other than high level reliability stats (regional SAIDI and SAIFI reporting) and power quality enquiry monitoring, most areas will require process and system development and also an improvement in data quality capture which impacts timing and the ability to report trends

Aspects that may be impacted by future Aurora resourcing

- Further development of our risk framework and risk treatment plans and associated reporting will be subject to available resource

- AMS will be a significant enabler of delivering our approach to risk management

- Improved data capture requires new processes and templates and the development of new apps/mobility

Pricing and Environmental

Reporting areas that require further definition

- Overlaps with EA

- Granularity of pricing information. Assumes 'mechanical' pricing processes.

- "implications of Aurora's assumptions, and methodological choices made on prices" not clear. What is perceived to be missing? Will require careful and comprehensive definition

Reporting areas likely to require transitional process

- Granular pricing information (worked example) unlikely to be able to be developed in RY22 given BAU pricing-related activities.

Aspects that may be impacted by future Aurora resourcing

- EDBs not compensated for environmental improvement initiative, so any initiative needs to pay for itself.

- Granular pricing information identified by the Commission as resource intensive (para E138) but has concluded that no resources are required (para E139).

- Resource requirements will compromise distribution pricing reform (including development and consultation of regional cost allocation), delaying improvements in favour of reporting.

- Transition to more cost reflective pricing is likely to drive successive/constant development of granular pricing models – inefficient.

Process Improvements

Indicative requirements based on Figure I1

Asset management improvements	High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) • Update of progress in improving asset management processes against ID requirement, including a mid-period review of progress in year 3 of the CPP period
Project quality assurance improvements	High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) • Update of progress in improving project quality assurance processes against ID requirement
Cost estimation process improvements	High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) • Update of progress in improving cost estimation processes against ID requirement
Data collection and data quality process improvements	High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) • Update of progress in improving data collection and data quality processes against ID requirement

Context and Current Status

Chapter 9 of our AMP sets out our Asset Management Enabler Initiatives and discusses the **asset management improvement initiatives** we envisaged when submitting our CPP proposal. One option to avoid duplication, and to provide one source of our process and capability improvements, would be to enhance the scope of Chapter 9 to meet any new reporting requirements.

We have implemented two levels of **project governance**. We have also:
• Completed Prince 2 training for project managers.
• Implemented Sentient (software solution).
We have also recently completed a FSA review (actions to be implemented), with lessons learnt already reflected in key projects. Additionally, ICAMs have been undertaken as required. Possible future improvement initiatives include;
• Internal audit of project reporting
• Internal audit of deliverables reporting
• Upskilling of progress and completed works reporting and auditing by project managers and quality assurance officers

The cost (dollars and diversion of our people resources) to provide detailed planning and reporting of process development is unlikely to deliver sufficient benefits to customers. We propose that high-level process improvement planning, and reporting could be best achieved by monitoring gaps in our ISO55001 improvement areas and reporting against these. Utilising external reviewers for such gap analysis reviews would bring an independent assessment of our progress. Diverting resources to developing a comprehensive long-term process improvement plan is likely to be less beneficial to customers than identifying a small number of key initiatives and focussing on their delivery e.g., AMS and associated maintenance modules.

At this stage, our plans to seek ISO55001 certification in 2023 are on hold while resource planning can be confirmed. Undertaking gap analysis to inform the prioritisation of our improvement initiatives may be required due to the potentially limited resources available.

Comparison against indicative process improvement reporting requirements – I

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Para (I56-59) – Asset management improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its asset management processes	✗	Partial, AMP	AMP 2022 for the enhanced plan	AMP2023 for the first report against plan	Significant resources would be required to document and report our plan and progress under each of these areas.

Providing such detailed planning and reporting of process development is unlikely to deliver material value to customers.

It should be noted that these type of initiatives inevitably overlap. Setting out explicit reporting requirements on individual aspects may not align with how they should be delivered. It would be counterproductive if we were effectively required to align our initiatives with such reporting requirements.

Our capacity to achieve the process improvements set out in Appendix I of the Draft Decision will depend on available resources. We currently envisage having to reprioritise improvement initiatives once the Final Decision is confirmed.

See introductory (context) comments on linking to ISO55001 work programme. |
• processes / policies for testing assets consistent with industry standards	?		Partial	Yes	
• processes for asset data entry and annual asset data audit	?		TBD	Yes	
• processes so that asset health models are informed by asset condition data and models are consistent with industry accepted modelling practices	?		TBD - scope clarity required		
• processes to test whether volumetric asset health modelling using age-based survivor curves are consistent with industry accepted modelling practices for each asset class and type	?		TBD Scope (survey)	TBD	

Alignment with ADR Principles	
✓	Aligned
?	TBC, subject to detailed requirements
✗	One or more potential issues

2b Comparison against indicative process improvement reporting requirements - II

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Para (I56-59) – Asset management improvements continued					
• processes to improve understanding of asset criticality and prioritisation of asset replacement and renewals …	**?**		TBD (Scope?)	TBD	Significant resources would be required to document and report our plan and progress under each of these areas. Providing such detailed planning and reporting of process development is unlikely to deliver material value to customers. It should be noted that these type of initiatives inevitably overlap. Setting out explicit reporting requirements on individual aspects may not align with how they should be delivered. It would be counterproductive if we were effectively required to align our initiatives with such reporting requirements. Our capacity to achieve the process improvements set out in Appendix I of the Draft Decision will depend on available resources. We currently envisage having to reprioritise improvement initiatives once the Final Decision is confirmed. See introductory (context) comments on linking to ISO55001 work programme.
• processes to coordinate asset condition, asset health models and criticality understanding.	**?**	Partial, AMP	TBD (Scope?)	TBD	
• AMS should coordinate with regulatory financial reporting for line-of-sight from asset data collection and modelling processes to expenditure forecasts	**?**		TBD (scope?)	TBD	
• processes to improve the asset risk framework to inform risk-based decision-making …	**?**		TBD (Scope?)	TBD	
• processes to improve risk cost trade-offs using an industry accepted condition-based risk framework …	**?**		TBD (Scope?)	TBD	
• provide regular reporting that describes the current level of business safety risk and actions that have been taken to quantify, control and mitigate safety risk within acceptable limits (eg ALARP)	**?**		TBD – subject to scope and resources	Possible subject to scope and resources	

Alignment with ADR Principles	
✓	Aligned
?	TBC, subject to detailed requirements
✗	One or more potential issues

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Para (I65) – project assurance improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its <u>project assurance</u> processes	**?**	Individual initiative level reporting only	Dependent on scope and resource availability	Dependent on scope and resource availability	Our comments on more general asset management initiatives also apply. However, there is likely to be fewer requirements to report on making project assurance reporting less onerous. Please see context discussion.
Para (I69) – cost estimation improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its <u>cost estimation</u> processes	**?**	Partial, AMP	Dependent on scope and resource availability	Yes	Our comments on more general asset management initiatives apply here. Please also see the context discussion on our preference to incorporate this within ISO55001 reporting.
• processes to improve asset unit rate estimates that feed into building blocks models	**?**	No	Dependent on resource availability	Yes	
• processes to improve the accuracy of building blocks models, definitions and assumptions	**?**		Dependent on resource availability	Yes	
• regularly reviewed and audited asset unit rate cost estimates and building blocks costs processes to ensure that they remain fit for purpose	**✗**	No	Review possible	Review Possible	The cost of audit is unlikely to deliver sufficient benefit to customers.
• unit rates/building blocks costs are updated and managed through a single point of control and in an environment that is accessible to staff	**✗**	No			While a single source/system objective is reasonable, it is a requirement that should not be prescribed as part of this process.
• improve initial estimates, with final costs within a variance of +/-10%.	**✗**	No			While having a variance 'threshold' is good practice we do not consider its level should be prescribed as part of this process.

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Para (I75) – data quality improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its <u>data quality</u> processes	**?**	No	End of RY22		Subject to ISO55001 approach and resource availability/prioritisation
Para (I78) – data quality improvements processes to improve asset management tools and data so they:	**?**	AMP Ch 9	TBD	TBD	Significant integration is required with AMS planning and the development of our fleet strategies and asset health, criticality and risk frameworks.

Significant resources would be required to document and report our plan and progress under each of these areas.

Reporting at a higher level such as ISO55001 compliance or a subset of categories is recommended.

Prioritisation of resources will be required through a staged/coordinated approach with the above asset management improvement initiatives.

The plan is likely to flex as priorities change and resources are determined. |
• improve organisational knowledge and decision making	**?**				
• ensure that assets are replaced or renewed in a timely manner	**?**				
• ensure that expenditure forecasts can be relied on	**?**				
• processes to improve the data collection from internal and external stakeholders (including contracted service providers	**?**				
• processes to improve data sharing between Aurora Energy and Aurora's service providers	**?**				
• processes to use data to test performance, test if objectives are being achieved, and identify corrective actions and areas for improvement	**?**				
• processes to use data to test performance, evaluate whether the asset management policies and objectives are being achieved, and identify corrective actions and areas for improvement	**?**				
• processes that enable Aurora to demonstrate how it ensures that there is consistency and traceability between technical asset information and accounting records; with a technical, operational and financial linkage, which is consistent and traceable to the assets	**?**				

Reporting areas that require further definition

- Data and Asset Management planning and reporting needs to be defined.

- We propose that planning and reporting should be at a high level, tracking improvement through established standards such as ISO55001 with priority areas established

Reporting areas likely to require transitional process

- Assuming high level planning and reporting only, RY22 can be used to establish planning and possibly report one or two prioritised improvement areas (e.g. AMS)

- Detailed planning and reporting across multiple areas will slow down progress, requiring further prioritisation and transitional reporting

Aspects that may be impacted by future Aurora resourcing

- BAU planning and delivery absorbs a significant proportion of staff time while we deliver at elevated levels and therefore specialist external support is required to enable improvement initiatives to be progressed

- System improvements also incur procurement and licensing costs, and ongoing internal support for maintenance and enhancement

Indicative requirements based on Figure I1

Environmental initiatives	Description of any initiatives taken to reduce the overall environmental impacts of operations
Regional pricing	• High level summary to be published in the ADR, with supporting detail able to be published separately (eg, on Aurora's website) • Update on consumer interactions regarding enhanced regional pricing disclosures against ID requirement

Context and Current Status

Environmental

Currently developing a baseline assessment of carbon footprint, in conjunction with the DCHL group of companies. Baseline assessment will enable Aurora to identify improvement opportunities and develop its sustainability and environmental policies.

Currently renewing Archaeological Authorities for the Dunedin and Central Otago networks

Full participation in second generation district plan reviews.

Pricing

Regional cost allocation approach reviewed by Electricity Authority:
• https://www.ea.govt.nz/assets/Distribution-pricing-and-Aurora-flyer-February-2021.pdf
• https://www.ea.govt.nz/assets/Aurora-regional-pricing-report-February-2021.pdf

Recommendation regarding the regional allocation of overhead costs (SONS & BS) implemented in RY22 pricing, along with refined allocation of other operational costs.

Recommendation regarding allocation of capital costs being reviewed, with a proposed change from allocating based on an estimate of regional replacement cost to a regional RAB allocation approach:
• We have developed regional RAB models that can form the basis for the proposed allocation change following an ID audit cycle.
• We have publicly signalled that the approach will be consulted on in September/October 2021

We are developing a formal pricing strategy for distribution pricing reform, which our Board will consider and approve on 26 March 2021. A summary will be included in our pricing methodology (per ID determination clause 2.4.4.)

We are developing an updated distribution pricing roadmap for publication on our around 31 March 2021. This will set the project plan for evolving our pricing methodology to support more cost-reflective pricing.

Development of 'ring-fenced' TOU pricing to support upper Clutha non-network alternatives project required by September 2021

While there will be no change to our pricing methodology from 1 April 2021, we are reviewing our pricing methodology document to make it more readable and understandable.

Comparison against indicative pricing and environmental reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Environmental Initiatives Description of any initiatives taken to reduce the overall environmental impacts of operations	✓	No	Yes		• Baseline carbon footprint due to be competed for 30 June financial reporting. • Appropriate reporting document is **annual report.**
Regional Pricing High level summary to be published in the ADR, with supporting detail able to be published separately Update on consumer interactions regarding enhanced regional pricing disclosures against ID requirement	**?**	No	Yes		• Expected to be completed by end RY22. • Cost allocation issue, not pricing issue. • Once regional cost allocations are made, pricing is indifferent to location (subject to historic metering configurations) • Appropriate reporting document is **pricing methodology.**
Para (I54) – Pricing methodology Information that allows interested persons to understand the implications of Aurora's assumptions, and methodological choices made on prices for each consumer group in each pricing region	✓	TBC	TBC	TBC	• Not clear what is meant by this. • Examples of problems that this requirement seeks to address will be required. • Will require careful and comprehensive definition • Appropriate reporting document is **pricing methodology.**
Provide a worked example for a standard consumer in each consumer group (i.e., for a residential consumer that used 9000 kWh per year) in each pricing region on how that consumers prices are set.	**?**	No	No	Yes	• Assumes pricing is a purely mechanical exercise, devoid of assumption and judgement. • Identified by the Commission as resource intensive (para E138) but has concluded that no resources are required (para E139). • Appropriate reporting document is **pricing methodology** (appendix).
Disclose Aurora's cost of supply model down to a level that individual contracts cannot be identified.	✗	No	Potentially		• Not possible for cost of supply model to identify individual contracts or consumers in any case. • **Proprietary / commercially sensitive document**

Alignment with ADR Principles	
✓	Aligned
?	TBC, subject to detailed requirements
✗	One or more potential issues