

Aurora Energy Limited Proposed Additional Information Disclosure Requirements

Draft reasons paper

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Associated documents

Publication date	Reference	Title
19 May 2020	N/A	Restoring Otago and Queenstown's power network – Fact sheet
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Executive summary

We seek your views on our proposed additional information disclosure requirements for Aurora Energy

- X1 On 12 June 2020, Aurora Energy Limited (Aurora) applied for a customised price-quality path (CPP) to increase its regulated revenues in order to repair its electricity lines network and recover the cost of its spending from its consumers.
- X1 In reaching a decision on Aurora's proposal, we have identified a package of measures that provides Aurora with the ability to make the necessary investment to improve the safety and stabilise the reliability of its network, while requiring Aurora to be more transparent and accountable to its stakeholders.
- X2 Our CPP decision sets out how much money Aurora should be allowed to recover from its consumers to invest in its network and over what period, and the minimum level of reliability consumers should receive, as measured by the number and length of power cuts consumers experience across the network.¹
- X3 This paper sets out our draft decisions and supporting reasons for requiring Aurora to disclose additional information over its CPP period and beyond to improve the transparency of Aurora's performance and its accountability to stakeholders across its network. The proposed additional information disclosure (ID) requirements described in this document will apply only to Aurora (no other electricity distribution business (EDB)), and in addition to the existing ID requirements that currently apply to Aurora under the Electricity Distribution Services Information Disclosure Determination 2012 [2012] NZCC 22 (EDB ID Determination).
- X4 We invite you to provide your written views on this paper and the accompanying draft ID amendment determination that sets out our proposed additional ID requirements for Aurora within the timeframes set out below:
- X4.1 submissions are due by 5 PM on 10 May 2021; and
- X4.2 cross submissions are due by 5 PM on 24 May 2021.
- X5 We intend to publish our final decisions in August 2021.

¹ Decision on Aurora Energy's proposal for a Customised Price-Quality Path, Final decision (31 March 2021)

What Aurora’s consumers and stakeholders told us

- X6 In November 2020, we invited submissions on our Draft CPP decision which included our draft policy decisions for additional ID requirements.² We asked consumers and stakeholders if our proposed accountability measures would provide enough information for them to know whether Aurora is delivering its plan and improving its performance, and whether there was further or alternative information that we should consider.
- X7 We heard from submitters that they:
- X7.1 would welcome further information and transparency on Aurora’s performance;
 - X7.2 had doubts about the effectiveness of ID as a tool to hold Aurora to account;
 - X7.3 had concerns about the quality and accuracy of Aurora’s reporting;
 - X7.4 had ideas to further enhance our proposed reporting measures; and
 - X7.5 were concerned about the voluntary nature of Aurora’s charter and compensation scheme.
- X8 Aurora has indicated that it is committed to improving transparency of information to its consumers. On 1 March 2021, we met with Aurora’s management team members to explore how our draft policy decisions for additional ID requirements, published in November 2020, might mesh with Aurora’s existing operations.³ A summary of this meeting is published on our website alongside this draft decision paper. Broad themes from the Aurora meeting are discussed further in Chapter 3.
- X9 The detailed views of submitters on our draft policy decisions and how we have considered that feedback in making our draft decisions is explained further in Chapter 3.

Aurora is subject to ID regulation, and we set the ID requirements that apply to Aurora

- X10 Aurora is subject to ID regulation under Part 4 of the Commerce Act 1986 (Act). This means that Aurora is required to publicly disclose information in accordance with the requirements we determine. We call these requirements ‘ID requirements’ and set them out in determinations we make under section 52P of the Act.

² [Commerce Commission "Aurora Energy's proposal to customise its prices and quality standards - Draft decision" \(12 November 2020\).](#)

³ Commerce Commission "Summary of Aurora Information seeking meeting" (1 March 2021).

- X11 The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons (which includes consumers and other stakeholders) on the performance of EDBs to enable them to assess whether the purpose of Part 4 of the Act is being met. Consumers and stakeholders need information to be able to judge performance for themselves and whether the performance of EDBs such as Aurora is consistent with the performance outcomes they would expect to find in a workably competitive market.
- X12 Our role is to set the ID requirements, which involves deciding what information Aurora must disclose to the public and how it must disclose it. The types of information that EDBs are required to publicly disclose under our ID requirements include:
- X12.1 data on prices;
 - X12.2 measures of quality;
 - X12.3 financial information; and
 - X12.4 forecasts of future investment and expenditure.
- X13 The disclosure of information about performance can encourage Aurora to improve its performance by allowing consumers and stakeholders to highlight areas of weak and strong performance.
- X14 Information is disclosed over a period of years. We are required to analyse the information that Aurora discloses and publish this analysis for the public along with a summary of disclosed information. The publication of summaries and analysis promotes greater understanding of the disclosed information amongst consumers and stakeholders and can encourage Aurora to improve performance by highlighting performance levels, relative performance and trends over time.
- X15 We will access on an ongoing basis how effective our ID requirements are and decide whether further changes to Aurora's existing ID requirements are needed to incentivise Aurora to further improve its performance and better assist consumers and stakeholders with assessing Aurora's performance. Further detail is contained in Chapter 4.

Additional requirements that will apply only to Aurora

Aurora will be required to produce an Annual Delivery Report (ADR) to publicly communicate its progress

- X16 Aurora will be required to disclose additional information via a consumer-facing Annual Delivery Report (ADR) which includes a combination of objective quantitative measures and more subjective qualitative measures that demonstrate how Aurora is delivering for its consumers.

- X17 The ADR will disclose information:
- X17.1 to provide transparency on how Aurora is delivering the proposed projects and programmes outlined in its CPP proposal; and
 - X17.2 to demonstrate how Aurora is improving its processes and practices that it needs to develop over the CPP period (covering quality of services, regional pricing, asset management, project quality assurance, cost estimation, and data collection and data quality).
- X18 Aurora will be required to disclose a summary of the key features of the ADR in an annual public forum in each of its three regions. Further detail is contained in Chapter 5.

Aurora will be required to disclose additional information relating to its quality of services

- X19 In addition to disclosing outage performance information in the ADR, Aurora will be required to disclose information on its management and communication of outages; the improvements it is making on its voltage quality monitoring practices; and its customer charter.
- X20 We are proposing that Aurora will be required to disclose information on how it has considered consumer and stakeholder needs in planning its outages and how it has managed and notified planned outages, in particular cancelled planned outages. Aurora will also be required to disclose an annual update in the ADR on how it is progressing with improving its outage management system and outage communications. This is in response to strong feedback from consumers about the importance of timely, accessible and reliable communication for when outages will occur.
- X21 Our draft decision is to require Aurora to provide a plan in the first year within the CPP period that details how it plans to develop and improve its processes for monitoring of voltage quality and compliance with the applicable voltage requirements of the Electricity (Safety) Regulations 2010 on its low voltage (LV) network, and how it plans to communicate the results of those improvements to consumers. Aurora will be required to provide an annual update in the ADR in disclosure years 2 to 5 within the CPP period against its plan.

X22 Aurora has a voluntary customer charter that commits to meeting certain service standards and, in some cases, compensating affected consumers when it does not meet those standards. Our draft view is that Aurora will be required to publish in the first year of the CPP its plan on how it intends to develop and improve its performance against its charter, whether, and if so how, it has consulted with consumers on proposed changes to its compensation scheme, and how it has improved consumer awareness of its charter and compensation scheme. We propose requiring Aurora to provide an annual update in the ADR of how it is performing against this plan in disclosure years two to five. We also propose requiring Aurora to publicly disclose its charter and compensation scheme annually before the start of the disclosure year. This includes the requirement to highlight any changes it has made to either in the previous disclosure year. Further detail is contained in Chapter 6.

Aurora will be required to disclose additional information on how its prices are calculated

X23 With consumers facing price increases due to the level of investment under Aurora's CPP, we have heard significant consumer concerns around how Aurora's prices differ between its pricing regions, and the upcoming review of its distribution pricing methodology.

X24 Our draft decision is to require Aurora to provide enhanced information on its pricing to enable Aurora's consumers to understand better the basis on which they are charged for services and why there are differences in price between Aurora's pricing regions. We can require this information in the form of pricing methodologies.⁴

X25 Future improvements to Aurora's enhanced pricing disclosure will include information on Aurora's pricing assumptions for each consumer group, disclosure of Aurora's cost of supply model, and a worked example of how Aurora sets prices for an average domestic consumer from each pricing region. Further detail is contained in Chapter 7.

Aurora will be required to disclose additional information on its plan for continuing to improve its asset management processes

X26 Our draft decision is that Aurora will be required to provide additional information in its asset management plan (AMP) regarding its plan to develop and improve its asset management processes, which covers how it inspects its assets, captures asset data, models its asset health, prioritises its asset renewal and replacement, uses risk frameworks to justify its investments and manages safety risk. Further detail is contained in Chapter 8.

⁴ Section 53C(2)(c) of the Commerce Act 1986.

- X27 By 31 March 2022, we also propose that Aurora will be required to publicly disclose a development plan about its plan to develop and improve its asset management processes. Every subsequent year Aurora will provide an update against that plan in the ADR.
- X28 Aurora has been open that it is “on an asset management maturity journey starting from a comparatively low base”.⁵ Improving its asset management approach towards good industry practice is already a key focus for Aurora. We consider that the additional disclosure of information on asset management improvements will help provide transparency to consumers and stakeholders on Aurora’s progress in improving its asset management approach.

Aurora will be required to disclose additional information on its project quality assurance processes

- X29 We propose requiring Aurora to disclose how it is making improvements to its project quality assurance processes. This is because mature quality assurance processes help to ensure that assets are maintained and installed to meet industry standards and statutory requirements, including safety issues; and avoid the need to revisit work considered to be complete, which reduces overall costs.
- X30 Our draft decision is that Aurora will be required to provide additional information in its AMP regarding its plan to develop and improve its project quality assurance processes. By 31 March 2022, we also propose that Aurora will be required to publicly disclose a development plan about its plan to develop and improve its project quality assurance processes. For every subsequent year, Aurora will provide an update against that plan in the ADR. Further detail is contained in Chapter 9.

Aurora will be required to disclose additional information on improvements to its cost estimation processes

- X31 Our draft decision is that Aurora will be required to provide additional information in its AMP regarding its plan to develop and improve its cost estimation practices, including how it audits, updates and manages its models for estimating costs and how it uses actual costs of completed projects and programmes to improve future cost estimates. Further detail is contained in Chapter 10.
- X32 By 31 March 2022, we also propose that Aurora will be required to publicly disclose a development plan about its plan to develop and improve its cost estimation practices. For every subsequent year Aurora will provide an update against that plan in its ADR.

⁵ Aurora Energy "Customised Price-Quality Path - Application" (12 June 2020), Section.4.1 p.42. available at https://comcom.govt.nz/_data/assets/pdf_file/0027/218592/Aurora-Energys-CPP-application-12-June-2020.pdf

- X33 We consider that the additional information to be disclosed would provide sufficient information for consumers and stakeholders to assess whether Aurora's costs are efficient and performance efficiencies are being achieved.

Aurora will be required to disclose additional information on its data collecting and sharing processes

- X34 Managing data effectively is an important step in ensuring quality decision-making on the timing and amount of spend to maintain, renew and replace Aurora's assets.
- X35 Our draft decision is that Aurora will be required to provide additional information in its AMP on its plan to develop and improve its asset data collection and asset data quality practices. By 31 March 2022, we also propose that Aurora will be required to publicly disclose a development plan its plan to develop and improve its asset data collection and asset data quality practices. For every subsequent year, Aurora will provide an update against that plan in its ADR. Further details contained in Chapter 11.

We will require Aurora to produce an expert report in 2023

- X36 In 2023 (third year of the CPP), we propose requiring Aurora to engage an expert (or experts) to provide opinions on Aurora's progress against its plans, and recommendations on further improvements it could make on the following:
- X36.1 delivery of projects and programmes;
 - X36.2 voltage quality monitoring practices;
 - X36.3 Aurora's general consumer engagement practices, including its engagement practices on proposed changes to its customer charter, compensation scheme, and pricing methodology;
 - X36.4 asset management practices;
 - X36.5 practices for identifying and mitigating safety risks.
- X37 The purpose of this requirement is to provide an independent expert view on how Aurora is performing. This is in response to feedback from consumers and stakeholders about the need for independent expert oversight.
- X38 The expert (or experts) will provide opinions and recommendations based only on the information that Aurora has publicly disclosed which will include its ADRs and AMPs for the disclosure years ending 31 March 2022 and 31 March 2023, and its development plans for improving processes and practices for the relevant topic areas as outlined above.

- X39 Aurora is required to obtain our approval of the expert(s) before they are appointed and our input into the proposed terms of reference for the expert report. The draft expert report will require our feedback to be taken into consideration before it is finalised and published.
- X40 We are proposing that Aurora discloses in the ADR how it has taken any recommendations from the expert report into account to improve its development plan for the fourth and fifth years of the CPP.
- X41 In the event that our final decision is to require Aurora to produce an expert report, the costs incurred by Aurora for that report will be recoverable in Aurora's pricing, given the benefit for Aurora's consumers from this information.⁶

⁶ *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021, Schedule 2.3*

Chapter 1 Introduction

Purpose of this paper

- 1.1 This paper sets out our draft decisions and reasons for additional ID requirements that we are proposing for Aurora. The purpose of these ID requirements is to ensure that sufficient information is available to interested persons, which includes consumers and stakeholders, to assess whether the purpose of Part 4 is being met, ie whether the performance of Aurora is consistent with the performance outcomes one would expect to find in a workably competitive market.
- 1.2 These proposed ID measures are an integral part of the overall package of measures which includes our CPP final decisions to address key risks inherent in the performance and delivery of Aurora's CPP.
- 1.3 This paper also describes how we intend to give effect to our draft decisions through proposed amendments to the existing EDB ID Determination.
- 1.4 We invite your views on our draft decisions and accompanying proposed amendments to the existing EDB ID Determination that apply only to Aurora. Submissions are due by 10 May 2021, and cross-submissions are due by 24 May 2021.

Background

- 1.5 In our November 2020 CPP draft decision paper, we said that the accountability measures would be dealt with not as part of the CPP, but in a separate decision paper. We explained that the process for setting the ID requirements is not bound to the same statutory timeframes as our CPP decision.
- 1.6 Our November 2020 CPP draft decision paper included a high-level overview of the scope of the proposed ID requirements as draft policy decisions only. This was to make it easier for consumers and stakeholders to provide feedback.
- 1.7 In Chapter 4 of our Final CPP decision paper, we outline our view of the key risks and issues in Aurora's CPP and the challenges associated with Aurora delivering on its plan. We cover how we have addressed those risks and challenges through our CPP final decision, our proposed ID requirements and ongoing liaison with other agencies. This information is presented in a table in Chapter 4 of our Final CPP decision paper which we have replicated here. See Table 1.1.

Table 1.1 Key issues, risks and measures

Key risk/issue	Implication	How it is addressed	Category of mechanism – CPP final decision, ID draft decision, or liaison with other agencies	Location of further detailed discussion in our papers
Aurora may have proposed work that could turn out to be unnecessary or can be delayed	Consumers pay too much for Aurora's services because prices reflect work that is not needed or not needed yet	We undertook a thorough review of Aurora's proposed work	CPP evaluation	Attachment D (Capex) and Attachment E (Opex) in our CPP Final Decision Paper
Aurora may not have identified all the work that its network needs and may need some flexibility to include newly-identified or uncertain work	Necessary work on Aurora's network is not carried out when it is needed. The quality of service to consumers may suffer as a result	Aurora may be able to reprioritise its work. We also propose two reconsideration mechanisms that will allow for Aurora to propose new and uncertain work	CPP implementation	Attachment I (IM variations) in our CPP Final Decision Paper
		Requiring Aurora to report on ongoing improvements in its data quality processes	Proposed ID requirement	Chapter 11 in this paper
Aurora may have overestimated the costs for the required work, resulting in us allowing higher than necessary revenue increases. Aurora might carry out its work inefficiently	Consumers pay too much for Aurora's services	We reviewed Aurora's costs for the proposed work	CPP evaluation	Attachment D (Capex) and Attachment E (Opex) in our CPP Final Decision Paper
		Requiring Aurora to report on cost efficiencies	Proposed ID requirement	Chapter 10 in this paper
Aurora might not deliver all of the planned work it has proposed	Consumers pay too much and necessary work on Aurora's network is not carried out when required	Requiring Aurora to produce an Annual Delivery Report	Proposed ID requirement	Chapter 4 in our CPP Final Decision Paper and Chapter 5 in this paper
		Requiring Aurora to present its ADR to its consumers in the regions	Proposed ID requirement	Chapter 4 in our CPP Final Decision Paper and Chapter 5 in this paper

Key risk/issue	Implication	How it is addressed	Category of mechanism – CPP final decision, ID draft decision, or liaison with other agencies	Location of further detailed discussion in our papers
		We will perform our own analysis on each ADR to help consumers assess Aurora's progress	Proposed ID requirement	Chapter 4 in our CPP Final Decision Paper and Chapter 5 in this paper
		Requiring Aurora to produce mid-period expert opinions on its progress on selected areas of the proposed ID requirements	Proposed ID requirement	Chapter 5 in this paper
		We will continue our engagement with WorkSafe NZ	Liaison with other agencies	Chapter 4 in our CPP Final Decision Paper
Aurora is not as transparent with providing information or as responsive with its consumers as it could be	Consumers cannot assess Aurora's performance effectively and communicate their requirements to Aurora. Consumer trust and confidence in Aurora is eroded	Requiring Aurora to disclose whether (and if so how) it has engaged with its consumers on its charter and all future developments of its charter	Proposed ID requirement	Chapter 6 in this paper
		Requiring Aurora to provide information on the quality of its services	Proposed ID requirement	Chapter 6 in this paper
Consumers might not understand the full impact of Aurora's planned works programme on the prices they will pay	Consumers' comments on the Aurora's proposal and our draft decision are not informed by an accurate understanding of the price impact. Consumers make	We undertook our own modelling of the residential price impact of our CPP revenue settings	CPP evaluation	Attachment H (Price impact) in our CPP Final Decision Paper

Key risk/issue	Implication	How it is addressed	Category of mechanism – CPP final decision, ID draft decision, or liaison with other agencies	Location of further detailed discussion in our papers
	poorly informed decisions on how they can change their use of electricity given the size of price increases	Requiring Aurora to disclose more information on regional pricing to make it easier for consumers to understand its pricing methodology	Proposed ID requirement	Chapter 7 in this paper
		We will engage with MBIE and the Electricity Authority on consumer concerns	Liaison with other agencies	Chapter 4 in our CPP Final Decision Paper

ID as an effective regulatory tool

ID is essential to promoting the purpose of Part 4

- 1.8 Generally speaking, a range of information is available to participants in workably competitive markets which allows consumers and suppliers to compare prices and the quality of goods and services. The ability to make these comparisons is an important driver of competition.
- 1.9 In monopoly markets, such as electricity distribution, ID regulation can partly compensate for the absence of this information revelation process by requiring regulated suppliers to publicly disclose information, and for us to process that information into a form that is helpful for consumers.
- 1.10 An effective information disclosure regime provides transparency to interested persons on the performance of regulated suppliers. Information is disclosed over the years, to provide an ongoing source of information so that multi-year trends can be identified and monitored over time. This is designed to allow interested persons to assess whether, in relation to a regulated supplier, the purpose of Part 4 of the Commerce Act 1986 (the Act) is being met (which is set out in section 52A(1) of the Act). Publishing our analysis of the information that a supplier publicly discloses can also promote incentives for the supplier to improve its performance, by highlighting performance levels, relative performance, and performance trends to interested persons including other suppliers.
- 1.11 Placing information, and our analysis of that information, about the supply of regulated services into the public domain can also provide incentives that are consistent with those in workably competitive markets—for example, by providing:
- 1.11.1 sufficient information to help interested persons assess the extent to which efficiency gains have been shared with consumers through lower prices or other means (consistent with s 52A(1)(c) of the Act);
 - 1.11.2 sufficient information to facilitate consumer engagement with regulated suppliers about the desired level of service quality (consistent with s 52A(1)(b) of the Act);
 - 1.11.3 comparative information on the performance of suppliers to a range of interested persons. ID may facilitate more effective governance and help to identify opportunities (eg, for value-enhancing trade in assets used to supply regulated services (ie, consolidation of businesses or management contracting)). This in turn may promote incentives for improved efficiency, including efficient investment and innovation (consistent with s 52A(1)(a) and (b) of the Act); and

- 1.11.4 potentially better incentives for the management of regulated suppliers to improve performance through the public nature of performance-related data, as the scope of this data enables comparisons within and across suppliers. Such comparisons may promote incentives for improved investment, innovation and efficiency (consistent with s 52A(1)(a) and (b) of the Act).

Our proposal for additional ID requirements for Aurora

- 1.12 The implementation measures we are proposing for information disclosure will require Aurora to:
 - 1.12.1 Produce an Annual Delivery Report (ADR) and present a summary of the ADR to consumers in Aurora's three regions;
 - 1.12.2 Disclose information to consumers annually on the quality of services, regional pricing and improvements in asset management, project quality assurance, data collection and data quality, and cost estimation processes;
 - 1.12.3 Produce mid-period (in Year 3) expert opinions regarding Aurora's progress in some more complex areas we consider are important to consumers and stakeholders, but where performance is difficult to assess.
- 1.13 More detailed information on the additional ID requirements is contained in Chapter 2.

Scope of the proposed EDB ID Determination amendments

- 1.14 In order to better promote the Part 4 purpose and the purpose of ID, we are proposing to amend the EDB ID Determination to insert additional ID requirements that will apply to Aurora.⁷
- 1.15 Our proposed additional ID requirements will only apply to Aurora. They will not apply to any other EDB which is subject to the EDB ID Determination.

⁷ See the [DRAFT] *Electricity Distribution Information Disclosure (Aurora Energy Limited) Amendment Determination 2021* published alongside this Aurora ID Draft Decision Paper.

- 1.16 The proposed additional ID requirements will apply to Aurora in addition to the existing ID requirements under the EDB ID Determination. Each chapter in this paper briefly describes, where applicable, the existing ID requirements for the topic area covered by that chapter and then briefly outlines the related EDB ID Determination drafting changes that we consider are necessary to address our proposed additional ID requirements.

We consider our proposed ID requirements are consistent with the purpose of ID

- 1.17 In each chapter we have explained why we think our proposed additional ID requirements are needed in order for interested persons to assess whether the purpose of Part 4 is being met.
- 1.18 We set out in Chapter 4 the information disclosure regulatory framework that applies to Aurora.
- 1.19 While there are existing ID requirements that currently apply to Aurora in relation to some of the topics where we are proposing additional ID requirements, our current view is that these additional ID requirements are needed in order to allow interested persons to more effectively assess whether the purpose of Part 4 is being met.
- 1.20 The additional ID requirements on Aurora will ensure interested persons (including the Commission) are able to better explore and assess the links between Aurora's network, its expenditure, and its network performance, and that this in turn will enable us all to assess whether outcomes are being promoted that are consistent with those produced in workably competitive markets, in line with the objectives in section 52A(1)(a)-(d) of the Act are being met.

Our process to date to develop our draft decisions

- 1.21 To reach our draft decisions, our process was as follows:
- 1.21.1 On 12 November 2020 we published for consultation our draft policy decisions on Aurora's draft ID requirements in Attachment I of our CPP draft decision paper.⁸

⁸ 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

- 1.21.2 In November 2020, we visited Dunedin and several locations in Central Otago to meet with stakeholders and hear their views on our draft policy decisions. A summary of these meetings is disclosed on our website.⁹
- 1.21.3 In response to our CPP draft decision paper, which included our ID draft policy decisions, we received submissions in December 2020¹⁰ and cross-submissions in January 2021.¹¹
- 1.21.4 On 1 March 2021 we met with Aurora to better understand the workability of our November 2020 draft policy decisions.

Materials released alongside this paper

1.22 On 31 March 2021 we published:

- 1.22.1 our proposed amendments to the EDB ID Determination to insert additional ID requirements that will apply to Aurora;¹²
- 1.22.2 this draft reasons paper which explains our draft decisions and reasons for our proposed amendments to the EDB ID determination for consultation purposes; and
- 1.22.3 a summary of our 1 March 2021 meeting with Aurora.

Structure of this paper

1.23 This paper is structured as follows:

- 1.23.1 Chapter 2 summarises our draft decisions and accompanying proposed EDB ID Determination amendments that apply only to Aurora;
- 1.23.2 Chapter 3 broadly outlines our stakeholder engagement process to date, the submissions already received, and how this influenced our draft decisions;
- 1.23.3 Chapter 4 summarises our ID regulatory framework;

⁹ Commerce Commission "Summary of Aurora Information seeking meeting" (1 March 2021).

¹⁰ [Link to December submissions](#)

¹¹ [Link to January cross-submissions](#)

¹² See the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

1.23.4 Chapters 5-11 outline our draft decisions in 7 key areas:

- 1.23.4.1 Information on its CPP outcomes: Annual Delivery Report;
- 1.23.4.2 Information on Aurora's quality of services;
- 1.23.4.3 Enhanced regional disclosures on Aurora's distribution pricing methodology;
- 1.23.4.4 Additional information on asset management;
- 1.23.4.5 Information on the application of Aurora's project quality assurance processes;
- 1.23.4.6 Information on ongoing improvements in Aurora's cost estimation; and
- 1.23.4.7 Information on ongoing improvements in Aurora's data collection and data quality processes.

How you can provide your views on our draft decisions

1.24 Before making our final decisions, we must consult with interested parties on our draft decisions.¹³ We therefore now seek your written views on:

- 1.24.1 our draft decisions for additional ID requirements that will apply to Aurora, as detailed in this paper; and
- 1.24.2 our accompanying proposed amendments to the EDB ID Determination that will apply only to Aurora.

1.25 Please make your submission to feedbackauroraplan@comcom.govt.nz with 'Aurora ID Draft Decision' in the subject line of your email by 5 PM on 10 May 2021. Cross-submissions are due by 5 PM on 24 May 2021.

1.26 We expect to make our final decisions in August 2021.

Confidentiality

1.27 When including commercially sensitive or confidential information in your submission, we offer the following guidance:

- 1.27.1 Please provide a clearly labelled confidential version and public version. We intend to publish all public versions on our website.

¹³ Commerce Act 1986, section 52Q(1).

1.27.2 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.

1.28 If we consider information you disclosed to us in the confidential version to be in the public interest, we will consult with you before any such public disclosure is made. We note that the Official Information Act applies to submissions we receive, so we may have to consider the release of submissions through the lens of that Act.

Chapter 2 Summary of our draft ID decisions and proposed ID amendments

Purpose of this chapter

- 2.1 This chapter provides a summary of our ID draft decisions and our proposed amendments to the EDB ID Determination. Further information on each of our decisions and amendments can be found in chapters 5-11.

Summary of our draft decisions

- 2.2 Our draft decisions propose requiring Aurora to:

- 2.2.1 annually disclose the information relating to the following categories, to ensure that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 of the Act is being met:

- 2.2.1.1 Delivery of the CPP;
- 2.2.1.2 Quality of services;
- 2.2.1.3 Pricing information;
- 2.2.1.4 Asset management;
- 2.2.1.5 Project quality assurance;
- 2.2.1.6 Cost estimation; and
- 2.2.1.7 Data collection and data quality processes;

- 2.2.2 in the first disclosure year within its CPP period, disclose:

- 2.2.2.1 how it plans to develop and improve its processes and practices for seven specific qualitative information initiatives in the ADR (voltage quality, customer charter and compensation scheme, management and planning of planned outages, data collection and data quality, asset management, cost estimation, project quality assurance);
- 2.2.2.2 how it plans to deliver safety-related projects and programmes to mitigate safety risks;

- 2.2.2.3 what capital expenditure and operational expenditure projects and programmes outlined in its CPP proposal it plans to deliver over the CPP period;
 - 2.2.3 in subsequent years, Aurora will be required to provide an annual update in the ADR on its performance against those plans; and
 - 2.2.4 in the third disclosure year, Aurora will engage an appropriate expert or experts for five topic areas (delivery of capex and opex under the CPP, voltage quality monitoring practices, consumer engagement practices (including on its customer charter, compensation scheme, and pricing methodology) asset management practices, and practices for identifying and mitigating safety risks) to provide their opinions for public disclosure by 1 December 2023 on Aurora's progress in developing or delivering these areas and their recommendations for improvement for Aurora to consider.
- 2.3 Table 2.1 provides a summary of which of the seven ID key topic areas will be subject to disclosure by Aurora of:
 - 2.3.1 its development plans in the first disclosure year;
 - 2.3.2 annual updates against those disclosed plans;
 - 2.3.3 mid-period expert opinions; and
 - 2.3.4 summary updates in the ADR each year.
- 2.4 Table 2.2 provides a summary of the draft decisions for each of the seven ID key topic areas and how we are proposing those decisions will be implemented via EDB ID Determination amendments

Table 2.1 Summary of proposed disclosures by key topic

Topic Area	Requirement to disclose its development plan in the first disclosure year	Requirement to provide in the second, third, fourth and fifth years annual updates against the plans disclosed in the first year	Requirement to obtain mid-period expert opinion(s)	Requirement to provide a high-level summary update in the ADR each year
Information to demonstrate Aurora's accountability for its CPP outcomes: Annual Delivery Report	Yes (for capex and opex projects and programmes it plans to deliver over the CPP period)	No	Yes	N/A
Information on Aurora's quality of services	Yes (for monitoring of voltage quality, customer charter and compensation scheme, consumer engagement practices and management of planned outages)	Yes (for monitoring of voltage quality, customer charter and compensation scheme, consumer engagement practices and management of planned outages)	Yes (for monitoring of voltage quality & customer charter and compensation, consumer engagement practices)	Yes
Enhanced disclosures on Aurora's regional pricing methodology	No	No	Yes (for consumer engagement practices on regional pricing methodology changes)	Yes
Information on ongoing improvements in Aurora's asset management processes	Yes	Yes	Yes	Yes
Information on the application of Aurora's project quality assurance processes	Yes	Yes	No	Yes
Information on ongoing improvements in Aurora's cost estimation processes	Yes	Yes	No	Yes
Information on ongoing improvements in Aurora's data collection and data quality processes	Yes	Yes	No	Yes

Table 2.2 Summary of our draft decisions

Topic Area	Draft Decisions	Affected clauses and schedules
Information to demonstrate Aurora's accountability for its CPP outcomes: Annual Delivery Report	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> disclose additional information via a consumer-facing Annual Delivery Report (ADR) that demonstrates how Aurora is delivering for consumers during the CPP period; and present a summary of the ADR by holding an annual public forum in each of its three regions 	<p>Clauses 2.1.1, 2.5.4(3), 2.5.4(4), 2.8.5A(1), 2.8.5A(5), 2.8.5B and 2.9.1, Attachment A clause 17.3, Attachment C, and new definitions in clause 1.4.3</p>
Information on Aurora's quality of services	<p>Management of planned outages</p> <p>Aurora will be required to disclose additional information annually in the ADR on:</p> <ul style="list-style-type: none"> How Aurora is tracking against its plan (disclosed in Year 1) to plan, manage and communicate planned outages; Numbers of cancelled planned outages, how these cancellations were notified to consumers, how reschedules of the planned outages were notified to consumers and numbers of planned outages which started an hour earlier than notified or finished an hour later than notified Numbers of planned outages that were reported as unplanned for the reasons of not meeting planned outage notification requirements 	<p>Clauses 2.1.1, 2.5.3, 2.5.4(1)(a)(i), 2.5.4(1)(a)(ii), 2.5.4(2), 2.5.4(4), 2.8.5A(2), 2.8.5A(3), 2.8.5B and 2.9.1, and new definitions in clause 1.4.3</p>
Information on Aurora's quality of services (continued)	<p>Network reliability</p> <p>Aurora will be required to include the high-level measures of network reliability in the ADR in addition to including them in its existing ID:</p> <ul style="list-style-type: none"> SAIDI and SAIFI for sub-networks; SAIDI and SAIFI for Aurora's overall network; SAIDI and SAIFI limits for Aurora's overall network; Identification of worst-served consumers by feeder; and Planned and unplanned SAIDI and SAIFI for worst-served consumers. <p>Aurora will be required to disclose information on any plans it has to improve reliability of service for its worst-served consumers.</p>	<p>Clauses 2.1.1, 2.5.3, 2.5.4(1)(a)(i), 2.5.4(1)(a)(ii), 2.5.4(2), 2.5.4(4), 2.8.5A(2), 2.8.5A(3), 2.8.5B and 2.9.1, and new definitions in clause 1.4.3</p>

Topic Area	Draft Decisions	Affected clauses and schedules
Information on Aurora's quality of services (continued)	<p>Voltage quality monitoring</p> <p>Aurora will be required to disclose information about its voltage quality monitoring which includes its:</p> <ul style="list-style-type: none"> • plan to improve its practices for monitoring voltage quality and compliance with applicable voltage requirements of the Electricity (Safety) Regulations 2010 on its LV network, and communicating the results of that monitoring to consumers in the first year of the CPP; • progress against the plan in subsequent years disclosed in the ADR; • mid-period expert opinion on voltage quality monitoring in Year 3; and • summary of what it has done in response to the recommendations from the mid-period expert opinion. 	<p>Clauses 2.1.1, 2.5.3, 2.5.4(1)(a)(i), 2.5.4(1)(a)(ii), 2.5.4(2), 2.5.4(4), 2.8.5A(2), 2.8.5A(3), 2.8.5B and 2.9.1, and new definitions in clause 1.4.3</p>
Information on Aurora's quality of services (continued)	<p>Customer charter and compensation scheme</p> <p>Aurora will be required to disclose:</p> <ul style="list-style-type: none"> • Before the start of each disclosure year, the charter and its consumer compensation scheme, including: <ul style="list-style-type: none"> ○ any changes it has made and whether it consulted consumers on those changes; and ○ proposed changes it intends to make in the upcoming disclosure year; • In the ADR, annual reporting on improving consumer awareness of its charter and compensation scheme, its consumer engagement in each region on proposed charter and compensation scheme changes, and how it has met its service level commitments under its charter and compensation scheme with reasons for any variance; and • Its mid-period expert opinion on its consultation with consumers on its charter and compensation scheme in Year 3; and • A summary of what it has done in response to the recommendations from the mid-period expert opinion. 	<p>Clauses 2.1.1, 2.5.3, 2.5.4(1)(a)(i), 2.5.4(1)(a)(ii), 2.5.4(2), 2.5.4(4), 2.8.5A(2), 2.8.5A(3), 2.8.5B and 2.9.1, and new definitions in clause 1.4.3</p>

Topic Area	Draft Decisions	Affected clauses and schedules
<p>Enhanced disclosures on Aurora's regional pricing methodology</p>	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> • In each year, disclose enhanced information on its regional pricing to enable consumers to better understand how prices are set. This will include: <ul style="list-style-type: none"> ○ clear, concise and effective disclosure that allows interested persons to understand the implications of the assumptions, and methodological choices made on prices for each consumer group in each of Aurora's three regions; ○ a worked example for an average domestic consumer in each of its three regions as to how that consumer's prices are set; and ○ Aurora's cost of supply model down to a level that individual contracts cannot be identified. • In Year 3, disclose a mid-period expert opinion on its consumer engagement process on regional pricing changes. 	<p>Clauses 2.1.1, 2.4.5A and 2.9.1, and new definitions in clause 1.4.3</p>
<p>Information on ongoing improvements in Aurora's asset management processes</p>	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> • Publicly disclose in its AMP (starting with the AMP due by 31 March 2022) additional asset management information; • By 31 March 2022, publicly disclose its development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve its asset management processes and practices; • For every subsequent year, publish an annual update against that plan in the ADR, demonstrating its progress on developing these asset management processes and practices; • By 1 December 2023 (Year 3), disclose a mid-period expert report which will provide opinions on its progress against its development plan for improving its asset management processes and practices and recommendations for further improvements it could make; and • In Year 4 in the ADR, disclose a summary in the ADR of how it has taken any recommendations from the mid-period expert report into account to improve its development plan for Years 4 and 5. 	<p>Clauses 2.1.1, 2.5.4(1)(a)(iv), 2.6.7, 2.8.5A(4), 2.8.5B, 2.9.1 and 2.9.2, and Attachment A clause 17.2, and new definitions in clause 1.4.3</p>

Topic Area	Draft Decisions	Affected clauses and schedules
Information on the application of Aurora's project quality assurance processes	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> • Publicly disclose in its AMP (starting with the AMP due by 31 March 2022) additional information relating to project quality assurance; • By 31 March 2022, publicly disclose its development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve its project quality assurance processes and practices; and • For every subsequent year, publish an annual update against that plan in the ADR, demonstrating its progress on developing quality assurance processes and practices; 	<p>Clauses 2.1.1, 2.5.4(1)(a)(vi), 2.6.7, 2.9.1 and 2.9.2, and Attachment A clause 17.5, and new definitions in clause 1.4.3</p>
Information on ongoing improvements in Aurora's cost estimation processes	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> • Publicly disclose in its AMP (starting with the AMP due by 31 March 2022) additional information relating to cost estimation; • By 31 March 2022, publicly disclose its development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve its cost estimation processes and practices; and • For every subsequent year, publish an annual update against that plan in the ADR, demonstrating its progress on developing these cost estimation processes and practices. 	<p>Clauses 2.1.1, 2.5.4(1)(a)(v), 2.6.7, 2.9.1 and 2.9.2, and Attachment A clause 17.4, and new definitions in clause 1.4.3</p>
Information on ongoing improvements in Aurora's data collection and data quality processes	<p>Aurora will be required to:</p> <ul style="list-style-type: none"> • Publicly disclose in its AMP (starting with the AMP due by 31 March 2022) additional information relating to data collection and data quality; • By 31 March 2022, publicly disclose its development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve its data collection and data quality processes and practices; and • For every subsequent year, publish an annual update against that plan in the ADR, demonstrating its progress on developing these data collection and data quality processes and practices 	<p>Clauses 2.1.1, 2.5.4(1)(a)(iii), 2.6.7, 2.9.1 and 2.9.2, and Attachment A clause 17.1, and new definitions in clause 1.4.3,</p>

Chapter 3 Stakeholder engagement and how it influenced our draft decisions

Purpose of this chapter

- 3.1 This chapter summarises the key issues stakeholders have raised with us via submissions and during our consultation and engagement processes, and explains how we have considered that feedback in our draft decisions.

Our stakeholder engagement to date

- 3.2 The consultation and engagement that we have undertaken with stakeholders prior to this paper is detailed in Chapter 5 of the CPP final decision paper.
- 3.3 In the Consumer Feedback Form which formed part of our CPP Draft Decision suite of documents, we included a specific question on accountability measures. We asked consumers and stakeholders if our proposed accountability measures would provide enough information for them to know whether Aurora is delivering its plan and improving its performance. We also canvassed for feedback on whether consumers and stakeholders thought there was further or alternative information that we should consider.
- 3.4 We appreciate the efforts stakeholders made to provide submissions and attend the public events. We have taken submissions into account in our draft decisions.

Feedback from Aurora

- 3.5 Aurora submitted that our proposed ID reporting areas are broadly relevant when viewed in the context of its original CPP proposal. However, it raised concerns about its inability to fulfil our proposed reporting requirements and commit to improvement programmes as a result of the proposed opex reductions in our CPP Draft Decision. Aurora also said it would reconsider its views upon release of our CPP Final Decision and our proposed ID requirements as part of draft decisions on ID.
- 3.6 In our November 2020 CPP Draft Reasons Paper, we explained that we would be seeking feedback from Aurora to further explore the potential content of an ADR. We said that we wanted to understand how an ADR could be produced each year in an efficient manner by utilising information Aurora already has, and the reporting that it may be doing as part of its business as usual practices.
- 3.7 On 1 March 2021 we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020. We sought to clarify:

- 3.7.1 how our draft policy decisions align with any actions that Aurora is currently undertaking or planning to undertake;
 - 3.7.2 any implementation difficulties that may arise for Aurora based on our draft policy decisions; and
 - 3.7.3 the practical application of the proposed requirement to obtain and publish mid-period expert opinions on progress on some of the ID requirements in Year 3 within the CPP period.
- 3.8 A summary of the information-seeking meeting, including the discussion material (slides) which Aurora provided, is published on our website alongside this draft decision paper.
- 3.9 At the meeting, Aurora reiterated its commitment towards providing transparency on its delivery and improvement progress to consumers and other stakeholders. It noted that reporting requirements need to be fit-for-purpose and provide genuine value to all stakeholders.
- 3.10 We consider the following as the key themes which arose from the information-seeking meeting. Aurora's feedback on our November 2020 draft policy decisions was that:
 - 3.10.1 there are some reporting measures which require better definition to enable it to consider their value and feasibility;
 - 3.10.2 there are some reporting measures which will likely require a transition period before it is able to report on them fully;
 - 3.10.3 there are some reporting measures which it may not be able to fulfil due to resource availability;
 - 3.10.4 regional reporting is specified for the majority of reporting measures and is likely to pose a challenge, as Aurora does not currently capture data for some of these measures; and
 - 3.10.5 some of the reporting requirements may require significant changes to its systems.
- 3.11 We are treating the feedback from the information-seeking meeting as useful input for now, which consumers and other stakeholders will be able to take into account in making their submissions. However, we have not made changes to our proposed amendments to the EDB ID Determination in response to the workability feedback from Aurora, as we encourage Aurora to now consider our proposed amendments and submit fully through our consultation process on our draft decisions and the accompanying draft ID amendments.

- 3.12 We would also expect Aurora to provide supporting evidence where appropriate, for example it should comment on any additional compliance costs of the proposed new requirements, or where it considers its existing business-as-usual reporting practices would achieve the intended disclosure outcome. This will also provide consumers and stakeholders with the opportunity to comment via cross-submissions.

Key issues raised by consumers and stakeholders

- 3.13 This section discusses the key issues raised by stakeholders through the submission process. We have grouped them into 6 broad themes:
- 3.13.1 The need for information transparency;
 - 3.13.2 The effectiveness of ID;
 - 3.13.3 The need for independent expert review and opinion on Aurora's progress;
 - 3.13.4 Quality of reporting;
 - 3.13.5 Feedback on reporting measures; and
 - 3.13.6 Charter and compensation scheme.
- 3.14 In the Consumer Feedback Form which formed part of our CPP Draft Decision suite of documents, we included a specific question on accountability measures. We asked consumers and stakeholders if our proposed accountability measures would provide enough information for them to know whether Aurora is delivering its plan and improving its performance.
- 3.15 We also canvassed for feedback on whether consumers and stakeholders thought there was further or alternative information that we should consider.

The need for information transparency

- 3.16 We have had feedback from stakeholders that they require further information on Aurora's performance.^{14 15 16}

¹⁴ [CC0011 – Submission on draft decision for Aurora's CPP – 15 November 2020](#)

¹⁵ [CC0015 – Submission on draft decision for Aurora's CPP – 23 November 2020](#)

¹⁶ [CC0057 – Submission on draft decision for Aurora's CPP – 9 December 2020](#)

3.17 Aurora has indicated that it is committed to improving information transparency:

We are committed to ensuring that the Commission and interested parties have access to information that provides transparency on the delivery of our CPP programme. We support providing periodic updates on the delivery of the programme to give assurance to stakeholders that we are meeting our targets. Consideration should be given to the relative immaturity of some of our systems and reporting processes when specifying the required information and level of detail. We believe that there are lessons to be learned from existing CPP reporting regimes. We propose to work with the Commission over the coming months to develop an appropriate reporting framework.¹⁷

The effectiveness of ID

3.18 Submitters expressed doubts about ID being effective as a tool to hold Aurora to account, specifically mentioning a lack of consequences for under-performance as a concern. For example:

HCA supports the new accountability measures. It is unclear to us in the event of non-delivery what if any consequences there will be for Aurora. We recommend penalty measures that will not be passed onto consumers (e.g. penalty funded out of profits).¹⁸

There is no enforceable accountability on Aurora for them to comply with the basis of the plan once the CPP is approved it is just treated as business as usual. All they must do to avoid possible enforcement action is to provide their Information Disclosures and meet the lowered quality standards.¹⁹

3.19 Several submitters suggested the formation of consumer watchdog groups or committees to hold Aurora to account. For example:

With regard to safety and reliability Aurora should be required to fund a competent, qualified and rewarded watchdog group which would have the responsibility of making sure that a safe and reliable network is put in place and maintained by Aurora. This is necessary as a result of the failure to adequately regulate Aurora by the Commerce Commission.²⁰

We therefore suggest for consideration by the Commission that it facilitates a committee in each region to receive three of the quarterly reports, with the fourth (annual) report to be directly reported with the public in each region.²¹

¹⁷ [Aurora Energy "Submission on Aurora Energy's Issues paper" \(20 August 2020\)](#)

¹⁸ [CC0055 –Submission on draft decision for Aurora's CPP – 8 December 2020](#)

¹⁹ [Trevor Tinworth – Submission on draft decision for Aurora's CPP – 17 December 2020](#)

²⁰ [Robin Dicey – Submission on draft decision for Aurora's CPP – 9 December 2020](#)

²¹ [Central Otago District Council – Submission on draft decision for Aurora's CPP – 18 December 2020](#)

The CPP process, the nature of the business and how technical it is does not enable the easy development of performance and quality measures. Without appropriate scrutiny it will make it very difficult to hold Aurora to account. One of the ways to achieve this would be to have a consumer watch dog group set up. This group will need to include people with an appropriate technical background or skillset as well as people to operate the group. Without funding or the endorsement of the ComCom it is unlikely this will occur.²²

Aurora needs to fund a watchdog consumer group who has direct access to the ComCom to act as eyes and ears on the ground for breaches of quality and performance measures. Aurora needs to report to this group on a regular basis and provide funding to ensure it is sufficiently resourced with skilled, engaged and knowledgeable members of the general public (including providing training on the operation of the electricity market).²³

Our response

3.20 Our view is that the measures inherent in the CPP that we have implemented for Aurora (ie quality standards) and our proposed additional ID requirements, together create sufficient incentive for Aurora to deliver its CPP effectively, for the following reasons:

- 3.20.1 The improved transparency brought about by the proposed additional ID requirements will enable Aurora’s customers and other stakeholders to identify and report situations where it departs from its plans as outlined in its CPP proposal and publicly disclosed plans. This in turn will put pressure on Aurora, especially its senior management and Board who have strong interests in the success of its CPP, to address those departures from plan.
- 3.20.2 In relation to other EDBs, and in other areas we regulate, we have observed suppliers taking action to address matters that have been “brought to light” through information disclosure and our analysis of that information.
- 3.20.3 Concern over the likelihood of additional regulation in the future. Aurora has indicated that it will seek an additional CPP in the future to undertake expenditure to improve its reliability. If, in the future, when it makes such an application, Aurora has a record of underdelivering on its current CPP commitments, we would be more inclined to consider imposing additional measures, such as a mandated consumer compensation scheme.

²² [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

²³ [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

- 3.21 The suggestions for a consumer watchdog group or committee representing consumers are for Aurora to consider. We note that Aurora has had some success with the use of consumer panels in the past, eg the Consumer Advisory Panel (CAP) and the Consumer Voice Panel (CVP). It may decide to continue with this initiative through the CPP period.
- 3.22 Our view is that consumer panels or committees can be beneficial. However, thought needs to be given to how people could be appointed to these panels and whether the panels would adequately represent the community. A submitter expressed doubts on whether consumer panel members were advocating on the community's behalf.²⁴
- 3.23 On our part, we intend to continue to have an ongoing dialogue with key stakeholders in the communities (eg councils, mayors) to understand how they think Aurora is performing and engaging with communities.

The need for independent review of Aurora's progress

- 3.24 Some submitters considered that there was a need for an independent review of Aurora's progress. For example:

Auditing of shutdowns, upgrades, capital works is essential. This must be totally independent and thoroughly, I emphasise, thoroughly investigated as the word of Aurora management simply can't be trusted.²⁵

Our response

- 3.25 We agree with submitter views that an independent review of Aurora's progress would provide additional assurance to consumers and stakeholders that Aurora is on the right track. We propose requiring Aurora to disclose mid-period (in Year 3) expert opinions on selected ID key topic areas that are important and more complex to understand, and where performance is difficult for us and consumers and stakeholders to assess.
- 3.26 The independent expert (or experts) would provide their opinion of Aurora's progress based on the information that Aurora has publicly disclosed and identify recommendations for improvement for Aurora to consider. We will require Aurora to disclose in Year 4 how it has taken the expert's recommendations into account for its plans in the fourth and fifth years within the CPP period.

²⁴ [Trevor Tinworth "Submission on Aurora Energy's CPP Issues paper" \(20 August 2020\)](#)

²⁵ [CC0050 – Submission on draft decision for Aurora's CPP – 7 December 2020](#)

Quality of reporting

3.27 One submitter also considered that Aurora’s reporting may be inaccurate, late and too complex for consumers to understand and engage with.²⁶

3.28 Some encouraged us to ensure Aurora provided the information in an accessible and digestible manner. For example:

Once again, we reiterate that the community needs the Commission's knowledge and power to be standing alongside it in some real and present manner during the length of the CPP; including in ensuring that regular reporting occurs in a timely, accurate and understandable manner.²⁷

We absolutely need more transparency from Aurora as to how our money is being spent. Why this has not been compulsory or easy for public access before now is unbelievable.²⁸

Our response

3.29 The numerical information in the ADR will be audited in accordance with the same standards that apply to other information that is required to be audited under the existing ID requirements. We are also requiring Aurora to provide additional assurance of some of the qualitative ID through the mid-period expert opinion which is discussed further in Chapters 5-11.

3.30 The ID disclosure is time-bound, ie Aurora must provide the information required by the specified timeframes. The requirement is enforceable, ie failure to do so is regarded as a compliance issue subject to a compliance investigation and the possibility of a penalty for Aurora for contravening an information disclosure requirement.²⁹ Further discussion of the enforceability of ID requirements is contained in Chapter 4.

3.31 We have the ability under the Act to specify the form and manner of disclosure.³⁰ We have proposed a requirement for Aurora to disclose the additional information in a way that allows consumers to understand and engage with the information.³¹

²⁶ [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020](#)

²⁷ [Central Otago District Council – Submission on draft decision for Aurora's CPP – 18 December 2020](#)

²⁸ [CC0011 – Submission on draft decision for Aurora's CPP – 15 November 2020](#)

²⁹ Commerce Act 1986, section 86(2).

³⁰ This is discussed in more detail in Chapter 4 of this paper.

³¹ [Draft] Electricity Distribution Information Disclosure Amendments Determination 2021 [2021] NZCC XX

Feedback on reporting measures

3.32 Aurora's view was that our proposed reporting areas were broadly relevant when viewed in the context of its original CPP proposal. However, it considered that based on opex reductions proposed in our CPP Draft Decision, it would not be able to fulfil the reporting requirements nor commit to improvement programmes:

In light of the proposed opex reductions we will have little choice but to refocus our remaining capability and capacity on delivery of safety-driven work and ensuring the safe operation of the network. We expect that this will lead to:

- deferral of our asset management improvement programmes;
- withdrawal our commitment to undertake a pricing review;
- suspension of social/community driven activity (e.g., charity, sponsorships, discretionary stakeholder engagement);
- an inability to fund a mid-period expert review;
- an inability to undertake new reporting (e.g., regional works delivery, pricing); and
- an inability to undertake voltage quality-based work.

Our improvement plans will be constrained by the capability and capacity of our staff and systems. Both of these will be severely compromised by the proposed reductions in SONS and people opex. We do not envisage being able to commit to any material improvement plans. We will reconsider our views on indicative reporting requirements when the proposed requirements are consulted on and in light of the final decision on Aurora's CPP.

3.33 Submitters provided feedback on the breadth and granularity of reporting measures and provided suggestions on how these measures could be enhanced. For example:

If the performance criteria adopted were sufficient granular, regionally specific and addressed both at an input level and the outputs that are generated more rapid analysis of a lack of performance or quality will be generated. Additionally, this will enable regional performance to be analysed. The current criteria appear to be too high level and will not rapidly enable progress to be analysed.³²

Sufficiently granular reporting so as to allow an accurate picture of the regional differences in reliability to be discovered.³³

For any meaningful analysis of the spend to be undertaken consumers must have enough information available so that they can determine just how closely — or not — build costs follow the claims made by Aurora in their application. This is a critical factor in restoring consumer confidence.

³² [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020](#)

³³ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020](#)

3.34 Submitters said that there should be more reporting on safety, given this is one of the key drivers of Aurora’s CPP proposal. For example:

The Commission should request an undertaking from Aurora that it publish all reports into safety related issues that occur on its network and that it be required to undertake such reports at the request of any community board within its area of supply or any council or regional council.³⁴

The current management and board need to be held accountable with well defined safety indicators and more granular reliability indicators.³⁵

Within the time of the CPP process the frequency of safety incidents has been very high. This has endangered its contractor's staff and the public. Not all have been publicly notified. Aurora's lack of care in not monitoring contracts or its contractors is very poor engineering practice.³⁶

3.35 Some submitters stated that they would like to see better information on planned outage performance, in light of Aurora’s recent management of planned outages, expressing specifically that planned outages need to be better planned, timed and notified. For example:

We need to hold Aurora accountable for its actions rather than have excuse after excuse as poles fall over and infrastructure fails, then they plan repairs at totally inept times (mid-winter) forcing outages on communities during times of greatest need. Yes, customers need to know what is planned, when, how much and what the outcomes are. Outages must be better planned, communicated and timed by Aurora, particularly for Central Otago consumers.³⁷

Even when they do have planned outages sometimes they do not happen and no communication with consumers who have at times gone to lengths and expense to cover themselves. Capital spending Do you think our approach to Aurora's growth projects is the right one, given the current uncertainty with electricity demand in Otago?: Operating spending Do you think our assessment of Aurora's operating spending properly accounts for its capabilities and business costs?: Further comments Is there anything else you want to bring to the Commission's attention?: Then several days later there is an outage that was not expected. They have no consideration at all for their customers.³⁸

There is now a substantial body of evidence that: • Badly planned and mismanaged outages are being recorded as unplanned outages. • Outages are extending due to human error, knowledge attrition and mismanagement.³⁹

³⁴ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

³⁵ [Rob Douglas "Submission on Aurora Energy's CPP Issues paper" \(27 August 2020\).](#)

³⁶ [Steve Tilleyshort – Submission on the draft decision for Aurora's CPP – 16 December 2020.](#)

³⁷ [CC0021 – Submission on draft decision for Aurora's CPP – 27 November 2020.](#)

³⁸ [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020.](#)

³⁹ [Rob Douglas - Submission on draft decision for Aurora's CPP - 21 December 2020.](#)

- 3.36 Some submitters were concerned about the efficiency of spend, with several suggesting that reporting measures must include visibility of actual costs of delivering projects compared against Aurora’s planned costs. Some submitters explained that they are worried about having to pay twice or too much for the work delivered. For example:

You must condition any agreement with Aurora that they report in complete transparency their costs incurred in up-grading the network, which you must review and independently have reviewed.⁴⁰

It is therefore imperative that the Commission requires Aurora to completely disclose the information around its Capex spend each year. For any meaningful analysis of the spend to be undertaken consumers must have enough information available so that they can determine just how closely — or not — build costs follow the claims made by Aurora in their application. This is a critical factor in restoring consumer confidence. Enough information must be disclosed to allow for a meaningful and accurate comparison to be made between Aurora's claimed cost of build for any given asset and what it actually achieves.⁴¹

Our response

- 3.37 We have specified regional reporting requirements for many of our proposed reporting measures, as outlined in Table 5.1 in Chapter 5. However, we recognise that some regional reporting may require a transition period before they are able to be reported on, as Aurora may not necessarily capture this information currently or may currently be constrained by the capabilities and limitations of its IT systems.
- 3.38 In terms of granularity of information, we have set the reporting requirements at a regional level, ie disaggregation to the level of regions, rather than requiring more detailed measures. We think specifying information by three regions will provide consumers better value for money than specifying ever greater detail.
- 3.39 With network reliability, in addition to reporting on network-wide SAIDI and SAIFI we propose requiring Aurora to report on SAIDI and SAIFI for its three pricing regions. We are also proposing requiring Aurora to report on areas in Aurora’s network (feeders) that are experiencing the worst performance as far as power outages are concerned.
- 3.40 We understand the importance of specifying measures that are both input-focused and outcome-focused and consider that we have struck the right balance between these, as outlined in Chapter 5. We welcome further feedback and suggestions from submitters on this topic.

⁴⁰ [CC0057 – Submission on draft decision for Aurora's CPP – 9 December 2020.](#)

⁴¹ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

- 3.41 Safety is an important aspect of Aurora’s CPP outcomes. As the economic regulator, we must determine the extent to which Aurora’s expenditure – including on safety – is achieving its intended outcomes. This includes determining the efficiency of Aurora’s investment in improving safety outcomes, and the prudence of such investment where it is above and beyond what is required to meet statutory safety obligations and minimum electricity network design standards.
- 3.42 We have proposed safety-related disclosure requirements in the ADR for information we consider will enable interested persons to assess the efficiency and prudence of Aurora’s safety expenditure.
- 3.43 Interested persons should have sufficient information to assess whether Aurora’s safety-related expenditure has achieved its intended outcomes. We consider that in Aurora’s context, ‘sufficient’ information encompasses:
- 3.43.1 in the first disclosure year within the CPP period: what safety risks Aurora has planned to mitigate, the associated expenditure, and how the risks will be mitigated as a result of this expenditure.
 - 3.43.2 in the following disclosure years, the extent of actual safety-related expenditure, the extent to which the safety risks have been mitigated as a result of this expenditure, and how Aurora plans to address any risks that have not been mitigated to the extent that was previously planned.
- 3.44 In response to feedback about the adequacy of reporting on safety, we have also proposed that Aurora discloses information relating to safety-related incidents on its network. We are interested in submitters’ views on these proposed reporting requirements on safety.
- 3.45 To provide consumers and us with further assurance on how Aurora is developing its practices for identifying and mitigating safety risks, we are proposing requiring Aurora to obtain a mid-period expert opinion on its safety risk practices.
- 3.46 In response to submitters’ concerns about the management of planned outages, we propose requiring Aurora to report on how it manages planned outages, including how it considers the needs of consumers and stakeholders in the planning, statistics on cancelled outages and the notification of these and the number of unplanned outages that were reported as unplanned for the reasons of not meeting planned outage notification requirements. Further discussion on this topic is detailed in Chapter 6.

- 3.47 We are proposing requiring Aurora to report on how closely its actual costs track its planned costs for projects and programmes it is delivering, which includes requiring reasons for variance between the forecast and actual cost of a project or a programme with an actual cost of \$1 million or more. This is further detailed in Chapter 5.
- 3.48 We are also proposing requiring Aurora to report on how it intends to develop its processes to improve the quality of its project cost estimation. This will help consumers assess Aurora's progress and evaluate if poor cost estimation practices are resulting in Aurora overestimating costs, ultimately resulting in consumers paying too much. Further information is contained in Chapter 10.

Charter and compensation scheme

- 3.49 Concern was expressed by some submitters that without mandating the customer charter and compensation scheme, there was a risk that Aurora could withdraw or downgrade both to the detriment of consumers. For example:

The Commerce Commission admitted at a meeting in Cromwell that they have no regulator power over Aurora's Customer Charter. The charter is also voluntary in nature (Para 14113) Therefore, the Charter is open to manipulation or cancellation by Aurora. For example, there was a major unplanned outage in Cromwell in early November 2020 affecting 1650 consumers that exceeded the four-hour limit where compensation is paid. Aurora may review this and see this as an unnecessary expense to their business (1650 customers x \$50 per customer compensation = \$82,500). They then might decide to reduce the compensation level to a lower amount and/or increase the time threshold to something that is more in their favour. As indicated in para 143 it indicates that Aurora's Customer Charter is to be updated but the Commerce Commission lacks clarity of these changes. Therefore, as part of this application this Charter should have no weight as the Commerce Commission has no regulatory power over it to guarantee suitable benefits to the consumer.⁴²

Aurora's customer charter is not enshrined in the regulatory framework — as a consequence it is a PR exercise that bears no weight or value. It is a PR exercise only that is subject to manipulation and without scrutiny it is not worthwhile. To ensure consumers are properly protected the charter should form part of the ComCom's recommendations.⁴³

⁴² [Trevor Tinworth – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

⁴³ [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

Our response

- 3.50 Aurora has an existing charter and compensation scheme in place and has publicly committed to retaining its scheme and consulting with consumers on potential improvements. Our proposed additional ID requirements will provide transparency to consumers and stakeholders on how Aurora is performing against its current charter and its progress on its intended improvements to the charter. Given Aurora's intention to improve its charter and compensation scheme, we are not proposing to consider mandating its existing charter and compensation scheme at this stage.

Chapter 4 Framework for our draft decisions

Purpose of this chapter

- 4.1 This chapter summarises the legal framework we have applied in reaching our draft decisions on setting additional ID requirements that will apply to Aurora. It explains:
- 4.1.1 What information disclosure regulation is;
 - 4.1.2 How we regulate suppliers, such as Aurora, under ID regulation; and
 - 4.1.3 The decision-making criteria we apply in determining whether to set ID requirements for regulated suppliers.

Aurora is subject to information disclosure regulation

- 4.2 Information disclosure regulation or ‘ID regulation’ is a form of regulation we use under Part 4 of the Act to regulate certain markets where there is little or no competition (and little prospect of future competition).⁴⁴ This form of regulation requires a supplier of goods or services in a regulated market to publicly disclose information in accordance with requirements we determine.⁴⁵ We call these requirements information disclosure requirements or ‘ID requirements’, and set them out in determinations we make under section 52P of the Act (ID determination).
- 4.3 All EDBs, including Aurora, as suppliers of electricity distribution services, are subject to ID regulation under Part 4 because they operate as natural monopolies (ie, there is little or no competition in the markets for the electricity distribution services they offer).⁴⁶
- 4.4 The effect of being subject to ID regulation is set out in section 53B of the Act. Section 53B(1) provides:

Section 53B Effect of being subject to information disclosure regulation

(1) Every supplier of goods or services that are subject to information disclosure regulation must—

(a) publicly disclose information in accordance with the information disclosure requirements set out in the relevant section 52P determination; and

⁴⁴ Commerce Act 1986, section 52.

⁴⁵ Commerce Act 1986, section 52B(2)(a).

⁴⁶ Section 54F of the Commerce Act 1986 provides that electricity lines services are subject to information disclosure regulation.

(b) supply to the Commission a copy of all information disclosed in accordance with the section 52P determination, within 5 working days after the information is first made publicly available; and

(c) supply to the Commission, in accordance with a written notice by the Commission, any further statements, reports, agreements, particulars, or other information required for the purpose of monitoring the supplier's compliance with the section 52P determination.

- 4.5 For Aurora, the effect of being subject to ID regulation is that it must disclose any information it is required to by an ID determination, or by a written notice from the Commission. If the information is required by an ID determination, Aurora must publicly disclose⁴⁷ it and supply a copy of that information to the Commission. If the information is required by written notice from the Commission under section 53B(1)(c), Aurora must disclose it to the Commission.
- 4.6 The relevant ID determination that sets out the current ID requirements that apply to all EDBs, including Aurora, is the *Electricity Distribution Information Disclosure Determination 2012* [2012] NZCC 22 (consolidated April 2018) (EDB ID Determination).⁴⁸

Purpose of information disclosure regulation

- 4.7 The purpose of ID regulation is to ensure that sufficient information is readily available to interested persons⁴⁹ to assess whether the purpose of Part 4 of the Act (Part 4) is being met.⁵⁰
- 4.8 Section 52A(1) sets out the purpose of Part 4. It provides:

52A Purpose of Part

- (1) The purpose of [Part 4] is to promote the long-term benefit of consumers in [regulated markets] by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services:

⁴⁷ Section 52C of the Commerce Act 1986 defines “publicly disclose” to mean “to disclose information to the public in the manner required by a section 52P determination”.

⁴⁸ A copy of the current EDB ID Determination is accessible via our website here: https://comcom.govt.nz/_data/assets/pdf_file/0025/78703/Electricity-distribution-information-disclosure-determination-2012-consolidated-3-April-2018.pdf.

⁴⁹ We interpret the reference to ‘interested persons’ in section 53A to include: consumers and consumer groups; electricity and gas retailers, and their representative groups; central government and regional authorities; other regulatory agencies (such as the Electricity Authority and the Gas Industry Company Ltd); any other stakeholder of the regulated supplier, including investors; and their advisers (such as equity analysts and other professional advisors), and owners of regulated suppliers. The Commission is also an interested person.

⁵⁰ Commerce Act 1986, section 53A.

- (a) have incentives to innovate and invest, including the replacement, upgraded, and new assets; and
- (b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
- (c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
- (d) are limited in their ability to extract excessive profits.

4.9 To understand whether the relevant outcomes consistent with workably competitive markets are occurring, interested persons should have sufficient information to assess the actual performance of suppliers. Having ‘sufficient’ information will encompass both quantitative and qualitative information, with information sufficiently disaggregated to allow interested persons to understand what is driving the supplier’s performance.⁵¹

4.10 The Part 4 purpose highlights the importance of incentives:

4.10.1 incentives to innovate and to invest (s 52A(1)(a)); and

4.10.2 incentives to improve efficiency and provide services at a quality that reflects consumer demands (s 52A(1)(b)).

4.11 We consider that the practical test of whether incentives are working is whether suppliers are responding to those incentives. We therefore consider that interested persons can only assess whether these elements of the Part 4 purpose are being met by examining evidence of their performance – historical, current and expected future performance.

Our role in regulating Aurora under ID regulation

4.12 Our role under ID is to:

4.12.1 decide what information a supplier must disclose to the public, and how they must disclose it. We do this by setting ID requirements;

4.12.2 publish a summary and analysis of any information a supplier publicly discloses under our ID requirements; and

⁵¹ We discuss the meaning of “sufficient information” at paragraph 2.17 of our final reasons paper for the EDB ID requirements we set in the original EDB ID Determination in 2012 (Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012)). A copy of this paper is accessible via our website here: https://comcom.govt.nz/_data/assets/pdf_file/0025/59641/Information-Disclosure-for-EDBs-and-GPBs-Final-Reasons-Paper.PDF.

- 4.12.3 assessing how effective our ID requirements are in promoting the purpose of ID. If we assess that our ID requirements are not effective, we may decide different requirements (or changes to existing requirements) are necessary.

We decide what information Aurora must disclose, and how they must disclose it

- 4.13 As discussed above, the effect of Aurora being subject to ID regulation is that it must publicly disclose information in accordance with any ID requirements that apply to it. ‘Publicly disclose’ means to disclose information to the public in the manner required by an ID determination.⁵²
- 4.14 Section 53C governs the content of any ID determination we make. Section 53C(1) provides that the ID determination must, amongst other things, specify:⁵³
- 4.14.1 the information to be disclosed;⁵⁴
 - 4.14.2 the manner in which the information is to be disclosed;⁵⁵ and
 - 4.14.3 the form of disclosure.⁵⁶
- 4.15 The requirement to specify the ‘manner’ and ‘form’ by which information is disclosed means we can specify in an ID determination how a regulated supplier will be required to disclose information to the public. This can be important in circumstances where we consider certain information should be expressed in a particular way to ensure interested persons can understand it. For example, if we set an ID requirement that required a supplier to publicly disclose all of its current prices, we could require that the disclosed pricing information must be expressed in a manner that enables consumers to determine which of those prices will impact them.⁵⁷ Similarly, we could require that the supplier publicly discloses that pricing information by publishing it on their website, publishing it in the newspaper, making copies of the information available, providing written notice to each affected consumer, or providing the information to its consumers in a public forum.

⁵² The definition of “publicly disclose” is provided in section 52C of the Act, which states “publicly disclose, in relation to information required to be disclosed under information disclosure regulation, means to disclose information to the public in the manner required by a section 52P determination”.

⁵³ Section 53C(1)(a)-(h) of the Commerce Act 1986 sets out a list of things a section 52P determination must specify.

⁵⁴ Commerce Act 1986, section 53C(1)(c).

⁵⁵ Commerce Act 1986, section 53C(1)(d).

⁵⁶ Commerce Act 1986, section 53C(1)(e).

⁵⁷ For example, the price is broken down by a category of consumer.

- 4.16 Section 53C(3) provides that the ID determination may also:⁵⁸
- (a) require disclosed information, or information from which disclosed information is derived (in whole or in part), to be verified by statutory declaration:
 - (b) require independent audits of information a supplier discloses:
 - (c) require the retention of data on which disclosed information is based, and associated documentation:
 - ...
 - (f) impose any other requirements that the Commission considers necessary or desirable to promote the purpose of information disclosure regulation.
- 4.17 Section 53C(3)(f) means that we can set any other requirement in an ID determination that we consider is “necessary or desirable” to ensure that sufficient information is readily available to interested persons to assess whether the Part 4 purpose is being met. For example, we may consider it is necessary or desirable for the purposes of ID to require a supplier to do ‘a particular thing’ in relation to the information it is disclosing, which may be to provide us (and other interested persons) with assurances relating to that information (as an independent audit or statutory declaration would do under section 53C(3)(a) and (b)).
- 4.18 We also have a wide discretion in determining the types of information that must be disclosed under ID requirements. Section 53C(2) provides a non-exhaustive list of the types of information that we may require to be disclosed. It provides:
- (2) Information required to be disclosed may include (without limitation) any or all of the following:
 - (a) financial statements (including projected financial statements):
 - (b) asset values and valuation reports:
 - (c) prices, terms and conditions relating to prices, and pricing methodologies:
 - (d) contracts:
 - (e) transactions with related parties:
 - (f) financial and non-financial performance measures:
 - (g) plans and forecasts, including (without limitation) plans and forecasts about demand, investments, prices, revenues, quality and service levels, capacity and spare capacity, and efficiency improvements:
 - (h) asset management plans:

⁵⁸ See section 53C(3)(a)-(f) for a full list of things a section 52P determination may do.

- (i) quality performance measures and statistics:
- (j) assumptions, policies, and methodologies used or applied in these or other areas:
- (k) consolidated information that includes information about unregulated goods or services, in which case section 53D applies.

- 4.19 In exercising this discretion, we must promote the purpose of ID regulation under the Act. Accordingly, any information we require Aurora to disclose under an ID requirement must be for the purposes of ensuring that sufficient information is readily available to interested persons to assess whether the purpose of Part 4 is being met.
- 4.20 In setting ID requirements, section 54Q of the Act also requires us to promote incentives, and avoid imposing disincentives, for suppliers to invest in energy efficiency and demand side management, and to reduce energy losses.
- 4.21 Any ID determination we make under section 52P must “specify the suppliers to which it applies”⁵⁹ and “set out...the requirements that apply to each regulated supplier”.⁶⁰ This means that any ID determination we make must specify who (ie which regulated suppliers) has to comply with each ID requirement in that determination. For example, we may specify that all the ID requirements in an ID determination apply to every regulated supplier subject to that determination, or we may specify that certain of those ID requirements only apply to one (or a subset of the) regulated supplier subject to that determination.

We summarise and analyse the information Aurora discloses

- 4.22 Section 53B(2)(b) provides that the Commission:

...must, as soon as practicable after any information is publicly disclosed, publish a summary and analysis of that information for the purpose of promoting greater understanding of the performance of individual regulated suppliers, their relative performance, and the changes in performance over time.

- 4.23 The requirement to publish a summary and analysis of the information a supplier discloses confers an ongoing, active role on us in respect of the information disclosure regime after the ID requirements have been set. We must analyse the information regulated suppliers publicly disclose and then publish that analysis for the public (along with a summary of the disclosed information). As information is disclosed and analysed over the years, it provides an ongoing source of information so that performance trends can be identified and monitored over time.

⁵⁹ Commerce Act 1986, section 53C(1)(b).

⁶⁰ Commerce Act 1986, section 52P(3)(a).

- 4.24 Our summary and analysis assists interested persons in assessing whether the Part 4 Purpose is being met because the summary and analysis we produce helps people to better understand the information that was publicly disclosed by the regulated supplier.
- 4.25 Our analysis role under ID is not simply to explain the information disclosed under ID, but to promote greater understanding of a supplier's performance. This means the scope of the analysis we undertake of information that a supplier discloses can be broad. For example, if we are analysing the information Aurora has publicly disclosed under ID, part of our analysis may extend to considering what factors are impacting Aurora's performance.

We may ask a supplier for more information

- 4.26 The active nature of our role under ID is also supported by section 53B(2)(a) of the Act, which allows us to "monitor and analyse" all information that a supplier discloses under our ID requirements.
- 4.27 If we have questions regarding the information a supplier has publicly disclosed, or if our analysis of the information a supplier has publicly disclosed raises concerns regarding that supplier's performance, we may decide we need to engage with that supplier further to gather more information.
- 4.28 Part of that further engagement may involve the Commission issuing a regulated supplier with a notice under section 53B(1)(c) to supply us with further information (eg, further statements, reports, agreements or particulars), for the purpose of monitoring that supplier's compliance with our ID requirements.
- 4.29 We may also require further information from a supplier by issuing a written notice under section 53ZD of the Act. For example, if our ID analysis raised concerns regarding a supplier's performance, we may investigate further into that performance matter,⁶¹ and we may require the supplier to provide us with an expert opinion in relation to that matter.⁶² Under section 53ZD, we may also require a regulated supplier to:
- 4.29.1 prepare and produce forecasts, forward plans, or other information;⁶³

⁶¹ Under section 53ZD(1)(b)(i) of the Commerce Act 1986, for the purposes of carrying out our functions and exercising our powers under Part 4, we may investigate how effectively and efficiently any supplier of the goods or services is supplying the goods or services.

⁶² Commerce Act 1986, section 53ZD(1)(f).

⁶³ Commerce Act 1986, section 53ZD(1)(d)(i).

- 4.29.2 apply any methodology specified by us in the preparation of forecasts, forward plans, or other information;⁶⁴ and
- 4.29.3 in circumstances where the Commission is conducting an investigation, audit, or inquiry, produce “documents and information in relation to the goods or services, or the prices or operations of the person in respect of the goods or services”, and “to answer any questions about any matter that the Commission has reason to believe may be relevant to the investigation, audit, or inquiry”.⁶⁵

We may analyse if our ID requirements are working effectively...

- 4.30 When we analyse the information a supplier has disclosed, we may, as part of that analysis, assess whether we think the existing ID requirements imposed on that supplier are working effectively to promote the purpose of ID, and the overall purpose of Part 4. The more effective our ID requirements are in promoting the purpose of ID, the more likely it is that those requirements are promoting the overall purpose of Part 4.
- 4.31 Under section 53B(3), we may choose to publish this analysis for the public. Section 53B(3) states:

To avoid doubt, the Commission may, as part of a summary and analysis, include an analysis of how effective the information disclosure requirements imposed on the goods or services are in promoting the purpose of this Part.

...and if they are not working effectively, we may seek to impose different requirements on the supplier

- 4.32 If we assess that our ID requirements are not working effectively to promote the purpose of ID, we may decide different ID requirements (or changes to existing ID requirements) are necessary. We may amend an ID determination at any time to set new ID requirements or revise existing ID requirements, provided we consult with interested parties on material changes first.⁶⁶ Further, if the supplier is also subject to price-quality regulation, we may look to impose additional quality measures in their price-quality path in the next regulatory period.⁶⁷

⁶⁴ Commerce Act 1986, section 53ZD(1)(d)(ii).

⁶⁵ Commerce Act 1986, section 53ZD(1)(e).

⁶⁶ Under section 52Q(1) of the Commerce Act 1986, we must consult with interested parties before we make a material amendment to an ID determination. We may amend an ID determination in a non-material way without prior consultation.

⁶⁷ Commerce Act 1986, section 53M.

Enforcement

ID is an enforceable matter under the Act

- 4.33 Information disclosure regulation is an enforceable matter under Part 6 of the Act:
- 4.33.1 section 86B(1)(a) establishes an offence where a person “knowing that particular goods or services are subject to information disclosure regulation, intentionally contravenes any information disclosure requirement relating to those goods or services”;⁶⁸ and
 - 4.33.2 section 86 provides that we can apply to the court for a pecuniary penalty against any person who has contravened (or attempted to contravene) any information disclosure requirement.⁶⁹
- 4.34 Contravention of an ID requirement includes failing to disclose information required to be disclosed, failing to disclose information in the form or within the time specified, or disclosing information under an information disclosure requirement that is false or misleading.⁷⁰
- 4.35 The maximum pecuniary penalty under section 86 for an individual is \$500,000 and for any other case is \$5 million.⁷¹ The maximum fines for a conviction under section 86B(1) for an individual is \$200,000 and for any other case \$1 million.⁷²

Our decision-making criteria for setting ID requirements

- 4.36 Our key consideration in setting ID requirements (or amendments to ID requirements) must be what information is necessary to ensure that interested persons have sufficient information readily available to assess whether the Part 4 purpose is being met (consistent with the purpose of ID regulation).⁷³ In other words, what information is needed to determine whether the performance of a regulated supplier is consistent with the performance outcomes one would expect to find in a workably competitive market (the outcomes listed in the purpose of Part 4; section 52A(1)(a)-(d)).

⁶⁸ A person also commits an offence if the person is subject to an order from the court to comply with an information disclosure requirement and fails to comply with that order by the time specified (section 86B(1)(b)).

⁶⁹ Commerce Act 1986, section 86(1)(a)-(b).

⁷⁰ Commerce Act 1986, section 86(2).

⁷¹ Commerce Act 1986, section 86(3).

⁷² Commerce Act 1986, section 86B(2).

⁷³ We discuss our decision-making framework in our final reasons paper for the EDB ID requirements we set in the original EDB ID Determination in 2012 (*Commerce Commission Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012)).

- 4.37 In order to make this assessment, interested persons need to be able to answer several key questions on different aspects of a supplier’s performance. These questions relate to historical, current and future performance. Key performance questions to assess if the Part 4 purpose is being met include:⁷⁴
- 4.37.1 Is the supplier operating and investing in their assets efficiently? (section 52A(1)(a)-(b));
 - 4.37.2 Is the supplier innovating where appropriate? (section 52A(1)(a));
 - 4.37.3 Is the supplier providing services at a quality that reflects consumer demands? (section 52A(1)(b));
 - 4.37.4 Is the supplier sharing the benefits of efficiency gains with consumers, including through lower prices? (section 52A(1)(c));
 - 4.37.5 Do the prices set by the supplier promote efficiency? (section 52A(1)(a)-(b)); and
 - 4.37.6 Is the supplier earning an appropriate economic return over time? (section 52A(1)(d)).
- 4.38 Our view is that in order to answer these key performance questions, interested persons need a package of different types of information (both quantitative and qualitative)– including how the network is being (or plans to be) managed, expenditure on different activities (both historic and forecast), quality outcomes and pricing.⁷⁵
- 4.39 In terms of how we decide what is “sufficient information”, as mentioned above, having ‘sufficient’ information requires interested persons having both quantitative and qualitative information, with certain information sufficiently disaggregated to allow interested persons to understand what is driving the supplier’s performance. In determining the EDB ID requirements in 2012, we also had regard to the following criteria:⁷⁶

⁷⁴ These key performance questions are discussed in more detail at paragraphs 2.30-2.45 of our paper: Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012).

⁷⁵ The range of information that interested persons need is discussed in more detail at paragraphs 2.46-2.58 of our paper: Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012).

⁷⁶ Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012), paragraphs 2.17-2.23.

2.20 In deciding what is sufficient information, we have been mindful of the cost of disclosure requirements on suppliers. In order to keep those costs to a minimum, we have:

- 2.20.1 taken account of supplier's existing practices and capability;
- 2.20.2 required disaggregated information only where necessary;
- 2.20.3 aligned ID with other parts of the Part 4 regime;
- 2.20.4 sought technical input from the electricity and gas sectors, including through industry workshops and a Technical Reference Group made up of industry representatives.

4.40 When considering whether certain information should be disaggregated for interested persons, we must also be mindful of the cost this disaggregation may have on the affected supplier.⁷⁷

⁷⁷ Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012), paragraph 2.17.

Chapter 5 Information to demonstrate Aurora's accountability for its CPP outcomes: Annual Delivery Report

Purpose of this chapter

- 5.1 The purpose of this chapter is to explain our draft decisions for information that Aurora will be required to disclose in an Annual Delivery Report (ADR):
- 5.1.1 to provide transparency on how it is delivering the proposed projects and programmes outlined in its CPP proposal; and
 - 5.1.2 to demonstrate how Aurora is improving its processes and practices that it needs to develop over the CPP period, covering:
 - 5.1.2.1 quality of services;
 - 5.1.2.2 regional pricing;
 - 5.1.2.3 asset management;
 - 5.1.2.4 project quality assurance;
 - 5.1.2.5 cost estimation; and
 - 5.1.2.6 data collection and data quality.

Background

- 5.2 In Chapter 5 of our November 2020 draft decision on Aurora's CPP we outlined our view of the key risks and issues in Aurora delivering and performing under its CPP and the challenges associated with Aurora delivering on its plan. We explained how those risks and challenges were being addressed through a package of measures which included our proposed ID requirements.
- 5.3 The CPP work programme proposed by Aurora is significant and larger in scale than what it has delivered previously. Our proposed ID requirements will provide information that will allow consumers and stakeholders to assess Aurora's performance in delivering its approved CPP work programme and encourage it to achieve better performance over time.

- 5.4 Aurora already discloses information as part of its general ID obligations and through other channels such as its Annual Report, AMP, updates on its website, etc. The purpose of ID is to ensure that sufficient information is readily available to interested persons such as consumers and stakeholders to assess whether the CPP is promoting outcomes consistent with outcomes produced in workably competitive markets.
- 5.5 Our view is that part of ensuring that information is ‘readily available’ includes making the information easily accessible to consumers and stakeholders. We propose that the ADR distils and summarises the information required by consumers and stakeholders in one place which supports the purpose of ID. Having the required information in multiple locations and through multiple channels that consumers and stakeholders will then need to draw from is unnecessarily time-consuming.

Structure of this chapter

- 5.6 In this chapter we:
- 5.6.1 summarise our November draft policy decisions on requiring Aurora to disclose additional information relating to the delivery of the CPP and improvement of its processes and practices in key areas through the ADR;
 - 5.6.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
 - 5.6.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is delivering the CPP and improving its processes and practices through the ADR; and
 - 5.6.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft policy decisions

- 5.7 Our November draft decisions proposed that:
- 5.7.1 Aurora will be required to disclose additional information via a consumer-facing Annual Delivery Report (ADR) which includes a combination of objective quantitative measures and more subjective qualitative measures that demonstrate how Aurora is delivering for consumers during the CPP period;
 - 5.7.2 Aurora will be required to present the contents of the ADR by holding annual public meetings in each of its three regions;

- 5.7.3 In the first disclosure year within the CPP period, Aurora will be required to provide and publish plans that detail how it will continue to develop processes to improve its processes and practices for seven specific qualitative information initiatives in the ADR (asset management, data collection and data quality, cost estimation, project quality assurance, voltage quality, charter and compensation scheme, and management and planning of planned outages);
- 5.7.4 In the second, third, fourth and fifth disclosure years within the CPP period, Aurora will be required to provide an update on its performance against that plan; and
- 5.7.5 In the third disclosure year, that Aurora would engage an appropriate expert or experts for the five topic areas to provide their forward-looking expert opinions on Aurora’s progress against the development plans from the first disclosure year, and to publish recommendations on any change in course for Aurora for the remaining disclosure years within the CPP period.

What we heard from submitters

- 5.8 In the Consumer Feedback Form which formed part of our November 2020 CPP Draft Decision suite of documents, we included a specific question on accountability measures. We asked consumers and stakeholders if our proposed accountability measures would provide enough information to know whether Aurora is delivering its plan and improving its performance. We also canvassed for feedback on whether consumers and stakeholders thought there was further or alternative information that we should consider.
- 5.9 Generally, submitters supported the concept of an ADR. However, some expressed doubts about information disclosure being effective as a tool to hold Aurora to account, specifically mentioning lack of consequences for underperformance as a concern.^{78,79,80,81}

⁷⁸ [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020.](#)

⁷⁹ [Queenstown Lakes District Council – Submission on draft decision for Aurora's CPP – 14 December 2020](#)

⁸⁰ [CC0055 – Submission on draft decision for Aurora's CPP – 8 December 2020](#)

⁸¹ [Trevor Tinworth – Submission on draft decision for Aurora's CPP – 17 December 2020](#)

- 5.10 A submitter also considered that Aurora’s reporting may be inaccurate, late and too complex for consumers to understand and engage with.⁸² Some submitters encouraged us to ensure Aurora provides the information in an accessible and digestible manner.^{83,84,85}
- 5.11 Several submitters provided feedback on the breadth and granularity of reporting measures and provided suggestions on how these measures could be enhanced.^{86,87,88} Submitter comments on granularity were related to regional reporting, so that differences in performance are visible and to sufficiency of information.
- 5.12 An example of this is with the efficiency of spend, with several submitters suggesting that reporting measures must include visibility of actual costs of delivering projects compared against Aurora’s planned costs.^{89,90, 91}
- 5.13 Several submitters emphasised that there should be more reporting on safety, given this is one of the key drivers of Aurora’s CPP proposal.^{92, 93 94}
- 5.14 Submitters would also like to see better information on planned outage performance, in light of Aurora’s recent management of planned outages, expressing specifically that planned outages need to be better planned, timed and notified.^{95,96,97,98}

⁸² [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020.](#)

⁸³ [CC0011 – Submission on draft decision for Aurora's CPP – 15 November 2020.](#)

⁸⁴ [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020.](#)

⁸⁵ [Central Otago District Council – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

⁸⁶ [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

⁸⁷ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

⁸⁸ [Rob Douglas - Submission on draft decision for Aurora's CPP - 21 December 2020.](#)

⁸⁹ [CC0015 – Submission on draft decision for Aurora's CPP – 23 November 2020.](#)

⁹⁰ [CC0057 – Submission on draft decision for Aurora's CPP – 9 December 2020.](#)

⁹¹ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

⁹² [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

⁹³ [Rob Douglas - Submission on draft decision for Aurora's CPP - 21 December 2020.](#)

⁹⁴ [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

⁹⁵ [CC0021 – Submission on draft decision for Aurora's CPP – 27 November 2020.](#)

⁹⁶ [CC0023 – Submission on draft decision for Aurora's CPP – 29 November 2020.](#)

⁹⁷ [KD McGraw – Submission on draft decision for Aurora's CPP – 8 December 2020.](#)

⁹⁸ [Central Otago District Council – Submission on draft decision for Aurora's CPP – 18 December 2020.](#)

- 5.15 We recognise that some submitters, especially consumers, had concerns that ID would not be a strong enough measure on its own to hold Aurora to account to its consumers for the effective delivery of its CPP.^{99,100 101} However, our view is that the measures in the CPP that we have implemented for Aurora (ie, price controls, quality standards and incentive measures) and our proposed additional ID requirements together create sufficient incentive on Aurora to deliver its CPP effectively, for the following reasons:
- 5.15.1 Improved transparency. The improved transparency brought about by the proposed additional ID requirements will enable Aurora’s consumers and other stakeholders to identify and report situations where it departs from its plans as outlined in its CPP proposal and publicly disclosed plans. This in turn will put pressure on Aurora, especially its senior management and Board who have strong interests in the success of its CPP, to address those departures from plan.
 - 5.15.2 In relation to other EDBs, and in other areas we regulate, we have observed suppliers taking action to address matters that have been “brought to light” through information disclosure and our analysis of that information.
 - 5.15.3 Concern over the likelihood of additional regulation in the future. Aurora has indicated that it will seek an additional CPP in the future to undertake expenditure to improve its reliability. If, in the future, when it makes such an application, Aurora has a record of underdelivering on its current CPP commitments, we would be more inclined to consider imposing additional measures, such as a mandated consumer compensation scheme.¹⁰²
- 5.16 Aurora submitted that our proposed ID reporting areas were broadly relevant when viewed in the context of its original CPP proposal.¹⁰³ However, it submitted that the additional ID was focused on areas of improvement that Aurora expected it would no longer be able to attempt to improve given our draft decision to forecast operating expenditure at a lower level than in Aurora’s CPP proposal. Aurora also said it would reconsider these views upon release of our CPP Final Decision and publication of our proposed ID requirements as part of our draft decisions on ID.

⁹⁹ [CC0055 –Submission on draft decision for Aurora's CPP – 8 December 2020.](#)

¹⁰⁰ [Trevor Tinworth – Submission on draft decision for Aurora's CPP – 17 December 2020](#)

¹⁰¹ [CC0015 – Submission on draft decision for Aurora's CPP – 23 November 2020](#)

¹⁰² Commerce Act 1986, section 53M(2)(c)

¹⁰³ [Aurora Energy – Main submission on draft decision for Aurora's CPP – 18 December 2020](#)

5.17 Our CPP Final Decision includes a substantial increase in forecast operating expenditure compared to our draft CPP decision. We are confident that our final CPP operating expenditure allowance represents a prudent and efficient level of non-network opex for Aurora at this time. In particular, we expect that it will allow Aurora to:

- 5.17.1 efficiently and prudently manage its network; and
- 5.17.2 undertake the initiatives set out in its CPP proposal, with the exception of the seeking of accreditation under ISO55000, as our opex allowance does not reflect fully the significant cost of securing accreditation within the CPP period.

Further information obtained from Aurora

5.18 In our November CPP Draft Reasons Paper, we mentioned that we would be seeking feedback from Aurora to better understand how the ADR could be produced in an efficient manner by utilising the information it already has, and the reporting that it may be doing as part of its business as usual practices.

5.19 At our information-seeking meeting with Aurora on 1 March 2021, Aurora provided further feedback on ID measures in general.¹⁰⁴ Aurora indicated that:

- 5.19.1 our proposed ID requirements in the ADR should be tested against several reporting principles to ensure that they are fit-for-purpose and provide genuine value;
- 5.19.2 it required better definition and understanding of some reporting measures to enable it to assess their feasibility;
- 5.19.3 some reporting measures will require a transition period for it to start reporting on; and
- 5.19.4 a number of reporting measures may be constrained by the availability of resourcing and/or capabilities of Aurora's systems.

5.20 Aurora also provided a summary of current reporting it was already undertaking for the areas it would be required to disclose information on under our proposed ID requirements.

¹⁰⁴ Commerce Commission "Summary of Aurora Information seeking meeting" (1 March 2021).

- 5.21 As discussed in Chapter 3, we are treating the feedback from the information-seeking meeting as useful input for now, which consumers and other stakeholders will be able to take into account in making their submissions. However, we have not made changes to our proposed amendments to the EDB ID Determination in response to the workability feedback from Aurora, as we encourage Aurora to now consider our proposed amendments and submit fully through our consultation process on our draft decisions and the accompanying amendments.
- 5.22 We would also expect Aurora to provide supporting evidence where appropriate, for example it should comment on any additional compliance costs of the proposed new requirements, or where it considers its existing business-as-usual reporting practices would achieve the intended disclosure outcome. This will also provide consumers and stakeholders with the opportunity to comment via cross-submissions.

Our draft decisions and reasons

Key draft decisions on the ADR

- 5.23 Our key draft decisions are that:
- 5.23.1 Aurora will be required to disclose additional information via a consumer-facing Annual Delivery Report (ADR) which includes a combination of objective quantitative measures and more subjective qualitative measures that demonstrate how Aurora is delivering for consumers during the CPP period; and
 - 5.23.2 Aurora will be required to present the contents of the ADR to its consumers by holding annual public meetings in each of its three regions.
- 5.24 For the purposes of monitoring Aurora’s compliance with the proposed ADR ID requirements, we are also proposing requiring Aurora to disclose to us a compliance statement that sets out whether or not Aurora has complied with each of the ID requirements that relate to the provision of the ADR.¹⁰⁵

Other draft decisions related to the ADR

- 5.25 The following draft decisions are discussed in Chapters 6-11, as they pertain to the key ID topic areas in each of those chapters. These draft decisions are included here for completeness, as they are referred to in the context of the content in the ADR in Table 5.1.

¹⁰⁵ Section 53B(1)(c) allows us to require a regulated supplier to supply other information to us for the purpose of monitoring its compliance with an information disclosure determination.

- 5.25.1 In the first disclosure year within the CPP period, Aurora will be required to provide and publish plans that detail:
- 5.25.1.1 how it will continue to develop and improve its processes and practices for seven specific qualitative information initiatives in the ADR (voltage quality, customer charter and compensation scheme, management and planning of planned outages, data collection and data quality, asset management, cost estimation, project quality assurance); and
 - 5.25.1.2 how it plans to deliver safety-related projects and programmes to mitigate safety risks;
- 5.25.2 in subsequent years, Aurora will be required to provide an annual update in the ADR on its performance against those plans; and
- 5.25.3 in the third disclosure year, Aurora will engage an appropriate expert or experts for five topic areas (delivery of capex and opex under the CPP, voltage quality, consumer engagement practices (including consultation on its customer charter, and compensation scheme and pricing methodology), asset management, and mitigating safety risks) to provide their opinions for public disclosure by 1 December 2023 on Aurora’s progress against the development plans from the first disclosure year, and in developing or delivering these areas, and their recommendations for improvement for Aurora to consider.

Reasons for our draft decisions

We propose requiring Aurora to disclose information in its ADR that will help its consumers and stakeholders assess its performance

- 5.26 In the first disclosure year within the CPP period, Aurora will also be required to disclose what capital expenditure and operational expenditure projects and programmes outlined in its CPP proposal it plans to deliver over the CPP period. In addition, our existing EDB ID determination requires signed directors’ certificates to accompany certain information that EDBs publicly disclose, and we are proposing that this certification requirement will also apply to the additional quality of service information, the development plans, and the ADR that Aurora will be required to publicly disclose.

- 5.27 Our starting point in designing the approach for Aurora’s ADR was the Powerco ADR, which we consider provides valuable information for Powerco’s consumers and other stakeholders.¹⁰⁶ Powerco provided useful feedback to us on its ADR experience at our recent Annual Technical Meeting with it. Powerco’s feedback was:
- 5.27.1 to consider how the ADR provides meaningful information to consumers and stakeholders;
 - 5.27.2 to provide clarity on outcomes that we are intending to achieve via the ADR and allow flexibility for EDBs subject to an ADR to demonstrate to us how those outcomes could be met;
 - 5.27.3 to consider building in adaptability and improvement of the ADR over time in response to changing interests from consumers and stakeholders; and
 - 5.27.4 that regional categorisation may not be the only way of categorising consumers for the purposes of disclosures, and that other ways such as considering their different interests might be more appropriate.
- 5.28 We have tailored the content of the Aurora ADR for its specific circumstances. For our draft decisions on the ADR, as compared to the outline presented in our November 2020 draft policy decisions, we have taken into account our lessons from the Powerco ADR experience, observations acquired from transparency reporting in other sectors and submissions provided by consumers and stakeholders.
- 5.29 The major focus of the ADR will be on qualitative measures, where we are proposing requiring Aurora to provide commentary on specific topic areas in a format which is easy-to-understand for general consumers.
- 5.30 In addition to the commentary, we also propose requiring Aurora to provide a visual self-appraisal (eg. ‘traffic light’ status or number of ticks) for each area of performance. Aurora, and other EDBs subject to ID, already undertake a self-appraisal exercise under the existing EDB ID Determination in regard to assessing their data accuracy and asset management maturity using the Asset Management Maturity Assessment Tool (AMMAT).^{107,108}

¹⁰⁶ [Powerco ADR](#)

¹⁰⁷ EDB ID Determination, Schedules 9a, 9b and 12a. The definition “data accuracy” in Schedule 16 explains the ‘1 to 4’ data accuracy options that EDBs must rate themselves against.

¹⁰⁸ EDB ID Determination, Schedule 13

- 5.31 We consider this self-appraisal will equip consumers, stakeholders and us with better information to assess how Aurora is performing. We are interested in Aurora's and consumers' views on the potential effectiveness of this proposed self-appraisal aspect.
- 5.32 We have proposed quantitative measures for the ADR and have provided flexibility for Aurora to decide on how it publicly discloses these, either within the ADR itself or available separately on its website, similar to the approach that Powerco takes.¹⁰⁹
- 5.33 Table 5.1 details the reporting elements of the ADR.
- 5.34 Powerco's feedback to us was that based on its experience, stakeholder interests can change over time. It suggested an approach of describing the outcome desired instead of applying an overly prescriptive approach, so the reporting can be adapted over time to ensure it remains targeted and meaningful for consumers and stakeholders. We agree with this principle.
- 5.35 For each reporting measure of the ADR, we have therefore explained the desired outcome of disclosing each measure. We are open to considering Aurora's suggestions on whether it considers that there are measures it is currently using as part of its business-as-usual practices that would better meet the desired outcomes.
- 5.36 We are proposing requiring regional reporting of the measures in the ADR. We consider that a regional breakdown will allow consumers and stakeholders in Aurora's three regions to better assess Aurora's performance as it pertains to their regions than if the information was provided at a higher network-wide level.
- 5.37 In particular, it will provide visibility to consumers and stakeholders of potential differences in performance between the regions and explanations for the reasons for this.
- 5.38 We consider it will better equip consumers and stakeholders to have more meaningful engagement with Aurora both at public meetings and through other channels.
- 5.39 Aurora told us at the information-seeking meeting on 1 March 2021 that any requirement to disaggregate reporting to levels more granular than its three pricing regions (ie, 'Dunedin', 'Central Otago & Wanaka', and 'Queenstown') would be difficult and costly, given the capabilities and constraints of its current systems and operations.

¹⁰⁹ [Powerco ADR](#)

- 5.40 It explained that it may require a transition period of a year to be able to fulfil some of the regional reporting requirements as proposed in our November 2020 draft policy decisions. We encourage Aurora in its submission to provide further information on its existing operations, and the anticipated impact of our draft decisions regarding regional reporting.

Table 5.1 ADR reporting elements

Category	Desired Outcomes	Proposed Measures
QUALITATIVE MEASURES		
Introduction from Board/CEO	<i>Consumers and stakeholders are able to assess whether the CPP has the full commitment and support of Aurora's Board and CEO.</i>	<i>Explains key achievements in delivering CPP commitments and a high-level description of why progress is as forecast, ahead or behind schedule. Commentary on the commitment of the Board</i>
CPP outcomes	<i>Consumers and stakeholders are assured that the CPP is a priority and can assess how Aurora is performing in achieving its CPP outcomes.</i>	<i>Describes what Aurora is doing to ensure CPP outcomes are achieved.</i>
Progress against overall programme milestones	<i>Consumers and stakeholders understand how Aurora is tracking with delivering its approved work.</i>	<i>By region: Descriptive narrative supplemented by high-level quantitative info on overall progress to date, status of projects and programmes against planned (from timing and cost perspectives)¹¹⁰, Commentary required on whether the projects and programmes are on track for successful delivery or not, including reasons for projects over \$1 million with actual costs that vary by +/-10% compared to planned. Narrative provided on the actions Aurora took to resolve delivery challenges and whether consumers and stakeholders have been consulted on projects that are deprioritised or substituted.</i>
Stakeholder and Consumer engagement initiatives	<i>Consumers and stakeholders understand whether, and if so how, Aurora has sought views from consumers and other stakeholders, and are able to understand how Aurora is using any feedback they have provided to improve future engagements.</i>	<i>Description of whether, and if so how, Aurora has engaged with consumers and stakeholders in each of the three regions, including a list of parties it has engaged with. Summarise feedback received from consumers and stakeholders (including us) on its engagements and how it has taken this feedback into account for its engagement efforts in the upcoming year.</i>

¹¹⁰ Planned = timing for projects and programmes as described in Aurora's CPP proposal

Category	Desired Outcomes	Proposed Measures
Consumers satisfaction and experience	<i>Consumers and stakeholders understand the volume and nature of complaints and are able to assess whether complaints are static, deteriorating or improving and how complaint information is being used to improve consumers satisfaction.</i>	<i>By region, detail the number and type/category of consumers complaints received (including complaints related to Aurora’s charter commitments and voltage quality), average resolution times for these complaints. Description of how the complaints are trending in comparison to the previous disclosure year. Description of how complaint information is being used as a feedback loop to improve quality and service levels.</i>

Quality of services

Consumers and stakeholders understand how Aurora is improving the quality of its services for their long-term benefit

Charter & compensation scheme

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 tracking against its development plan (disclosed in year 1) to:

- *improve consumer awareness of its existing charter;*
- *meet its existing service commitments in its charter; and*
- *improve its charter and compensation scheme, including whether, and if so how, it has consulted with consumers in each region on proposed changes to its charter and compensation scheme*

Procure and publicly disclose mid-period expert opinion in disclosure year 3 within the CPP period on Aurora's progress on consultation with its consumers on its charter and compensation scheme

Voltage quality

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 against its plan (disclosed in year 1) to:

- *improve its processes for monitoring voltage quality and compliance with the voltage requirements of the Electricity (Safety) Regulations 2010 on its LV network*
- *communicate the results of the monitoring of voltage quality and compliance with the voltage requirements to consumers and stakeholders in each region*

Procure and publicly disclose mid-period expert opinion in disclosure year 3 within the CPP period on progress against its plan for monitoring voltage quality and compliance with the voltage requirements of the Electricity (Safety) Regulations 2010

Category	Desired Outcomes	Proposed Measures
		<p>Management of planned outages</p> <p><i>Describe:</i></p> <ul style="list-style-type: none"> • <i>how Aurora is tracking against its plan (disclosed in Year 1) to plan, manage and communicate planned outages</i> • <i>numbers of cancelled planned outages, how these cancellations were notified to consumers, how reschedules of the planned outages were notified to consumers and numbers of planned outages which started an hour earlier than notified or finished an hour later than notified</i> • <i>numbers of planned outages that were reported as unplanned for the reasons of not meeting planned outage notification requirements</i>
<p>Network safety initiatives</p>	<p><i>Consumers and stakeholders understand how network spend is addressing safety issues on the network and have transparency on whether they should have concerns about the safety of the network where they live/work,</i></p>	<p><i>Report on the following annually as compared against its plan on safety-related expenditure and safety risks disclosed in year 1:</i></p> <ul style="list-style-type: none"> • <i>actual safety-related expenditure</i> • <i>actual safety risks mitigated as a result of actual safety-related expenditure</i> • <i>plan to address any safety risks that have not been mitigated to the extent that was previously planned</i> <p><i>Disclose statistics on safety related incidents on its network by region (including near misses, public hazard and protection failure incidents), provide commentary on how these statistics compare against the previous disclosure year and describe any corrective actions taken</i></p> <p><i>Procure and publicly disclose mid-period expert opinion in disclosure year 3 within the CPP period on Aurora's progress in developing practices for identifying and mitigating safety risks</i></p>

Category	Desired Outcomes	Proposed Measures
Regional pricing	Consumers and stakeholders understand how their line charges are determined.	<p><i>Summarise:</i></p> <ul style="list-style-type: none"> • feedback from consumers and stakeholders as a result of enhanced regional pricing disclosures against ID requirement. • whether, and if so how, it has consulted with consumers in each region on proposed changes to its regional pricing methodology, including a mid-period expert opinion in disclosure year 3 on its consumer engagement process. <p><i>Supporting detail on the summary can be published separately (eg, on Aurora's website) (refer to further details of this ID requirement in Chapter 7)</i></p>
Asset management improvements	Consumers and stakeholders understand how Aurora is progressing with improving its asset management processes and practices to ensure a safe and reliable network in the longer-term.	<p>Summarise progress in improving asset management processes against ID requirements, including a mid-period expert opinion in disclosure year 3 within the CPP period on how Aurora is progressing against developing certain asset management practices. Supporting detail on the summary can be published separately eg on Aurora's website.</p> <p><i>(refer also to further details of this ID requirement in Chapter 8)</i></p>
Project quality assurance improvements	Consumers and stakeholders understand how Aurora is progressing with improving its project quality assurance processes to ensure that the work being undertaken on the network is of a sufficient quality to ensure they do not pay twice for the work.	<p>Summarise progress in improving project quality assurance processes against ID requirement. Supporting detail on the summary can be published separately eg on Aurora's website.</p> <p><i>(refer to further details of this ID requirement in Chapter 9)</i></p>
Cost estimation process improvements	Consumers and stakeholders understand how Aurora is progressing with improving its processes for estimating the costs of work required on its network	<p>Summarise progress in developing and improving cost estimation processes against ID requirement. Supporting detail on the summary can be published separately eg on Aurora's website.</p> <p><i>(refer to further details of this ID requirement in Chapter 10)</i></p>

Category	Desired Outcomes	Proposed Measures
Data collection and data quality process improvements	Consumers and stakeholders understand how Aurora is progressing with improving the way it captures and uses data to better justify the spend required on its network.	Summarise progress in improving data collection and data quality processes against ID requirement. Supporting detail on the summary can be published separately eg on Aurora’s website. (refer to further details of this ID requirement in Chapter 11)
QUANTITATIVE MEASURES		
Financial performance of opex and capex projects and programmes	Consumers and stakeholders are able to assess how Aurora is delivering on the required work on its network from a cost perspective	Disclose actual spend vs planned spend of projects and programmes for each region split by category and subcategories: •Capex •Opex
Asset replacement	Consumers and stakeholders are able to assess how Aurora is delivering on the required work on its network from an asset class/category perspective	By region, disclose actual assets (with further detail on asset categories) replaced vs planned with high-level reasons for variance and unit cost per unit replaced
Outages	Consumers and stakeholders have transparency on how Aurora is tracking on the length and frequency of power outages.	Disclose for Aurora’s overall network: • SAIDI and SAIFI • SAIDI and SAIFI limits Disclose by region: •unplanned and planned SAIDI and SAIFI

Category	Desired Outcomes	Proposed Measures
Worst served consumers	Consumers and stakeholders understand which areas of Aurora's network are most impacted by outages and whether that is remaining static, improving or deteriorating over time.	<p>Disclose areas in Aurora's network (feeders) that are experiencing the worst planned and unplanned SAIDI and SAIFI performance</p> <p>Disclose information on any plans Aurora has to improve reliability of service for its worst-served consumers.</p>
Vegetation management	Consumers and stakeholders understand how Aurora is tracking against its plan to manage vegetation	<p>By region, and compared to Aurora's plans each year for vegetation management:</p> <ul style="list-style-type: none"> •% of network inspected •% of trees trimmed, removed, or sprayed

We have considered submitter feedback in updating reporting requirements in the ADR

5.41 Table 5.2 summarises submitter feedback on the proposed measures discussed in our November 2020 CPP draft decision paper and our response.

Table 5.2 How we have considered submitter feedback on the proposed ADR

Submitter feedback on proposed measures from November 2020 draft policy decisions	How we have reflected the feedback in our draft decisions on the ADR
Transparent reporting required on costs incurred in delivering the work required on the network ¹¹¹	We have included a reporting measure for Aurora to provide reasons for cost variances for projects and programmes over \$1 million with actual costs that vary by 10% or more as compared with planned costs.
Reporting to be more granular, regionally specific, more regular (quarterly, six-monthly) input and outcome focused, easily understood and communicated with the public ¹¹²	We have specified regional reporting requirements for most measures. We are proposing to require Aurora to report yearly on its progress on development plans to improve key areas – this is an example of input focused measures. We have included a requirement for the disclosure to be accessible and digestible for the public. Our current view is that reporting more frequently than annually will be too onerous for Aurora.
Reporting to be audited and reviewed	We are proposing to require Aurora to obtain an independent audit of the quantitative reporting in the ADR to provide the level of assurance required by us and stakeholders. ¹¹³ For specific ID topic areas (CPP delivery, voltage quality, asset management, safety risk reduction and consumer and stakeholder consultation – both general consultation and specifically for pricing changes and changes to the charter and compensation scheme), we are requiring Aurora to procure and publicly disclose a mid-period (in Year 3) expert report on its progress in these areas.
Better reporting of safety issues and outcomes	We have included an additional reporting measure for safety-related issues and incidents on Aurora’s network.
Including a reporting measure on outages to capture the need for these to be better planned, timed and communicated, especially in relation to planned outages that are cancelled and not notified.	We are requiring Aurora to report on how it manages planned outages, including how it considers the needs of consumers and stakeholders in the timing and planning, statistics on cancelled outages including notification of these.

¹¹¹ For example, a submitter wanting more transparency on how money is being spent: [CC0011 – Submission on draft decision for Aurora's CPP – 15 November 2020](#)

¹¹² For example, submitters concerned with the breadth and granularity of reporting measures: [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020](#), and [Rob Douglas "Submission on Aurora Energy's CPP Issues paper" \(27 August 2020\)](#)

¹¹³ We can set an ID requirement for a supplier to obtain an independent audit of disclosed information under section 53C(3)(b) of the Act. Our existing EDB ID Determination includes requirements for EDBs to audit certain disclosed information (see definition of “audited disclosure information” in clause 1.4.3 and clause 2.8.1).

We propose requiring Aurora to disclose its plans on how it intends to make ongoing improvements and report back against these plans each year

- 5.42 Before the end of the first disclosure year that falls within the CPP period (ending 31 March 2022), Aurora will be required to complete and publicly disclose a plan for developing and improving its processes and practices relating to seven specific qualitative information initiatives (asset management, data collection and data quality, cost estimation, project quality assurance, voltage quality, consumer charter and compensation scheme, and management and planning of planned outages).
- 5.43 In each disclosure year after March 31, 2022, Aurora will be required to provide an update on its performance against its plans for developing and improving its processes and practices relating to the seven specific initiative areas.

We propose requiring Aurora to present a summary of the ADR to its consumers and stakeholders in its sub-network regions

- 5.44 The ADR is intended to be a consumer-facing document. Hence, Aurora will need to consider how best it presents and publicly discloses the information in a format that consumers and stakeholders can easily understand and engage with. This is particularly important given concerns expressed by more than one submitter that inaccessible information, such as the use of jargon, can cause a knowledge or power imbalance which makes it challenging for consumers and stakeholders to engage with the material, ask questions of, and provide feedback to Aurora.
- 5.45 We are proposing a requirement for Aurora to publicly present a summary of the ADR to consumers and stakeholders in its three regions. We consider annual public meetings will provide a valuable opportunity for Aurora to present its progress in delivering the CPP and to ensure sufficient information is readily and directly available to consumers to assess whether the purpose of Part 4 is being met. The public meetings will need to be adequately and reasonably notified to consumers and stakeholders using a variety of channels.

We propose requiring Aurora to refine and improve the ADR and how it engages on the ADR

- 5.46 We are proposing requirements in the ADR for Aurora to report on the parties it has engaged with over the disclosure year and to explain how feedback received from consumers and stakeholders on its engagement efforts has been used to refine its approach for engagement in the upcoming disclosure year.
- 5.47 We encourage Aurora to consider innovations in how they engage with consumers and stakeholders. There may be more meaningful approaches with categorising its consumer base other than regionality.

- 5.48 We would like Aurora to refine and adapt the ADR year-on-year over the CPP period in response to feedback from its consumers and stakeholders to allow for their changing interests over time. As such, we have included a requirement for Aurora to report in the ADR on how it has taken into account the feedback received from consumers and stakeholders for its engagement efforts in the upcoming disclosure year.

We propose requiring Aurora to procure and publicly disclose a mid-period expert report on its progress on some areas of the ADR to provide consumers with further assurance

- 5.49 For a subset of the areas where Aurora is required to improve its processes and practices, and a few additional qualitative reporting areas of the ADR (delivery of CPP projects and programmes, voltage quality monitoring, consumer engagement processes generally (and for proposed changes in pricing methodology, charter and compensation scheme), asset management practices, and practices for identifying and mitigating network safety risks), performance will be challenging for us and consumers to assess.
- 5.50 To assist interested parties with this, we are proposing setting a requirement on Aurora to procure and publicly disclose an expert report by 1 December 2023 ie in Year 3 of the CPP. Transpower is subject to a similar arrangement for consumer consultation information it provides during its current IPP period.¹¹⁴
- 5.51 The report(s) will provide opinions on Aurora's progress, and recommendations on further improvements it could make, in its delivery of the CPP projects and programmes, voltage quality monitoring, its consumer consultation processes generally (as well as for proposed changes to its pricing methodology, charter and compensation scheme), asset management practices and its practices for identifying and mitigating network safety risks.
- 5.52 We are proposing to require this expert report under section 53C(3)(f) of the Act.¹¹⁵ Our current view is that it is necessary or desirable to require an expert opinion on the information Aurora has disclosed on each of the proposed topic areas to promote the purposes of ID regulation. The areas we are proposing the expert report will cover are areas that are complex, which Aurora is providing qualitative information on. We consider that it is necessary for an expert to provide their opinion on Aurora's performance in these areas to ensure that we, and other interested persons, can effectively conduct our own assessments of Aurora's performance.

¹¹⁴ [Transpower s53Zd notice](#)

¹¹⁵ Section 53C(3)(f) is discussed at paragraph 4.17 of this paper.

- 5.53 We also consider that not only will it provide considerable benefit to all interested persons in assessing Aurora's performance in these areas, it will also provide a mechanism to surface any issues or areas of concern to stakeholders, should they arise, and provide an opportunity for consumers and stakeholders to provide feedback to Aurora.
- 5.54 The areas requiring mid-period expert opinions are diverse and as such it is unlikely that one consultancy will have all the expertise required. Aurora will select the independent experts it considers appropriate before it appoints an expert, and it is required to obtain our approval of the expert.
- 5.55 We are also proposing to require Aurora to obtain our feedback on the proposed terms of reference for the expert report. The reason for this proposed requirement is to ensure that the terms of reference specify an overriding duty to assist us as an independent expert on relevant matters within the experts' area of expertise.
- 5.56 We envisage the preparatory work on engaging the experts including selection of and appointment of the experts, and the drafting and finalising of the terms of reference to take place ahead of time in Year 2. We propose to require Aurora to engage the experts by 31 July 2023 in readiness for the expert opinions to be engaged in September and October of 2023.
- 5.57 The expert report will only be based on the information Aurora has already publicly disclosed under our ID requirements at the time the report is done. At the time of providing the opinion in Year 3, the information that will be available to the expert(s) would be Aurora's development plans which it would have disclosed at the end of Year 1, the two ADRs and AMPs for the disclosure years ending 31 March 2022 and 31 March 2023. The assessment will be in the form of a top-down desktop review with limited detailed assessment.
- 5.58 We propose requiring a draft of the expert report to be provided to us for comment, and for any comments to be taken into consideration in finalising the report. Aurora is required to publish the expert report by 1 December 2023.
- 5.59 We are proposing that Aurora discloses in the ADR, in respect of the disclosure years ending 31 March 2024, 31 March 2025 and 31 March 2026, how it has taken any recommendations from the expert reports into account to improve its development plan for the fourth and fifth years of the CPP.
- 5.60 We will also conduct our own analysis of the expert report and publish that analysis (along with a summary of the report) for the public.

We will perform summary and analysis on disclosed information to help consumers and stakeholders better understand Aurora's performance

- 5.61 As discussed in Chapter 4, we have a role under ID regulation to publish a summary and our analysis of ID information that an EDB discloses.¹¹⁶ We intend to perform a tailored summary and analysis on Aurora's ADR each disclosure year after it is published.
- 5.62 Our summary and analysis will provide consumers and stakeholders with our view on what the disclosed information says about how Aurora is performing. We consider that our summary and analysis will allow consumers and stakeholders to more effectively understand Aurora's performance, and any changes in Aurora's performance over the previous year.
- 5.63 We have specified the proposed reporting measures in the ADR in a manner that we consider will enable easier summary and analysis, eg attempting to identify baseline information that can be used as a reference point or point of comparison and including a requirement for Aurora to self-appraise its performance.

We are proposing meeting with Aurora every year to discuss its ADR

- 5.64 We engage with Powerco every year on its ADR via an annual technical meeting. The purpose of the annual technical meeting is to enable us to specifically understand the detail of how Powerco is performing under its CPP, especially if actual progress significantly deviates from its planned investment programme.
- 5.65 We also use the annual technical meetings to check and ensure that Powerco has considered ongoing consumer and stakeholder feedback in improving its performance and its engagement efforts.
- 5.66 We consider that these meetings are working well for both Powerco and us.
- 5.67 We are proposing implementing a similar annual meeting with Aurora, being the 'Annual ID Review Meeting' that will be focused on discussing its ADR.

Our proposed ID determination changes

- 5.68 In order to give effect to our draft decisions as set out in this chapter, we propose the following amendments to the EDB ID Determination:¹¹⁷

¹¹⁶ Commerce Act 1986, section 53B(2)(b).

¹¹⁷ For the detail on these proposed drafting changes, refer to the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

- 5.68.1 Insert new clause 2.5.4(1)(a) to require Aurora by 31 March 2022 to publicly disclose its plan for developing and improving its processes and practices in seven areas listed in new clause 2.5.4(1)(a)(i)-(vii);¹¹⁸
- 5.68.2 Insert new clause 2.5.4(1)(b) to require Aurora by 31 March 2022 to publicly disclose what capital expenditure and operational expenditure projects and programmes outlined in its CPP proposal it plans to deliver over the CPP period;
- 5.68.3 Insert new clause 2.5.4(1)(c) to require Aurora to publicly disclose a plan for delivering capital expenditure and operational expenditure projects and programmes to mitigate safety risks;
- 5.68.4 Insert new clause 2.5.4(2) to require Aurora by 31 May 2022 to present a summary of the key features of the plans it publicly discloses under new clauses 2.5.4(1)(a) and (c), and the update under proposed clause 2.5.4(1)(b), to consumers on each of Aurora’s sub-networks;
- 5.68.5 Insert new clauses 2.5.5 and 2.5.6 to require Aurora for each disclosure year commencing after 31 March 2022 to:
 - 5.68.5.1 publicly disclose an ADR prepared in accordance with proposed Attachment C, within five months after the end of each disclosure year; and
 - 5.68.5.2 within 2 months of publicly disclosing the ADR, present a summary of the key features of the ADR to consumers on each of its sub-networks;
- 5.68.6 Insert new clause 2.5.7 to set requirements on how Aurora must present to consumers the summary of the key features of the development plan, the project and programme delivery plan, the safety delivery plan, and each ADR;
- 5.68.7 Insert new clause 2.5.8 to require Aurora to provide a compliance statement for each ADR, including:
 - 5.68.7.1 whether Aurora has complied with all of the content requirements of proposed Attachment C;

¹¹⁸ The seven areas the plan must cover are discussed in more detail in Chapters 6-11, as they relate to our draft decisions on the key ID topic areas discussed in Chapters 6-11.

- 5.68.7.2 an index showing how the ADR has met the requirements of proposed Attachment C; and
 - 5.68.7.3 disclosure of any content requirement of proposed Attachment C that the ADR has not met, and the reasons why;
 - 5.68.8 Insert new clauses 2.8.5A and 2.8.5B to require Aurora to procure and produce an expert report by 1 December 2023, prepared in accordance with the requirements in proposed clause 2.8.5B, that provides an independent opinion on Aurora’s progress in, and any recommendations for improving on, the five areas listed in clause 2.8.5A(1)-(5);
 - 5.68.9 Insert new Attachment C, that sets out the detailed content required in an Annual Delivery Report, including a requirement to include an overall progress update from Aurora’s Board of directors (see proposed clause 1.1 of Attachment C), and a requirement to provide a range of information relating to capital expenditure and operational expenditure projects and programmes that Aurora is doing on each of its sub-networks (see proposed clause 1.3 of Attachment C);¹¹⁹ and
 - 5.68.10 Inserting new definitions, and updating some existing definitions, in clause 1.4.3 that are necessary to support the above amendments.
- 5.69 To give effect to the proposals to require regional information to be disclosed, we propose to use the existing definition of “sub-network” that is currently defined in clause 1.4.3 of the EDB ID Determination. Paragraph (b) of that definition states that sub-network means “a part of the network that is geographically separate from all other parts of the network”.
- 5.70 The term “geographically separate from all other parts of the network” is not defined in the EDB ID Determination. However, paragraph (c) of the definition specifies a circumstance that must be regarded as a “geographical separation”,¹²⁰ and paragraphs (d)-(g) of the definition specify circumstances where a part of an EDB’s network must not be regarded as geographically separate from all other parts of the network.¹²¹

¹¹⁹ More detail on the other proposed requirements in Attachment C are discussed in Chapters 6-11, as they relate to our draft decisions on the key ID topic areas discussed in those chapters.

¹²⁰ Paragraph (c) of the definition of “sub-network” in clause 1.4.3 states “the existence of electricity distribution service activities supplied by another supplier that are between different electricity distribution service activities supplied by the supplier is to be regarded as a geographical separation”.

¹²¹ Paragraph (d) of the definition of “sub-network” in clause 1.4.3 provides that parts of the network of the supplier are not to be regarded as geographically separate from all other parts of the network of the

- 5.71 Further, our final reasons paper for the EDB ID requirements determined in 2012, stated that the definition of “sub-network” was intended to capture EDBs which operate “non-contiguous networks”.¹²² In that paper, we stated that non-contiguous networks exist where “distinctions between the serviced regions may result in substantial differences in performance. A line 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.”¹²³
- 5.72 Applying the definition of “sub-network” to Aurora, our view is that Aurora currently has three sub-networks:
- 5.72.1 ‘Dunedin’ sub-network;
 - 5.72.2 ‘Queenstown’ sub-network; and
 - 5.72.3 ‘Central Otago and Wanaka’ sub-network.
- 5.73 Our reasons for this view are:
- 5.73.1 our current understanding is that Aurora currently charges different standard prices across these three parts of its network, and therefore these parts of Aurora’s network are non-contiguous networks;¹²⁴
 - 5.73.2 Aurora also charges different standard pricing for its ‘Te Anau’ part of the network. However, our view is that this part of Aurora’s network would fall into one or more of the circumstances listed in paragraphs (e)-(g) of the definition of “sub-network”, and therefore would be not be regarded as a sub-network for the purposes of the EDB ID Determination; and

supplier if one of the circumstances described in paragraphs (e)-(g) of the definition of “sub-network” apply. Paragraphs (e)-(g) state “(e) the total circuit length of the electric lines that are used in supplying the electricity distribution services and are capable of conveying electricity at a voltage equal to or greater than 3.3 kV is less than 25 km; or (f) the electricity conveyed is less than 20 GWh per annum; or (g) the electricity distribution services are provided to fewer than 2000 ICPs.”.

¹²² Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012), at paragraph 7.2.2.

¹²³ Commerce Commission *Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper* (1 October 2012), at paragraph 7.3.

¹²⁴ See: <https://www.auroraenergy.co.nz/disclosures/pricing/pricing-methodologies/>.

5.73.3 in addition to the different standard pricing that Aurora charges between the 'Dunedin' and 'Central Otago and Wanaka' parts of its network, there is another EDB (OtagoNet) that is supplying electricity distribution services between these two parts of Aurora's network, and therefore these two parts of Aurora's network must be regarded as geographically separate in accordance with paragraph (c) of the definition of 'sub-network'.

Chapter 6 Information on Aurora's quality of service

Purpose of this chapter

- 6.1 The purpose of this chapter is to explain our draft decisions that would require Aurora to disclose additional information on its quality of service. This is to make it easier for consumers and other stakeholders to understand Aurora's current performance and its changes in performance through the CPP period. The requirements are in addition to the information Aurora already discloses under our existing EDB ID Determination.

Background

- 6.2 The CPP includes a broad package of requirements on the quality of service that Aurora delivers to its consumers. We are proposing several areas of additional information disclosure requirements that will complement the limits and financial incentives that we have placed on Aurora's quality of service in the CPP under the quality standards and quality incentive scheme. In some cases, the additional information bolsters the requirements we have put on Aurora in areas of quality of service that are covered by the limits and incentives. In other cases, additional information disclosure requirements are being proposed in areas that are important to consumers but not covered by the limits and incentives.
- 6.3 A key part of Aurora's current and planned commitment to consumers and engagement with consumers on quality of service is its customer charter and compensation scheme. We understand Aurora plans to undertake consultation targeting improvement of its compensation scheme and charter.
- 6.4 We commend Aurora for having a compensation scheme. We are proposing to use our ID powers to monitor whether it consults with consumers and other stakeholders, and potentially improves it over the CPP period.
- 6.5 The existing information disclosure requirements, which apply to all EDBs, are primarily in Schedule 10 of the annual information disclosure. The schedule requires a summary of the key measures of network reliability (interruptions, SAIDI, SAIFI, and fault rate) for the year. This is to be given for the EDB as a whole, as well as by sub-network. EDBs must also provide explanatory comment on their network reliability for the disclosure year in Schedule 14 of the annual information disclosure. A substantial portion of the asset management plans that EDBs are required to publish also provide contextual information regarding the EDB's quality performance, including plans to invest in new assets to improve reliability.

Structure of this Chapter

6.6 In this chapter, we:

- 6.6.1 summarise our November 2020 draft policy decisions on requiring Aurora to disclose additional information relating to quality of service, specifically—
 - 6.6.1.1 charter and compensation scheme;
 - 6.6.1.2 voltage quality monitoring practices; and
 - 6.6.1.3 management of planned outages;
- 6.6.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
- 6.6.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is improving its quality of service; and
- 6.6.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft policy decisions

6.7 Our November paper proposed to require additional information disclosure from Aurora. In relation to Aurora's quality of service, this included additional disclosure requirements for information on:

- 6.7.1 outage communications;
- 6.7.2 network reliability;
- 6.7.3 voltage quality monitoring practices; and
- 6.7.4 its customer charter and compensation scheme.

6.8 The proposed additional information on communication about outages included the annual number of planned outages that meet the criteria of additional notification. We also proposed requiring information on its system for management and communication of planned outages.

- 6.9 The proposed additional information on network reliability we required was high-level reliability measures. Some of this information is also required in existing information disclosure requirements, but we proposed that it should also be added to the ADR where it will be more accessible to interested parties. The additional information we proposed requiring that is not already a requirement in information disclosure included measures of reliability for the worst-served consumers on the network.
- 6.10 The additional information on voltage quality monitoring on the low voltage portion of its networks we proposed requiring was Aurora's plan for voltage quality monitoring and its plan for improvements.
- 6.11 The additional information that we proposed on Aurora's customer charter and compensation scheme included:
- 6.11.1 the commitments in its voluntary charter and compensation scheme;
 - 6.11.2 the extent to which these commitments are met;
 - 6.11.3 consultation on improvements to its voluntary charter and compensation scheme; and
 - 6.11.4 complaints received from consumers.

What we heard from submitters

- 6.12 We received a number of submissions relating to the quality of service provided by Aurora and additional information disclosure that could be required on the topic, which are summarised below.
- 6.13 Some submissions expressed frustration with the level of reliability of electricity supply by Aurora and one questioned the accuracy of reliability data published by Aurora.¹²⁵ This shows the importance of including audited reliability measures in the ADR.
- 6.14 Some submitters and workshop participants raised points specifically relating to planned outages. Submissions noted frustration with the number of planned outages, the number of planned outages that are cancelled, the communication of planned outages, and the timing of planned outages (such as in winter when electricity is required for space heating). For example, one submitter said:

¹²⁵ Such as [CC0057 – Submission on draft decision for Aurora's CPP – 9 December 2020](#) and [CC0052 – Submission on draft decision for Aurora's CPP – 8 December 2020](#).

We need to hold Aurora accountable for its actions rather than have excuse after excuse as poles fall over and infrastructure fails, then they plan repairs at totally inept times (mid-winter) forcing outages on communities during times of greatest need. ...Outages must be better planned, communicated and timed by Aurora, particularly for Central Otago consumers”¹²⁶

6.15 Central Otago District Council also submitted the following:

Businesses regularly report having either hired generation equipment to cover for outages or closed for the day in some instances only to have the outage not occur. The cost is not just the wasted day in question but duplicated when the inevitable outage does occur. We therefore submit that the Commission considers cancelled planned outages becoming a performance measure to be monitored, reported and if necessary prosecuted on.¹²⁷

6.16 In relation to planned outages, some submitters also noted that Aurora sometimes plans outages but does not meet the requirements of notification for the outages to be recorded as planned outages.¹²⁸ Submitters raised concern that this causes a problem for information disclosure because unplanned outages include these outages that are planned by Aurora for maintenance but are not sufficiently notified.¹²⁸ This means that the unplanned outage results are not only a measure of network failures, but also of a failure to notify planned work.

6.17 Some submissions discussed the customer charter and associated compensation scheme. They noted that the charter and compensation scheme are not set in the CPP decision so are not enforceable by the Commission.¹²⁹ One submission suggested that this means we should not give weight to the charter and compensation scheme in our CPP decision,¹³⁰ while another submission on the topic suggested that we should mandate the charter and compensation scheme within the CPP decision.¹³¹

6.18 Aurora also submitted on the draft policy decisions published in November 2020.¹³² Its main point on ID, including ID relating to quality of service, was that the additional ID was focused on areas of improvement that Aurora expected it would no longer be able to attempt to improve given our draft decision to forecast operating expenditure at a lower level than in Aurora’s CPP proposal.¹³²

¹²⁶ [CC0021 – Submission on draft decision for Aurora's CPP – 27 November 2020](#), page 1.

¹²⁷ [Central Otago District Council – Submission on draft decision for Aurora's CPP – 18 December 2020](#), page 6.

¹²⁸ For example, [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020](#).

¹²⁹ For example, [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020](#).

¹³⁰ [Trevor Tinworth – Submission on draft decision for Aurora's CPP – 17 December 2020](#).

¹³¹ [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020](#).

¹³² [Aurora Energy – Main submission on draft decision for Aurora's CPP – 18 December 2020](#).

6.19 However, our final CPP decision includes a substantial increase in forecast operating expenditure compared to the draft CPP decision. We are confident that our final CPP expenditure allowance represents a prudent and efficient level of non-network opex for Aurora at this time. In particular, we expect that it will allow Aurora to:

6.19.1 efficiently and prudently manage its network at this time; and

6.19.2 undertake the initiatives set out in its proposal (with the exception of seeking accreditation under ISO55000 as our allowance does not reflect fully the significant cost of securing accreditation in the CPP period).

6.20 However, we expect that the level of non-network opex we have allowed is greater than Aurora will require on an enduring basis and we expect that Aurora should make significant reductions in this level of expenditure during, and after, the CPP period.

Further information obtained from Aurora

6.21 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.

6.22 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

6.23 As discussed in Chapter 3, we are treating the feedback from the information-seeking meeting as useful input for now, which consumers and other stakeholders will be able to take into account in making their submissions. However, we have not made changes to our proposed amendments to the EDB ID Determination in response to the workability feedback from Aurora, as we encourage Aurora to now consider our proposed amendments and submit fully through our consultation process on our draft decisions and the accompanying amendments.

6.24 We would also expect Aurora to provide supporting evidence where appropriate, for example it should comment on any additional compliance costs of the proposed new requirements, or where it considers its existing business-as-usual reporting practices would achieve the intended disclosure outcome. This will also provide consumers and stakeholders with the opportunity to comment via cross-submissions.

Our draft decisions and our reasons

Our draft decisions on quality of service

6.25 Our draft decisions for outage communications, network reliability, voltage quality monitoring, and Aurora’s customer charter and compensation scheme are outlined below.

Outage communications

6.26 We have heard from submitters and in consultation workshops that Aurora’s management and communication of planned outages causes significant frustration and costs to consumers. To aid transparency of improvements in this area, we are proposing additional requirements for Aurora to report on this.

6.27 Specifically, we are proposing to require Aurora to report annually on:

6.27.1 How consumer and stakeholder needs have been considered in its planning of the timing and communication of planned outages;

6.27.2 Details of planned outages that are cancelled, reported by region;

6.27.3 Its progress in improving its outage management system, including consumer notifications; and

6.27.4 The level of planned outages that meet our ‘additional notice’ requirements.

6.28 We are not proposing that the requirements for a development plan and mid-period expert opinion which apply in other more complex areas would apply directly to the topic of outage communications. However, we expect the topic to be covered in the expert opinion evaluation of Aurora’s general consumers consultation and consultation on the charter.

Network reliability

6.29 We are proposing to require Aurora to include the high-level measures of network reliability in its ADR in addition to including some of them in its existing annual information disclosure.

6.30 Our proposed high-level measures of network reliability are:

6.30.1 SAIDI and SAIFI for sub-networks;

6.30.2 SAIDI and SAIFI for the Aurora’s overall network;

6.30.3 SAIDI and SAIFI limits;

6.30.4 Identification of worst-served consumers by feeder; and

6.30.5 Planned and unplanned SAIDI and SAIFI for worst-served consumers.

- 6.31 Our draft decision is for the reliability measures for the full network to be normalised in the same way as for compliance with the quality standard limits by reducing the effect on the results from large one-off events like storms. This will allow the measures to be compared against the limits set as quality standards under the CPP.
- 6.32 This is different to our draft decision on the other reliability measures, for which we are proposing Aurora report the raw (non-normalised) results. However, we may consider how these measures could be normalised if it would be more useful for interested stakeholders.
- 6.33 We are not proposing to require a development plan for these measures, although we propose requiring information on any plans that Aurora has to improve the reliability of its service to its worst-served consumers. Likewise, we are proposing that the mid-period expert report which would apply in other more complex areas would not apply directly to the high-level network reliability measures in the ADR. However, we expect these measures to be covered in the expert report on CPP progress and ADR measures, particularly if the results are concerning.

Voltage quality monitoring practices

- 6.34 We are proposing to add requirements for Aurora to publish its plan for developing and improving its practices for monitoring voltage quality and compliance with applicable voltage requirements of the Electricity (Safety) Regulations 2010. We expect that the plan would include a description of how Aurora plans to improve its processes for monitoring voltage quality on the low voltage parts of its networks as well as a description of how network improvements and other alternative solutions to deal with poor voltage quality are to be communicated with consumers and stakeholders in each of Aurora's three regions.
- 6.35 We are proposing to require different information to be disclosed in different years:
- 6.35.1 Disclosure of Aurora's development plan by 31 March 2022 in the first disclosure year within the CPP period;
 - 6.35.2 Disclosure of progress against the plan by the end of each subsequent disclosure year within the CPP period (beginning 31 March 2023); and
 - 6.35.3 Requirement for a mid-period expert opinion on Aurora's progress on developing and improving its voltage quality monitoring practices, to be disclosed by 1 December 2023.

- 6.36 We are also proposing that Aurora be required to include a summary of the information above in the ADR for presentation in each of Aurora's three regions.

Customer charter and compensation scheme

- 6.37 We are proposing to require disclosure of information on Aurora's customer charter and compensation scheme and its performance against the charter and scheme. The proposed requirements include:
- 6.37.1 Disclosure of the charter and compensation scheme (and any changes that were made to it) in each year of the CPP period, and disclosure of the consultation on changes in September 2023 and each year thereafter;
 - 6.37.2 Annual disclosures on performance against the charter and compensation scheme;
 - 6.37.3 Disclosure of any effort by Aurora to improve consumer awareness of its customer charter and compensation scheme; and
 - 6.37.4 Requirement for a mid-period expert opinion on Aurora's progress in developing its engagement with consumers on its customer charter and compensation scheme, to be disclosed by 1 December 2023 in the third disclosure year within the CPP period.
- 6.38 Our draft decision on performance reporting against the charter and compensation scheme proposes requirements that cover:
- 6.38.1 whether, and if so how, Aurora is improving consumer awareness of its charter and compensation scheme;
 - 6.38.2 Aurora's compliance with the service level commitments (and related compensation payments) in the charter and information on any related complaints by consumers and
 - 6.38.3 any consumer engagement on the charter and compensation scheme.
- 6.39 We are proposing for a summary of the performance reporting against the charter to be included in the ADR, and the full information to be reported separately.

Reasons for our draft decisions

6.40 Our reasons for our draft decisions on information disclosure requirements on quality of service are outlined by topic area below.

Outage communications

6.41 We recognise the impact of outages on consumers. While the impact of planned outages may have a lower impact than unplanned outages, the impact is only lower if the communication with consumers is adequate. This is particularly important for the period of Aurora's CPP due to the high level of asset renewal work, which will require more planned outages than have occurred in the past.

6.42 As described above, we received feedback from consumers in submissions on draft decision paper and in consultation workshops that highlighted the importance of good communication on planned outages and frustration with the cancellation and non-notified rescheduling of planned outages. Submissions also raised the importance of good planning processes.

6.43 Submitters suggested that Aurora's planning and management of outages for asset renewal works should take into account factors like the need for space heating in the coldest periods of the year and large events occurring in the area, and we agree with this feedback.

6.44 We have proposed requirements for additional disclosures on Aurora's communication and management of planned outages because we consider that it is a particularly important area of quality of service performance over the CPP period as described above. We consider that the requirements will provide transparency for consumers and other stakeholders on Aurora's efforts to manage and improve this performance, as well as measures of the actual results in consumers' experience of planned outages.

Network reliability

6.45 We consider that the reliability of electricity supply is the primary measure of the quality of the electricity lines service because it is generally the aspect of quality that is most important to consumers. So, we consider that it is an important topic to be included in the proposed ADR.

6.46 We recognise that some submissions suggested other measures that would be useful, such as the submission by Rob Douglas, which suggested additional measures such as earth fault pickups and electrical fires.¹³³ However, our draft decision is to not greatly expand the scope of quality measures because of the likely increased cost to Aurora and its consumers of doing so.

¹³³ [Rob Douglas - Submission on draft decision for Aurora's CPP - 21 December 2020.](#)

- 6.47 Although some of the proposed additional disclosure duplicates information that is required elsewhere, we consider that it should be covered in the ADR to give readers of the ADR an easily accessible overall view of Aurora's performance on quality of service.
- 6.48 We have also introduced additional information requirements on reliability relating to worst-served consumers by feeder because stakeholders have raised concern in submissions and consultation workshops about the equity of historical investment in different areas supplied by Aurora and the resulting performance, with particular concern about the reliability in Central Otago.¹³⁴ The additional information will provide transparency on any areas that are receiving a particularly poor quality of service.
- 6.49 Submissions from Richard Healey and James Dicey suggested more granular reporting on quality measures.¹³⁵ We consider that focusing on the worst-served consumers by feeder is an effective way of providing more granular information that is focused on the most important areas. We consider that it is also useful in this context for Aurora to provide information on any plans it has to improve the reliability of its service to the worst-served consumers.

Voltage quality monitoring practices

- 6.50 We consider that requiring additional disclosure of information on Aurora's voltage quality monitoring practices would be valuable to consumers because it is an issue that can significantly impact consumers but is not covered by the limits and incentives on quality under the CPP.
- 6.51 Information regarding an EDB's voltage quality and voltage quality monitoring practices is not covered by our existing information requirements, but can have a significant impact on consumers.
- 6.52 We also consider that Aurora's plan for developing and improving its voltage quality monitoring practices of the low-voltage parts of its networks is becoming increasingly important with the current and expected changes to the electricity sector that are occurring with new large single-point loads and generation, including with electric vehicle charging and small-scale distributed generation.

¹³⁴ For example, [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020](#).

¹³⁵ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020](#) and [James Dicey – Submission on draft decision for Aurora's CPP – 18 December 2020](#).

- 6.53 We are proposing for the mid-period expert opinion to include consideration of Aurora's progress in improving its voltage quality monitoring practices. We consider this to be appropriate because of the complex and technical nature of voltage monitoring.
- 6.54 We note that Aurora's legal responsibilities on voltage came under section 28 of the Electricity (Safety) Regulations 2010, so we are requiring Aurora to include monitoring of its compliance against this regulation in its development plan.

Customer charter and compensation scheme

- 6.55 Aurora has an existing compensation scheme in place and has publicly committed in its CPP proposal to retaining its scheme and consulting with consumers on potential improvements. We consider that it is good practice by Aurora to have introduced its customer charter and compensation scheme.
- 6.56 Requiring disclosure of the details of the charter and compensation scheme would ensure that information on the scheme is available to consumers. This will support awareness of the scheme so that more consumers are aware of the compensation payments that may be available to them.
- 6.57 We consider that the information disclosure requirements on the charter and compensation scheme that we have proposed will provide further transparency to consumers and stakeholders on the degree to which Aurora has made improvements to the scheme as committed to in its CPP proposal.
- 6.58 We see value in consumer compensation schemes, as they provide an additional incentive to provide a quality of service that reflects consumer demands, including beyond the SAIDI and SAIFI measures for outages covered by the existing quality standards. They also provide some direct redress to consumers affected by poor service.
- 6.59 We note that although the financial incentive may not be material to Aurora, a compensation scheme can help shine a light on failings (ie, payments for poor service are stark and may be more likely to feature at Board discussions) and may resonate with consumers.
- 6.60 The process of consulting on improvements to the compensation scheme could also be powerful in drawing attention to these issues and hopefully getting some form of consensus between Aurora and its consumers.
- 6.61 We expect to see Aurora improve its scheme as it committed to in its CPP proposal and we consider Aurora should review issues raised to us via the CPP process in doing so along with its own consultation with consumers.

- 6.62 We consider that our proposed requirement for Aurora to disclose payments under the scheme and complaints that fall outside of the scheme will also support Aurora and stakeholders to understand what is important to consumers and what could be included in improvements to the compensation scheme. The proposed requirements on disclosure of complaints and payments could also provide transparency on the performance of Aurora in areas important to consumers.
- 6.63 A submission suggested that “To ensure consumers are properly protected the charter should form part of the ComCom’s recommendations”.¹³⁶ However, our final CPP decision was to not mandate a compensation scheme within the CPP because as described in CPP final decisions paper we consider Aurora will have significant incentives to meet its commitments to keep and improve its compensation scheme and service level commitments. We consider that there is a significant risk that setting a compensation scheme now could limit Aurora's ability to improve the compensation scheme and respond to the consumers consultation that it intends to undertake. We consider that we have insufficient information as to what consumers value, or the appropriate specifications, for such a scheme at this stage.

Our proposed ID determination changes

- 6.64 The existing EDB ID Determination sets out a range of disclosure requirements with respect to the quality of service. These are primarily located in Schedule 8 of the requirements.¹³⁷
- 6.65 In order to give effect to our draft decisions as set out in this chapter, we propose the following amendments to the EDB ID determination:¹³⁸
- 6.65.1 Insert new clause 2.5.3(1) to require Aurora, before the start of each disclosure year, to publicly disclose its customer charter and consumer compensation scheme, including information on any changes;
 - 6.65.2 Insert new clause 2.5.3(2) to require Aurora, within 5 months after the end of each disclosure year, to publicly disclose information regarding its engagement with consumers and interruption data;

¹³⁶ [James Dicey – Submission on draft decision for Aurora’s CPP – 18 December](#), page 7.

¹³⁷ Commerce Commission “Electricity Distribution Information Disclosure Determination 2012—consolidated 3rd April 2018” (3 April 2018).

¹³⁸ For the detail on these proposed drafting changes, refer to the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

- 6.65.3 Insert new clauses 2.5.4(1)(a)(i)-(iii) to require Aurora to publicly disclose its plan for developing and improving its practices for: its voltage quality monitoring network practices; its engagement with consumers on Aurora’s customer charter and consumer compensation scheme; and its planning, management, and communication of planned outages to consumers;
- 6.65.4 In proposed new clause 2.8.5A,¹³⁹ proposed clauses 2.8.5A(2)-(3) requires Aurora to procure an independent opinion on Aurora’s progress in, and any recommendations for improving on: developing practices for monitoring voltage quality on the low voltage parts of Aurora’s network; and developing Aurora’s engagement with consumers on its customer charter and consumer compensation scheme;
- 6.65.5 In proposed new Attachment C¹⁴⁰, proposed clauses 1.2.2-1.2.4 require Aurora to provide information on its progress in developing its voltage quality monitoring network practices, its engagement with consumers on Aurora’s customer charter and consumer compensation scheme; and its planning, management, and communication of planned outages to consumers;
- 6.65.6 In proposed new Attachment C¹⁴¹, proposed clauses 1.4.1-1.4.3 require Aurora to provide outage information relating to its network, and its subnetworks; and
- 6.65.7 In proposed new Attachment C¹⁴², proposed clauses 1.5.1-1.5.2 require Aurora to provide information on its performance in communicating and managing planned outages, and its engagement with consumers (including a summary of whether Aurora met its commitments under its customer charter). Proposed clause 1.5.3 requires Aurora to provide specific information on its supply of its electricity distribution services to worst-served consumers.

¹³⁹ As described at para 5.67.7 of this paper, we are proposing to insert a new clause 2.8.5A to require Aurora to procure and produce an expert report.

¹⁴⁰ As described at para 5.64.7 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

¹⁴¹ As described at para 5.64.7 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

¹⁴² As described at para 5.64.7 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

- 6.66 We have also proposed inserting new definitions, and updated some existing definitions, in clause 1.4.3 that are necessary to support the above proposed amendments.

Chapter 7 Enhanced regional disclosures on Aurora’s distribution pricing methodology

Purpose of this chapter

7.1 The purpose of this chapter is to explain our draft decisions relating to how Aurora will be required to improve disclosure of information on regional pricing to make it easier for consumers and other stakeholders to understand its regional pricing methodology. The information requirements are in addition to the information Aurora already discloses relating to disclosure of pricing methodologies under our existing EDB ID requirements.¹⁴³

Background

7.2 The CPP will allow Aurora to increase its prices to pay for higher levels of expenditure. The size of the price increases may vary between the regions on Aurora’s network. This is because Aurora divides its network into three pricing regions for the purpose of determining and applying its network prices. The Electricity Authority is another key stakeholder for Aurora’s pricing information as it works to facilitate improvement of EDBs’ pricing approaches.

7.3 Our existing EDB ID requirements which cover disclosure of pricing methodologies include a requirement for EDBs to include sufficient information and commentary in their pricing information disclosures to enable interested persons to understand how prices were set for each consumer group, including the assumptions and statistics used to determine prices for each consumer group.^{144 145}

7.4 Aurora has responded directly to consumers in January 2021, agreeing with consumer views that prices must be set fairly and based on efficient costs to deliver the services they use.¹⁴⁶ It said that during the first disclosure year of the CPP it would update allocators for operational costs to better reflect the maintenance and administrative costs of supplying each region and that it would commit to reviewing the regional pricing model to ensure it remains fair and consistent, seeking input from consumers and the community.¹⁴⁷

¹⁴³ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, clause 2.4.

¹⁴⁴ A consumer group means the category of consumer used by the EDB for the purposes of setting prices, see definition of “consumer group” in clause 1.4.3 of the [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22.

¹⁴⁵ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, clause 2.4.3(1).

¹⁴⁶ <https://www.auroraenergy.co.nz/news/2021/customer-feedback-prompts-changes-to-regional-pricing/>

¹⁴⁷ <https://www.auroraenergy.co.nz/news/2021/customer-feedback-prompts-changes-to-regional-pricing/>

Structure of this chapter

- 7.5 In the following sections of this chapter we:
- 7.5.1 summarise our November 2020 draft policy decisions on requiring Aurora to enhance regional pricing information for Aurora's consumers;¹⁴⁸
 - 7.5.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
 - 7.5.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is improving regional pricing information; and
 - 7.5.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft ID policy decisions

- 7.6 We proposed requiring Aurora to disclose enhanced information each year on regional pricing to make it easier for consumers to understand its pricing methodology. This would provide Aurora's consumers better regional information so that they understand the basis on which they are charged for services and why there are differences in price between Aurora's regions.
- 7.7 The additional information that we proposed requiring Aurora to disclose included:
- 7.7.1.1 Information that allows interested persons to understand the implications of the assumptions, and methodological choices made on prices for each consumer group in each of Aurora's pricing region;
 - 7.7.1.2 a worked example for an average domestic consumer (ie for a residential consumer that used 9000 kWh/year) in each of its pricing regions as to how that consumer's prices are set; and
 - 7.7.1.3 Aurora's cost of supply model down to a level that individual contracts cannot be identified.

¹⁴⁸ 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

What we heard from submitters

- 7.8 Many submitters in Central Otago and Queenstown considered regional pricing was unfair and questioned the basis for allocating different costs to different regions. Some identified transparency about the regional pricing methodology. For example, Peter Robinson highlighted this transparency concern in his submission¹⁴⁹:

It would be useful if Aurora were more transparent about the quality of its services and how it calculates the regional prices. However, without knowing how the Retailers pass on these costs this is somewhat academic.

- 7.9 Submitter Steve Tilleyshort expressed concern about the definition of an “average consumer” and whether disclosure would be clear about the potential pricing impact on consumers:

At the consultation meeting in Alexandra, line charge costs were discussed. The values of line charges in the order of \$25 as an average were questioned and these averages were challenged and an example of energy account were presented to the Commerce Commission

An actual dollar amount of energy account increases would be more transparent and useful to clients in making decisions and judgements about the term of borrowing and understanding the impact than an unqualified average. If Aurora wishes to fulfil its commitment to be honesty and transparent, they should be willing to provide the Commission with their calculator or do this exercise for you.¹⁵⁰

Further information obtained from Aurora

- 7.10 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.
- 7.11 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

Our draft decisions and reasons

Our draft decisions on regional disclosures on the distribution pricing methodology

- 7.12 Our draft decisions are that:

¹⁴⁹ [Arrowtown Village Association – Submission on draft decision for Aurora's CPP – 18 December 2020](#)

¹⁵⁰ https://comcom.govt.nz/_data/assets/pdf_file/0026/225449/Steve-Tilleyshort-Cross-submission-on-Aurora-Energys-CPP-Issues-paper-17-September-2020.pdf.

- 7.12.1 Aurora will be required to provide enhanced disclosure to consumers, in each disclosure year, on its regional pricing to enable consumers to better understand how prices are set. The enhanced disclosure would require Aurora to provide:
- 7.12.1.1 clear, concise and effective disclosure that allows interested persons to understand the implications of the assumptions, and methodological choices made on prices for each consumer group from residential to industrial consumers in each of Aurora's pricing regions;¹⁵¹
 - 7.12.1.2 a worked example for an average domestic consumer in each of its pricing regions as to how that consumer's prices are set;^{152, 153} and
 - 7.12.1.3 Aurora's cost of supply model, however due to commercial sensitivity, information on contracts that apply to a single consumer should not be such that a consumer can be identified.

Reasons for our draft decisions

- 7.13 We consider that consumers and other stakeholders should be engaged in a consultation process which aims to improve transparency in relation to how Aurora sets regional prices and be provided enhanced disclosure that makes it easier for consumers to understand the regional pricing methodology. Our draft decision is designed to improve transparency in relation to Aurora's disclosure of its regional pricing methodology and to improve the consultation process that engages with consumers on regional pricing.
- 7.14 Transparency in relation to pricing helps interested persons answer some of the key performance questions necessary to understand if the Part 4 purpose is being met. In particular transparency relating to:

¹⁵¹ A consumer group means the category of consumer used by the EDB for the purposes of setting prices: [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22 Clause 2.4.

¹⁵² The definition of 'average domestic consumer' is based on the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 definition of 'average consumer'. MBIE's [Key Assumptions for the Quarterly Survey of Domestic Electricity Prices \(QSDEP\)](#) document details the assumptions MBIE uses to model its notional customer in each city or town for the QSDEP.

¹⁵³ Refer to above 'consumer group' definition.

- 7.14.1 how prices are set, this includes pricing methodologies used to establish standard and non-standard prices, and information on how other components of price are calculated (where applicable).
 - 7.14.2 actual prices, including the level of prices for different consumers groups and for different price components pricing outcomes, such as the level of revenue achieved, and volumes billed for different consumers groups and price components.
- 7.15 While our existing EDB ID requirements regarding pricing methodology disclosures attempt to create transparency, we heard the concerns of stakeholders, that due to Aurora's regional differences in pricing, residents in Central Otago would have to pay considerably more for lines services than residents in Dunedin. We consider that by requiring the enhanced disclosure outlined in para 7.12, consumers would better understand Aurora's regional cost allocation, which flows through to the regional prices it charges. This will assist the consumers to understand why there are differences in price between Aurora's regions.
- 7.16 We also consider that the expert report on the consultation process between Aurora and its consumers on regional pricing will facilitate transparency and provide a better foundation for Aurora to engage with consumers and stakeholders in relation to regional pricing.
- 7.17 We appreciate that while our draft decision attempts to create transparency in relation to Aurora cost of supply model, contracts typically relate to large commercial or industrial consumers in competition with other businesses, and so the information might be commercially sensitive. The draft decisions therefore make allowance for this so that the cost of supply model Aurora is required to disclose is a version that does not have any information that would identify an individual consumer. While Aurora will not be required to publicly disclose that information, we propose requiring Aurora to provide the full cost of supply model to us, for the purpose of monitoring Aurora's compliance with the new disclosure requirement.¹⁵⁴
- 7.18 While Aurora's decision to review and consult with the public has the potential to improve transparency, given the current low level of trust and confidence amongst consumers and stakeholders, a third-party opinion would provide additional assurance that the process to review the regional pricing model remains fair and consistent.

¹⁵⁴ Section 53B(1)(c) allows us to require a regulated supplier to supply other information to us for the purpose of monitoring its compliance with an information disclosure determination.

Our proposed ID determination changes

- 7.19 The existing EDB ID Determination sets out disclosure requirements with respect to an EDB’s pricing methodology in clauses 2.4.1-2.4.5.
- 7.20 In order to give effect to our draft decisions as set out in this chapter, we propose the following amendments to the EDB ID Determination:¹⁵⁵
- 7.20.1 Insert new clause 2.4.5A to require Aurora, in making a disclosure regarding its pricing methodology under existing clause 2.4.1, to include in that disclosure additional information regarding that pricing methodology, including;
 - 7.20.1.1 Information to enable consumers and stakeholders to understand how prices are set for each of its three regions;
 - 7.20.1.2 Worked examples of how prices for average domestic consumers are set for each of its three regions; and
 - 7.20.1.3 a version of Aurora’s cost of supply model and an explanation of how it works;
 - 7.20.2 Insert new clause 2.4.5B(1) to require that, in publicly disclosing its cost of supply model, Aurora must redact any information from the model that identifies an individual consumer;
 - 7.20.3 Insert new clause 2.4.5B(2) to require Aurora to supply to the Commission a version of its cost of supply model that includes any information redacted under proposed clause 2.4.5B(1);
 - 7.20.4 In new Attachment C, proposed clause 1.2.1 to require Aurora to provide its self-assessment on whether the additional information in clause 2.4.5A(1) enables consumers and other stakeholders to understand how Aurora sets prices for each of its sub-networks;
 - 7.20.5 In new Attachment C, proposed clause 1.5.2(a) to require Aurora to summarise feedback it receives from consumers on the additional pricing methodology disclosures under clause 2.4.5A; and
 - 7.20.6 Insert new definitions in clause 1.4.3 that are necessary to support the above amendments.

¹⁵⁵ For the detail on these proposed drafting changes, refer to the *[DRAFT] Electricity Distribution Information Disclosure Amendments Determination 2021* published alongside this Aurora ID Draft Decision Paper.

Chapter 8 Additional information on asset management

Purpose of this chapter

- 8.1 The purpose of this chapter is to explain our draft decisions for information that Aurora will be required to disclose relating to how it is improving its asset management processes and practices. This information would be required in addition to the information Aurora already discloses relating to asset management under our existing EDB ID requirements. Under our existing EDB ID requirements, Aurora must ensure that its AMP provides sufficient information for interested persons to assess whether:
- 8.1.1 assets are being managed for the long term;
 - 8.1.2 the required level of performance is being delivered; and
 - 8.1.3 costs are efficient and performance efficiencies are being achieved.¹⁵⁶
- 8.2 Project quality assurance, cost estimation and data collection and data quality processes are other asset management topics which we cover separately in this paper in chapters 9, 10 and 11 respectively.

Background

- 8.3 Our reasons for our existing EDB ID requirements for information on network management are outlined in Chapter 5 of our final reasons paper for the EDB ID requirements we determined in 2012.¹⁵⁷
- 8.4 We also note the Asset Management Maturity Assessment Tool (AMMAT) is a useful tool that can be used to assess the maturity of asset management capability and practices of EDBs.¹⁵⁸
- 8.5 An asset management system is used by an organisation to direct, coordinate and control asset management activities. It can provide improved risk control and gives assurance that the asset management objectives will be achieved on a consistent basis.

¹⁵⁶ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, clause 2.6.2(1).

¹⁵⁷ [Commerce Commission Information Disclosure for Electricity Distribution Businesses and Gas Pipeline Businesses: Final Reasons Paper \(1 October 2012\)](#).

¹⁵⁸ https://comcom.govt.nz/_data/assets/pdf_file/0019/61426/Asset-Management-Maturity-Assessment-Tool-Study-Report-27-September-2011.pdf.

- 8.6 We consider that Aurora is starting from a low level of systematised asset management maturity, and that in the past it has relied heavily on staff experience to drive asset management inputs, rather than having systems and processes in place where staff experience would refine the outputs. Aurora has been open that it is “on an asset management maturity journey starting from a comparatively low base.”¹⁵⁹
- 8.7 The AMP 2020-30 provides good detail with respect to Aurora Energy’s Asset Management framework.¹⁶⁰ The plan incorporates a typical ‘plan-do-check-act’ process, which is being progressively embedded into Aurora activities. Aurora uses this to monitor and control the effectiveness of its asset management activities.
- 8.8 Although we consider Aurora has sound policies on asset management, risk framework and safety at a corporate level that aspires for industry best practice with respect to asset renewals, it is at an early stage of its asset management maturity journey.
- 8.9 Our view is that Aurora needs an asset management development plan that takes on a greater role in the continuous improvement of asset management processes and systems. The development of those processes and systems are the focus of additional ID requirements that this chapter discusses.

Structure of this chapter

- 8.10 In the following sections of this chapter we:
- 8.10.1 summarise our November draft ID policy decisions on requiring Aurora to disclose additional information relating to how it is improving its ongoing asset management processes and practices;¹⁶¹
 - 8.10.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
 - 8.10.3 set out our draft decisions and reasons for requiring Aurora to disclose additional information relating to how it is improving its ongoing asset management processes and practices; and

¹⁵⁹ Aurora Energy "Customised Price-Quality Path - Application" (12 June 2020), Section.4.1 p.42. available at https://comcom.govt.nz/data/assets/pdf_file/0027/218592/Aurora-Energys-CPP-application-12-June-2020.pdf.

¹⁶⁰ <https://www.auroraenergy.co.nz/assets/publication-articles/Asset-Management-Plans/Aurora-Energy-AMP-2020-Final-12-June-2020.pdf> Asset Management Framework, Section 4.1.

¹⁶¹ [Commerce Commission "Aurora Energy's proposal to customise its prices and quality standards - Draft decision" \(12 November 2020\).](#)

- 8.10.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft policy decisions

- 8.11 We proposed requiring Aurora to disclose information each year that details how it is developing its processes to improve its asset management practices. Our view was that this would help consumers assess whether they are paying too much for the delivery of work on Aurora's network due to inefficient asset management practices.
- 8.12 Our November draft proposed that:
- 8.12.1 In the first disclosure year within the CPP period, Aurora will be required to provide and publish a plan that details how it will continue to develop processes to improve its asset management processes during the CPP period;
 - 8.12.2 In disclosure years 2 through 5 within the CPP period, that Aurora will be required to provide an update on its performance against that plan in terms of developing these processes, with that update comprising nine additional ID requirements relating to asset management processes and practices; and
 - 8.12.3 In disclosure year 3, that Aurora would engage an appropriate independent expert on the topic of asset management to provide their forward-looking expert opinion on Aurora's progress against the development plan from disclosure year 1, and to provide its suggestions on changes to the plan for years 4 and 5 within the CPP period.
- 8.13 Given the benefits for Aurora's consumers from this information, our draft November CPP decision is that the costs of any independent expert opinion incurred by Aurora for this purpose will be recoverable in its pricing. This has been incorporated into Aurora's price path under the Aurora CPP determination.¹⁶²

¹⁶² Decision on Aurora Energy's proposal for a Customised Price-Quality Path, Final decision (31 March 2021).

What we heard from submitters

- 8.14 We heard that submitters did not have a high degree of confidence that Aurora’s asset management processes and practices are helping to achieve cost efficiencies. For example, Trevor Tinworth, reflects on an area of the Verification Report¹⁶³ that identifies Aurora’s cost models as “problematic” and raises concern that Aurora’s asset management processes and practices are not well designed to ensure project costs are independently assessed:

If Auroras costing are based off “problematic” cost models how accurate is its cost analysis. This report highlights that there needs to be a more rigorous independent review to ensure accuracy.

Have projects been sufficiently independently reviewed to ensure there is no price gouging by contractors and consumers are going to get value and quality for money. There is concern Aurora is being taken advantage of by its contractors charging them a premium to do the work as they know Aurora is desperate to get the work done.

- 8.15 Richard Healey also submitted that Aurora’s asset management practices are not cost effective or well targeted. Using a comparison of vegetation spend and outage data as an example, his submission questioned why there is no improvement in outage outcomes resulting from an increase in vegetation spend.¹⁶⁴

Further information obtained from Aurora

- 8.16 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.
- 8.17 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

Our draft decisions on asset management disclosures and our reasons

- 8.18 Our view is that by requiring Aurora to disclose additional asset management information, it will enable interested persons to assess whether the network assets are inspected, repaired and renewed at the right time and in a cost-efficient manner.
- 8.19 This section sets out our draft decisions for additional information that Aurora will be required to disclose regarding how it is improving its ongoing asset management processes and practices, and it explains our reasons for those draft decisions.

¹⁶³ [Farrier Swier Consulting Pty Ltd and GHD Pty Ltd "Verification report - Aurora Energy CPP application" \(8 June 2020\)](#) Section 6.5.

¹⁶⁴ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

Our draft decisions on asset management disclosures

8.20 Our draft decisions are that:

- 8.20.1 Aurora will be required to publicly disclose in its AMP (starting with the AMP due by 31 March 2022) additional asset management information set out in Table 8.1 below;
- 8.20.2 By 31 March 2022, Aurora will be required to publicly disclose a development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve the asset management practices (as set in Table 8.1);
- 8.20.3 For every subsequent disclosure year, Aurora will be required to provide an update in its ADR on its progress in developing those asset management practices;
- 8.20.4 By 1 December 2023, in the third disclosure year, Aurora will procure and publicly disclose a mid-period expert report which will provide opinions on Aurora's progress against its development plan for improving asset management practices and recommendations for further improvements it could make; and
- 8.20.5 Aurora will be required to disclose in the ADR, in Year 4, how it has taken any recommendations from the expert report into account to improve its development plan for the fourth and fifth disclosure years.

8.21 To implement these draft decisions, we propose to introduce additional ID requirements. Table 8.1 below sets out the proposed draft determination amendments relating to asset management practices that we are proposing Aurora will be required to disclose information on in the AMP, and the desired outcomes from disclosing that information.

Table 8.1 Proposed additional ID requirements in the Asset Management Plan

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A, clause 17.1.1 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: systematise processes for collecting and collating network asset data, including data supplied by contractors and other third parties</p> <p>(for more details on data quality, see also Chapter 11: <i>Information on ongoing improvements in Aurora’s data collection and data quality processes</i>)</p> <p>Sources: Section 7.5 of ISO 55000 sets out some of the considerations relating to ‘Information requirements’ that are critical to the developing information management systems and processes. Asset data collection needs to be systematised so it is collected and archived in a consistent manner across the network, including data collection from third party providers who may be engaged in maintenance activities.</p> <p>This is consistent with ISO 55002 section 7.5</p>	<p>Consumers and other stakeholders understand whether Aurora has put in place processes to ensure that asset condition information is being captured in its systems in a consistent way so that when the data is extracted, it is meaningful and reliable.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.1.2 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: for the purpose of informing Aurora’s expenditure decisions, improve knowledge of network asset condition so that assets are replaced in a timely manner</p> <p>(for more details on data quality, see also Chapter 11: <i>Information on ongoing improvements in Aurora’s data collection and data quality processes</i>)</p> <p>Sources: Asset replacement decision-making should be a key asset management objective and it should be informed by asset condition data to ensure assets are not replaced too late or too early. Asset condition-based decision making also supports expenditure forecasts and reliable asset management plans</p> <p>This is consistent with ISO 55000 section 6.2</p>	<p>Consumers and other stakeholders better understand Aurora’s asset replacement decision making.</p>
<p>Attachment A clause 17.1.3 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: ensure Aurora has an audited and regularly-maintained platform for sharing network asset data with internal and external stakeholders</p> <p>(for more details on data quality, see also Chapter 11: <i>Information on ongoing improvements in Aurora’s data collection and data quality processes</i>)</p> <p>Sources: Ensuring that asset and network data is verifiably accurate and enabling platforms for accessing that data made available to internal staff and third-party providers will improve asset management outcomes.</p> <p>This is consistent with ISO 55002 section 2.5 and 8.3.2 (e)</p>	<p>Consumers and other stakeholders better understand how Aurora shares network asset data with stakeholders.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.1.4 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: evaluate whether Aurora is achieving its asset management policies and objectives, and identify ways to improve the performance of Aurora's network</p> <p>Sources: An asset management system should use monitored and measured data to obtain information regarding asset and network performance. This should be used to evaluate whether the asset management policies and objectives are being met, and will identify corrective actions and areas for improvement.</p> <p>This is consistent with ISO 55002 section 9.1</p>	<p>Consumers and other stakeholders better understand Aurora's performance against its asset management policies and objectives.</p>
<p>Attachment A clause 17.1.5 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: ensure that there is a clear line-of-sight between Aurora's network asset condition data and Aurora's expenditure forecasts and financial reporting</p> <p>Sources: Systematised asset management systems should ensure that there is consistency and traceability of technical asset information and condition data, through to the financial systems. This will support robust expenditure forecasting and decision making.</p> <p>This is consistent with ISO 55002 section 9.1</p>	<p>Consumers and other stakeholders better understand how Aurora's network asset condition data informs its expenditure forecasts and financial reporting.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.2.1(a) (Asset Management Plans)</p>	<p>Asset management practices: Aurora’s plan to, where appropriate, develop and improve Aurora’s asset health models so that they are informed by network asset condition data</p> <p>Sources: Asset health models are key to ensuring that asset replacements can be made in a timely manner and that expenditure forecasts are more robust. In some cases age-based volumetric models, informed by asset outage rates may be more appropriate but where asset health models can be reasonably developed, they should be.</p> <p>This is consistent with ISO 55002 section 6.2 and key recommendations made by the Aurora CPP Verifier.</p>	<p>Consumers and other stakeholders better understand what Aurora’s plan is regarding the development and improvement of its asset health models.</p>
<p>Attachment A clause 17.2.1(b) (Asset Management Plans)</p>	<p>Asset management practices: Aurora’s plan to, where appropriate, develop and improve Aurora’s understanding of asset criticality so that it informs Aurora’s strategies for asset replacement and renewal</p> <p>Sources: Understanding asset criticality and the impact that asset has on supply reliability if it fails is a key input into intervention prioritisation.</p> <p>This is consistent with ISO 55002 Section 6.2.2.3 and 6.2.2.4</p>	<p>Consumers and other stakeholders better understand what Aurora’s plan is regarding the development and improvement of asset criticality, and how this relates to its strategies for asset replacement and renewal.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.2.2 (Asset Management Plans)</p>	<p>Asset management practices: Aurora’s plan to improve its asset risk framework so that Aurora can make risk-based decisions, including where appropriate, risk-based decisions based on reliability risk, environmental risk, high-impact low-probability event risk, and safety risk</p> <p>Sources: The risk spectrum includes a wide range of risk considerations such as expected event risk, due to asset reliability events, through to unexpected HILP events that may involve multi-asset long duration outages for events such as earthquakes or floods. Safety risk involves asset failures in the proximity of staff or the public, and environmental risk may involve asset failure that has an environmental impact. A comprehensive risk framework will provide a platform for these risk considerations to inform risk mitigation strategies and expenditure decisions.</p> <p>This is consistent with ISO 55002 Section 6.2.2.3 and 6.2.2.4</p>	<p>Consumers and other stakeholders better understand Aurora’s development of its asset risk framework.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.3 (Asset Management Plans)</p>	<p>Safety risks: Aurora’s plan to develop and improve its practices for identifying and mitigating safety risks, including by using frameworks to prioritise identified safety issues and to justify investments to mitigate those issues</p> <p>(for more details on safety information disclosure requirements, see also Chapter 5: <i>Information to demonstrate Aurora’s accountability for its CPP outcomes: Annual Delivery Report</i>)</p> <p>Sources: Aurora has stated in its Risk Control and Management Standard AE-HS02-S that it plans to use the ALARP framework to provide regular reports to its Board that "describe the current level of business risk and actions that have been taken to control/mitigate risk within acceptable limits (as low as reasonably practicable)".</p> <p>Under a risk framework, risk calculations related to safety risk should be sufficiently explicit for decision makers to understand relative asset and network related safety risks, risk prioritisation, and the economic decision-making surrounding mitigations if these are to provide risk controls above levels required by GEIP network design standards and statutory requirements.</p> <p>ISO 55002 Section 6.2.2.3 and 6.2.2.4 and clause 22 of the Health and Safety at Work Act 2015</p>	<p>Consumers and other stakeholders better understand how Aurora plans to develop and improve its safety risk practices.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.4.1 (Asset Management Plans)</p>	<p>Cost estimation: how Aurora plans to routinely audit, update, and manage its models for estimating costs</p> <p>(for more details on cost estimation, see also Chapter 10: <i>Information on ongoing improvements in Aurora's cost estimation processes</i>)</p> <p>Sources: Project and programme costs estimation is a key component of robust asset and project investment decision making. The Aurora CPP Verifier identified a number of areas that could be improved in Aurora's cost estimation processes such as more clearly defined building blocks models, how these were reviewed and that a single point of control mechanism for unit rate cost updates needed to be implemented.</p> <p>See the Aurora CPP Independent Verifier report, Sections 6.5.1 and 6.5.3</p>	<p>Consumers and other stakeholders better understand how Aurora plans to manage on an ongoing basis its models for estimating costs.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.4.2 (Asset Management Plans)</p>	<p>Cost estimation: how Aurora uses actual costs of completed capital expenditure and operational expenditure projects and programmes to improve future cost estimates</p> <p>(for more details on cost estimation, see also Chapter 10: <i>Information on ongoing improvements in Aurora’s cost estimation processes</i>)</p> <p>Sources: Using actual project and programme costs to review estimates will help ensure that future forecasts are likely to be more accurate and drive efficiencies. See the Aurora CPP Independent Verifier report Sections 6.5.1 and 6.5.3</p>	<p>Consumers and other stakeholders better understand how Aurora uses actual programme and project costs to improve future cost estimates.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in its Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.5 (Asset Management Plans)</p>	<p>Quality assurance practices and processes: how Aurora ensures capital expenditure and operational expenditure projects and programmes are efficiently delivered and implemented to meet applicable industry standards</p> <p>(for more details on project quality assurance, see also Chapter 9: <i>Information on the application of Aurora's project quality assurance processes</i>)</p> <p>Sources: Aurora has developed its own internal quality assurance guideline to provide a framework to ensure "all works done within its scope are performed according to Aurora Energy's Health and Safety requirements and comply with Aurora Energy's asset lifecycle requirements". Robust quality assurance practices result in better asset management and drive efficiencies.</p> <p>See Aurora's QA guideline AE-DW06-G24 - Quality Assurance Guideline</p>	<p>Consumers and other stakeholders better understand the quality assurance processes and practices Aurora has regarding delivery of its projects and programmes.</p>

Reasons for our draft decisions

- 8.22 We consider that consumers and other stakeholders require information that allows them to determine whether they might be paying too much, too soon or too late for the delivery of work on Aurora's network due to inefficient asset management practices.
- 8.23 Our draft decision will therefore require Aurora to be transparent about its improvements in its asset management processes and practices by disclosing additional information in its AMP. The required transparency relating to developing, disclosing and updating a plan for improving its asset management practices will promote network investment decisions that are based on a well-adjusted risk framework embedded in Aurora's governance structure.
- 8.24 We understand that improving its asset management approach towards good industry practices, and that are consistent with ISO 55000 framework, is already a key focus for Aurora.
- 8.25 Our current view is that the information we would be requiring Aurora to prepare under our proposed twelve additional ID requirements in Table 8.1 is very similar to the information Aurora will likely need to prepare as part of its efforts towards achieving ISO 55000. We would be interested in Aurora's views on whether or not this is the case.
- 8.26 As discussed in Chapter 5, asset management is one of several disclosure topic areas which is complex, and where Aurora's performance will be challenging for us, consumers and other stakeholders to assess.
- 8.27 To assist consumers, stakeholders and us with assessing performance in the asset management topic area, we propose requiring Aurora to engage an independent expert in year 3 of the CPP period to provide an expert opinion on Aurora's progress against its asset management development plan, and to provide recommendations on further improvements Aurora could make in years 4 and 5.
- 8.28 We consider that the expert report will not only provide benefit to interested persons in assessing performance, it will also provide a way to surface any issues or areas of concern to stakeholders, should they arise, and provide an opportunity for consumers and stakeholders to provide feedback to Aurora.
- 8.29 Aurora is required to obtain our approval of the expert before they are appointed and our input into the proposed terms of reference for the expert report. The draft expert report will require our feedback to be taken into consideration before it is finalised and published.

- 8.30 We are proposing that Aurora discloses in the ADR, in Year 4, how it has taken any recommendations from the expert report into account to improve its development plan for the fourth and fifth years of the CPP period. Further detail on the mid-period expert review is described in Chapter 5.

Our proposed ID determination changes

- 8.31 The existing EDB ID Determination sets out disclosure requirements with respect to the AMP and asset management maturity at clause 2.6, in Attachment A (clauses 1 to 16), and in Schedules 11a, 11b, 12a, 12b, 12c, 12d and 13. Various definitions that support these requirements are set out in clause 1.4.3.
- 8.32 In order to give effect to our draft decisions set out in this chapter, we propose the following amendments to the EDB ID Determination:¹⁶⁵
- 8.32.1 Amend clause 2.6.1(1)(c) to require Aurora to prepare an AMP in accordance with existing clauses 1 to 16 and new clause 17 of Attachment A;¹⁶⁶
 - 8.32.2 Insert new clause 17 to Attachment A to require Aurora to describe in its AMP its plan to develop and improve its:
 - 8.32.2.1 asset data collection and asset data quality practices;
 - 8.32.2.2 asset management practices;
 - 8.32.2.3 practices for identifying and mitigating safety risks in relation to Aurora's supply of electricity distribution services;
 - 8.32.2.4 practices for estimating the costs of capital expenditure and operational expenditure projects and programmes; and
 - 8.32.2.5 quality assurance practices and processes;

¹⁶⁵ For the detail on these proposed drafting changes, refer to the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

¹⁶⁶ Attachment A currently sets out the disclosure requirements for an Asset Management Plan.

- 8.32.3 Proposed new clause 2.5.4(1)(a)(v),¹⁶⁷ requires Aurora to produce a development plan that includes its plan to develop and improve its asset management processes and practices, using the information it will also be required to disclose under proposed clauses 17.1-17.2 and 17.4-17.5 of Attachment A;
- 8.32.4 In proposed new Attachment C,¹⁶⁸ proposed clauses 1.2.5-1.2.9 require Aurora to include in its Annual Delivery Report information on Aurora's progress in developing the asset management processes and practices and other related practices referred to in proposed clauses 17.1-17.5 of Attachment A; and
- 8.32.5 In proposed new clause 2.8.5A,¹⁶⁹ proposed clauses 2.8.5A(4)-(5) require Aurora to procure an independent opinion on Aurora's progress in, and any recommendations for improving on, developing its asset management practices and practices for identifying and mitigating safety risks referred to in proposed clauses 17.2 and 17.3 of Attachment A.

¹⁶⁷ As described at para 5.68.1 of this paper, we are proposing to insert a new clause 2.5.4(1)(a) to require Aurora by 31 March 2022 to publicly disclose its plan for developing and improving its processes and practices in the seven areas listed in new clause 2.5.4(1)(a)(i)-(vii).

¹⁶⁸ As described at para 5.68.5 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

¹⁶⁹ As described at para 5.67.7 of this paper, we are proposing to insert a new clause 2.8.5A to require Aurora to procure and produce an expert report.

Chapter 9 Information on the application of Aurora's project quality assurance processes

Purpose of this chapter

- 9.1 The purpose of this chapter is to explain our draft decisions for information that Aurora will be required to disclose relating to how it is improving its project quality assurance processes.
- 9.2 This information would be required in addition to the information Aurora already discloses under existing EDB ID requirements to support the Report on Asset Management Maturity disclosure and assist interested persons to assess the maturity of asset management documentation, controls and review processes. The existing requirement is for information that supports the report on asset management maturity by:
- 9.2.1 communicating asset management strategies, objectives, policies and plans to stakeholders involved in the delivery of the asset management requirements, including contractors and consultants; and
 - 9.2.2 demonstrating staff engagement in the efficient and cost-effective delivery of the asset management requirements.¹⁷⁰

Background

- 9.3 Project quality assurance is a key aspect of asset management, particularly when safety issues are identified and mitigated. Mature quality assurance processes:
- 9.3.1 help to ensure that assets are maintained and installed to meet industry standards and statutory requirements, including safety issues; and
 - 9.3.2 avoid the need to revisit work considered to be complete, which reduces overall costs.

¹⁷⁰ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, clause 3.5.

- 9.4 Aurora’s AMP 2020-2030 notes that it does not currently have a formal quality assurance or preventive maintenance auditing framework.¹⁷¹ It identified a need to create such frameworks to ensure both site-based assurance and data-based assurance are undertaken, to ensure it is getting the expected value from the preventive maintenance activities.
- 9.5 Aurora explained in its CPP application how it would maintain and improve its quality assurance processes for project and programme work delivery:
- 9.5.1 its investment in the Sentient Portfolio Programme Management (PPM) tool will allow visibility of project and programme delivery including resource forecasting, risks/issues, and project progress and reporting;
 - 9.5.2 works delivery managers will help ensure the successful delivery of all projects and ensure accurate reporting to the Aurora Board. There will be regular reviews of all project and programme work, with assurance processes around reporting, procurement, budget, scope and time control;
 - 9.5.3 a risk management review process has been implemented across all network projects and programmes; and
 - 9.5.4 a risk review is completed monthly on one or two randomly selected projects and/or programmes; and two quality assurance officers have been employed to randomly audit project and programme work to ensure the completed work meets Aurora’s standards, electricity safety rules, regulations, and statutory requirements.¹⁷²
- 9.6 We agree with Aurora’s stated approach to develop and improve project quality assurance processes, so we are proposing the additional ID requirements described in this chapter to help interested persons to assess Aurora’s progress against these plans and also whether they are paying too much due to poor project quality assurance processes.

Structure of this chapter

- 9.7 In the following sections of this chapter we:

¹⁷¹ <https://www.auroraenergy.co.nz/assets/publication-articles/Asset-Management-Plans/Aurora-Energy-AMP-2020-Final-12-June-2020.pdf> Preventive Maintenance Initiatives, clause 7.3.3.

¹⁷² 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 Attachment D Proposed allowance for capex, para D102.

- 9.7.1 summarise our November 2020 draft policy decisions on requiring Aurora to disclose additional information relating to how it is improving its ongoing project quality assurance processes;¹⁷³
- 9.7.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
- 9.7.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is improving its ongoing project quality assurance processes; and
- 9.7.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft ID policy decisions

- 9.8 We proposed requiring Aurora to disclose information each year that details how it is developing its processes to improve the quality of its project quality assurance processes.
- 9.9 Our November draft proposed that:
 - 9.9.1 in the first disclosure year within the CPP period, Aurora will be required to provide additional information on its plan for the CPP period that details how it will continue to develop processes to improve its project quality assurance processes; and
 - 9.9.2 in the second, third, fourth and fifth disclosure years within the CPP period, Aurora will be required to provide an update on its performance against that plan in terms of developing these processes.

What we heard from submitters

- 9.10 A key theme of submissions was Aurora's lack of quality assurance processes for managing contractors and efficiency of spend. For example:
 - 9.10.1 submitter Steve Tilley expressed a lack of confidence in Aurora's project quality assurance processes:

Aurora's lack of care in not monitoring contracts or its contractors is very poor engineering practice.

¹⁷³ 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.

- 9.10.2 Richard Healey submitted that Aurora does not have reliable processes to test and verify whether project spend is value for money:

Aurora have provided the Commission or its agents with a raft of figures that purport to illustrate that its contractors are efficient and build costs within industry norms. That information is entirely unverified and unaudited. Forty years of experience tells me that those figures, the figures that the Commission have relied on for their determination, are largely a fiction.¹⁷⁴

Further information obtained from Aurora

- 9.11 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.
- 9.12 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

Our draft decisions and reasons

Summary of our draft decisions on quality assurance processes for projects

- 9.13 Our draft decisions are that:
- 9.13.1 Aurora will be required to publicly disclose in its AMP (starting with the AMP due by 31 March 2022) the additional information set out in Table 9.1;
 - 9.13.2 By 31 March 2022, Aurora will be required to publicly disclose a development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop project quality assurance practices and processes (as set out in Table 9.1); and
 - 9.13.3 For every subsequent year, Aurora will be required to provide an update in its ADR on how it is progressing on the development of those quality assurance practices and processes.
- 9.14 To implement these draft decisions, we propose to introduce an additional ID requirement. Table 9.1 below sets out the proposed draft determination amendments relating to project quality assurance processes that we are proposing Aurora will be required to disclose information on, and the desired outcomes of disclosing that information.

¹⁷⁴ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

Table 9.1 Proposed additional ID requirements relating ongoing project quality assurance

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in the Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.5 (Asset Management Plans)</p>	<p>Quality assurance practices and processes: how Aurora ensures capital expenditure and operational expenditure projects and programmes are efficiently delivered and implemented to meet applicable industry standards</p> <p>(for more details on project quality assurance, see also Chapter 9: <i>Information on the application of Aurora's project quality assurance processes</i>)</p> <p>Sources: Aurora has developed its own internal quality assurance guideline to provide a framework to ensure "all works done within its scope are performed according to Aurora Energy's Health and Safety requirements and comply with Aurora Energy's asset lifecycle requirements". Robust quality assurance practices result in better asset management and drive efficiencies.</p> <p>See Aurora's QA guideline AE-DW06-G24 - Quality Assurance Guideline</p>	<p>Consumers and other stakeholders better understand the quality assurance processes and practices Aurora has regarding delivery of its projects and programmes.</p>

Reasons for our draft decisions

- 9.15 We consider that Aurora’s consumers and other interested persons require additional information that allows them to understand whether Aurora has processes in place to support quality assurance, and thus efficiency, of its projects. Improving efficiency and providing services at a quality that reflects consumer demands aligns with the purpose of Part 4 of the Commerce Act.¹⁷⁵ Any efficiency gains will be shared between Aurora’s consumers and Aurora under the CPP.
- 9.16 Our draft view is that requiring Aurora to disclose how it is improving project quality processes is also consistent with the stated importance of assurance in the ISO 55000 framework:

The need for assurance arises from the need to effectively govern an organization. Assurance applies to assets, asset management and the asset management system. This includes:

- 1) developing and implementing processes that connect the required purposes and performance of the assets to the organizational objectives;
- 2) implementing processes for assurance of capability across all life cycle stages;
- 3) implementing processes for monitoring and continual improvement;
- 4) providing the necessary resources and competent personnel for demonstration of assurance, by undertaking asset management activities and operating the asset management system.¹⁷⁶

- 9.17 Developing quality assurance processes for its projects, and addressing our draft decisions requiring additional disclosure relating to improving these processes for project, should facilitate Aurora to manage the delivery of its significant network works and will go some way to alleviating submitter concerns about observed works delivery inefficiencies.

Our proposed ID determination changes

- 9.18 In order to give effect to our draft decisions set out in this chapter, we propose the following amendments to the EDB ID Determination:¹⁷⁷

- 9.18.1 Proposed new clause 2.5.4(1)(a)(vii),¹⁷⁸ further to paragraph 8.32.3 above, requires Aurora to produce a development plan that includes its plan to develop and improve its quality assurance practices and processes; and

¹⁷⁵ Commerce Act 1986, section 52A(1)(b).

¹⁷⁶ BS ISO 5500 Asset Management, Paragraph 2.4.2 (d) Assurance.

¹⁷⁷ For the detail on these proposed drafting changes, refer to the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

¹⁷⁸ As described at para 5.68.1 of this paper, we are proposing to insert a new clause 2.5.4(1)(a) to require Aurora by 31 March 2022 to publicly disclose its plan for developing and improving its processes and practices in the seven areas listed in new clause 2.5.4(1)(a)(i)-(vii).

9.18.2 In proposed new Attachment C,¹⁷⁹ further to paragraph 8.32.4 above, proposed clause 1.2.9 requires Aurora to include in its Annual Delivery Report information on Aurora's progress in developing its quality assurance practices and processes referred to in proposed clause 17.5 of Attachment A.

¹⁷⁹ As described at para 5.68.5 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

Chapter 10 Information on ongoing improvements in Aurora's cost estimation processes

Purpose of this chapter

10.1 The purpose of this chapter is to explain our draft decisions for information that Aurora will be required to disclose relating to how it is improving its ongoing cost estimation processes. This information would be required in addition to the information Aurora already discloses in its AMP relating to cost efficiency under our existing EDB ID requirements.

Background

10.2 Good quality cost estimation is an important tool that can be used to help achieve cost efficiency. Accurate cost estimation drives cost efficiency and better asset management decisions by ensuring that the timing of projects and budgeting decisions use reliable forecasted cost information. Under the existing EDB ID requirements, Aurora must ensure that its AMP provides sufficient information for interested persons to assess whether costs are efficient and performance efficiencies are being achieved.¹⁸⁰

10.3 Our existing EDB ID requirements set out requirements regarding information that EDBs must include in their AMP that relate to practices and processes that drive cost efficiency (and which include cost estimation practices):

10.3.1 the AMP must, in relation to network development plans, provide a description of any strategies or processes used by Aurora that promote cost efficiency,¹⁸¹ and

10.3.2 the AMP must provide an overview of Aurora's asset management strategy and delivery.¹⁸² As part of this, the AMP should identify processes that ensure costs, risks and system performance will be effectively controlled when the AMP is implemented.¹⁸³

¹⁸⁰ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, clauses 2.6.1(1)(b) and 2.6.2(1)(c).

¹⁸¹ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, Attachment A, clause 11.3.

¹⁸² [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, Attachment A, clause 3.10.

¹⁸³ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, Attachment A, guidance note provided at clause 3.10.

Structure of this chapter

- 10.4 In this chapter we:
- 10.4.1 summarise our November 2020 draft policy decisions on requiring Aurora to disclose additional information relating to how it is improving its ongoing cost estimation processes;¹⁸⁴
 - 10.4.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
 - 10.4.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is improving its ongoing cost estimation processes; and
 - 10.4.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft ID policy decisions

- 10.5 We proposed requiring Aurora to disclose information each year that details how it is developing its processes to improve the quality of its project cost estimation. This will help consumers assess whether or not they are paying too much for the delivery of work on Aurora's network due to poor cost estimation practices that create inefficiencies.
- 10.6 Our November draft proposed that:
- 10.6.1 in the first disclosure year within the CPP period, Aurora will be required to provide additional information on its plan for the CPP period that details how it will continue to develop processes to improve its cost estimation; and
 - 10.6.2 in the second, third, fourth and fifth disclosure years within the CPP period, Aurora will be required to provide an update on its performance against that plan in terms of developing these processes.

¹⁸⁴ [Commerce Commission "Aurora Energy's proposal to customise its prices and quality standards - Draft decision" \(12 November 2020\).](#)

What we heard from submitters

- 10.7 Through the review of submissions, we heard a concern about transparency relating to Aurora’s cost estimation and efficiency of spend. For example, Richard Healey submitted that:

For any meaningful analysis of the spend to be undertaken consumers must have enough information available so that they can determine just how closely — or not — build costs follow the claims made by Aurora in their application. This is a critical factor in restoring consumer confidence. Enough information must be disclosed to allow for a meaningful and accurate comparison to be made between Aurora's claimed cost of build for any given asset and what it actually achieves.¹⁸⁵

Further information obtained from Aurora

- 10.8 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.
- 10.9 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

Our draft decisions and reasons

Summary of our draft decisions on cost estimation processes

- 10.10 Our draft decisions are that:
- 10.10.1 Aurora will be required to publicly disclose in its AMP (starting with the AMP due by 31 March 2022) the additional information set out in Table 10.1;
 - 10.10.2 By 31 March 2022, Aurora will be required to publicly disclose a development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop and improve its cost estimation practices (as set out in Table 10.1); and
 - 10.10.3 For every subsequent year, Aurora will be required to provide an update in its ADR on how it is progressing on the development of those cost estimation practices and processes.

¹⁸⁵ [Richard Healey – Submission on draft decision for Aurora's CPP – 17 December 2020.](#)

10.11 To implement these draft decisions, we propose to introduce additional ID requirements. Table 10.1 below sets out the proposed draft determination amendments relating to cost estimation processes that we are proposing Aurora will be required to disclose information on, and the desired outcomes of disclosing that information.

Table 10.1 Proposed additional ID requirements to cost estimation

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in the Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.4.1 <i>(Asset Management Plans)</i></p>	<p>Cost estimation: how Aurora plans to routinely audit, update, and manage its models for estimating costs</p> <p>Sources: Project and programme costs estimation is a key component of robust asset and project investment decision making. The Aurora CPP Verifier identified a number of areas that could be improved in Aurora's cost estimation processes such as more clearly defined building blocks models, how these were reviewed and that a single point of control mechanism for unit rate cost updates needed to be implemented.</p> <p>See the Aurora CPP Independent Verifier report, Sections 6.5.1 and 6.5.3</p>	<p>Consumers and other stakeholders better understand how Aurora plans to manage on an ongoing basis its models for estimating costs.</p>
<p>Attachment A clause 17.4.2 <i>(Asset Management Plans)</i></p>	<p>Cost estimation: how Aurora uses actual costs of completed capital expenditure and operational expenditure projects and programmes to improve future cost estimates</p> <p>Sources: Using actual project and programme costs to review estimates will help ensure that future forecasts are likely to be more accurate and drive efficiencies. See the Aurora CPP Independent Verifier report Sections 6.5.1 and 6.5.3</p>	<p>Consumers and other stakeholders better understand how Aurora uses actual programme and project costs to improve future cost estimates.</p>

Reasons for our draft decisions

- 10.12 We consider that Aurora’s consumers and other interested persons require additional information that allows them to determine whether or not consumers are paying too much for the delivery of work on Aurora's network due to poor cost estimation practices.
- 10.13 Our current view is that requiring the additional disclosure of a plan to improve cost estimation processes, and disclosure of performance against that plan, will allow interested persons to make this assessment. We consider requiring Aurora to disclose information broken down to the proposed area outlined in Table 10.1 provides the right level of transparency on Aurora’s cost estimation practices and should assist in making the assessment by interested persons more meaningful.
- 10.14 Our draft decisions requiring additional disclosure relating to improving Aurora’s processes for cost estimation should also facilitate an underlying improvement in Aurora’s cost estimation as the process of addressing the disclosure requirements will bring more focus and attention to the area. The overall aim of improvements in cost estimation should be to improve estimating the accuracy that will support better assessments of options to network needs, and drive for more cost efficiency in project and programme costs.

Our proposed ID determination changes

- 10.15 In order to give effect to our draft decisions set out in this chapter, we propose the following amendments to the EDB ID Determination:¹⁸⁶
- 10.15.1 Proposed new clause 2.5.4(1)(a)(vi),¹⁸⁷ further to paragraph 8.32.3 above, requires Aurora to produce a development plan that includes its plan to develop and improve its cost estimation practices; and
- 10.15.2 In proposed new Attachment C,¹⁸⁸ further to paragraph 8.32.4 above, proposed clause 1.2.8 requires Aurora to include in its Annual Delivery Report information on Aurora’s progress in developing its cost estimation practices referred to in proposed clause 17.4 of Attachment A.

¹⁸⁶ For the detail on these proposed drafting changes, refer to the *[DRAFT] Electricity Distribution Information Disclosure (Aurora Energy Limited) Amendment Determination 2021* published alongside this Aurora ID Draft Decision Paper.

¹⁸⁷ As described at para 5.68.1 of this paper, we are proposing to insert a new clause 2.5.4(1)(a) to require Aurora by 31 March 2022 to publicly disclose its plan for developing and improving its processes and practices in the seven areas listed in new clause 2.5.4(1)(a)(i)-(vii).

¹⁸⁸ As described at para 5.68.5 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.

Chapter 11 Information on ongoing improvements in Aurora's data collection and data quality processes

Purpose of this chapter

- 11.1 The purpose of this chapter is to explain our draft decisions for information that Aurora will be required to disclose relating to how it is improving its ongoing data collection and data quality processes. This information would be required in addition to the information Aurora already discloses in its AMP relating to data collection and data quality under our existing EDB ID requirements.

Background

- 11.2 Improving processes for collecting and sharing data are important for quality decision making that ensures the timing and amount of spend to maintain, renew and replace Aurora's assets are appropriate. Under the existing EDB ID requirements, Aurora must ensure that its AMP provides sufficient information for interested persons to assess the standard of systems and information management data.
- 11.3 Our existing EDB ID requirements set out requirements regarding information EDBs (including Aurora) must include in their AMP that relate to data collection and data quality:
- 11.3.1 To support the Report on Asset Management Maturity disclosure and assist interested persons to assess the maturity of systems and information management, the AMP should describe the following:
 - 11.3.1.1 the processes used to identify asset management data requirements that cover the whole of life cycle of the assets;
 - 11.3.1.2 the systems used to manage asset data and where the data is used, including an overview of the systems to record asset conditions and operation capacity and to monitor the performance of assets;
 - 11.3.1.3 the systems and controls to ensure the quality and accuracy of asset management information; and

11.3.1.4 the extent to which these systems, processes and controls are integrated.¹⁸⁹

11.3.2 A statement covering any limitations in the availability or completeness of asset management data and disclose any initiatives intended to improve the quality of this data.¹⁹⁰

Structure of this chapter

11.4 In this chapter we:

- 11.4.1 summarise our November 2020 draft policy decisions on requiring Aurora to disclose additional information relating to how it is making ongoing improvements in data collection and data quality processes;¹⁹¹
- 11.4.2 summarise views and submissions we received from interested parties in response to our November 2020 draft policy decisions;
- 11.4.3 set out our draft decisions and reasons on requiring Aurora to disclose additional information relating to how it is improving its ongoing data collection and data quality processes; and
- 11.4.4 outline how we intend to amend the EDB ID Determination to give effect to our draft decisions.

Our November 2020 draft ID policy decisions

11.5 We proposed requiring Aurora to disclose information each year that details how it is developing its processes to improve the quality of its data collection and data quality processes. This will help consumers assess whether or not they are paying too much for the delivery of work on Aurora's network due to inefficient data collection and data quality processes.

11.6 Our November draft proposed that:

¹⁸⁹ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, Attachment A, clause 11.3.

¹⁹⁰ [Electricity Distribution Information Disclosure Determination 2012](#) (consolidated April 2018) [2012] NZCC 22, Attachment A, guidance note provided at clause 3.11.

¹⁹¹ [Commerce Commission "Aurora Energy's proposal to customise its prices and quality standards - Draft decision" \(12 November 2020\)](#).

- 11.6.1 By the end of the first disclosure year within the CPP period, Aurora will be required to provide additional information, by way of an addendum to the AMP, on its plan for the CPP period that details how it will continue to develop processes to improve data collection and data quality.
- 11.6.2 By the end of the second, third, fourth and fifth disclosure years within the CPP period, Aurora will be required to provide an update on its performance against that plan in terms of developing these processes.

What we heard from submitters

- 11.7 We heard, broadly, that submitters did not have a high degree of confidence that they can rely on Aurora's data. For example, Trevor Tinworth, in his earlier submission on our issues paper in August 2020, draws reference to Aurora's inability to accurately predict the duration of planned outages as evidence of poor network state data:

An increasing number of planned outages are exceeding their expected outage periods as the jobs are probably more involved than originally planned/scoped. Which raises the following questions: An increasing number of planned outages are exceeding their expected outage periods as the jobs are probably more involved than originally planned/scoped. Which raises the following questions:

How accurate is Auroras network asset state data and its relationship to the CPP application?¹⁹²

- 11.8 While this suggests there are concerns with the underlying processes for collecting and sharing quality data, the processes were not identified as specific concerns.

Further information obtained from Aurora

- 11.9 On 1 March 2021, we met with Aurora at an information-seeking meeting to better understand the workability of the ID draft policy decisions we published in November 2020.
- 11.10 A summary of the meeting including the discussion material (slides) which Aurora provided is published on our website alongside this draft decision paper. Chapter 3 contains the key themes which arose from the meeting.

¹⁹² https://comcom.govt.nz/_data/assets/pdf_file/0019/224524/Trevor-Tinworth-Submission-on-Aurora-Energys-CPP-Issues-paper-20-August-2020.pdf

Our draft decisions and reasons

Summary of our draft decisions on data collection and data quality processes

11.11 Our draft decisions are that:

11.11.1 Aurora will be required to publicly disclose in its AMP (starting with the AMP due by 31 March 2022) the additional information set out in Table 11.1 below;

11.11.2 By 31 March 2022, Aurora will be required to publicly disclose a development plan that will use the additional information Aurora will disclose in its AMP regarding its plan to develop asset data collection and asset data quality practices (as set out Table 11.1); and

11.11.3 For every subsequent year, Aurora will be required to provide an update in its ADR on how it is progressing on the development of those data collection and data quality practices and processes.

11.12 To implement these draft decisions, we propose to introduce additional ID requirements. Table 11.1 below sets out the proposed draft determination amendments relating to data collection and data quality processes that we are proposing Aurora will be required to disclose information on, and the desired outcomes of disclosing that information.

Table 11.1 Proposed additional ID requirements relating to data collection and data quality processes

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in the Asset Management Plan and information sources	Desired outcome
<p>Attachment A, clause 17.1.1 <i>(Asset Management Plans)</i></p>	<p>Asset data collection and asset data quality practices: evaluate whether Aurora is achieving its asset management policies and objectives, and identify ways to improve the performance of Aurora’s network.</p> <p>Sources: An asset management system should use monitored and measured data to obtain information regarding asset and network performance. This should be used to evaluate whether the asset management policies and objectives are being met and will identify corrective actions and areas for improvement.</p> <p>This is consistent with ISO 55002 section 9.1</p>	<p>Consumers and other stakeholders understand whether Aurora has put in place processes to ensure that asset condition information is being captured in its systems in a consistent way so that when the data is extracted, it is meaningful and reliable.</p>
<p>Attachment A clause 17.1.2 <i>(Asset Management Plans)</i></p>	<p>Asset data collection and asset data quality practices: for the purpose of informing Aurora’s expenditure decisions, improve knowledge of network asset condition so that assets are replaced in a timely manner</p> <p>Sources: Asset replacement decision-making should be a key asset management objective and it should be informed by asset condition data to ensure assets are not replaced too late or too early. Asset condition-based decision making also supports expenditure forecasts and reliable asset management plans</p> <p>This is consistent with ISO 55000 section 6.2</p>	<p>Consumers and other stakeholders better understand Aurora’s asset replacement decision making.</p>

Relevant provision in draft ID amendments determination	Scope of proposed information Aurora will need to disclose in the Asset Management Plan and information sources	Desired outcome
<p>Attachment A clause 17.1.3 (Asset Management Plans)</p>	<p>Asset data collection and asset data quality practices: ensure Aurora has an audited and regularly-maintained platform for sharing network asset data with internal and external stakeholders</p> <p>Sources: Ensuring that asset and network data is verifiably accurate and enabling platforms for accessing that data made available to internal staff and third-party providers will improve asset management outcomes.</p> <p>This is consistent with ISO 55002 section 2.5 and 8.3.2 (e)</p>	<p>Consumers and other stakeholders better understand how Aurora shares network asset data with stakeholders.</p>

Reasons for our draft decisions

- 11.13 We consider that Aurora’s consumers and other interested persons require additional information that allows them to determine whether or not consumers are paying too much for the delivery of work on Aurora’s network due to poor data collection and data quality processes.
- 11.14 The proposed additional information relating to processes for appropriate testing of assets will result in better information regarding the condition of the assets. If this asset condition data is captured in a consistent way, it can be relied on to feed into models which predict how long these assets are likely to last. If this is combined with a good understanding of which assets are critical and what happens if they fail, we consider it will help Aurora decide when they should be replaced. Future investment plans will also be better justified as these will be based on better quality asset management data.
- 11.15 We consider requiring Aurora to disclose the additional information, as broken down in Table 11.1, provides the right level of transparency for how Aurora is improving data collection and data quality processes and should assist in making the assessment by interested persons more meaningful.

- 11.16 The disclosure of additional information should also facilitate an overall improvement in Aurora’s cost efficiency as the process of addressing the disclosure requirements will bring more focus and attention to the area, and improvements in data quality will improve cost efficiency as discussed above. The overall aim of improvements in data collection and data quality processes should be to improve the accuracy, usefulness and timeliness of data that is relied upon for asset management decisions.

Our proposed ID determination changes

- 11.17 In order to give effect to our draft decisions set out in this chapter, we propose the following amendments to the EDB ID Determination:¹⁹³

11.17.1 Proposed new clause 2.5.4(1)(a)(iv),¹⁹⁴ further to paragraph 8.32.3 above, requires Aurora to produce a development plan that includes its plan to develop and improve its asset data collection and asset data quality practices; and

11.17.2 In proposed new Attachment C,¹⁹⁵ further to paragraph 8.32.4 above, proposed clause 1.2.5 requires Aurora to include in its Annual Delivery Report information on Aurora’s progress in developing its asset data collection and asset data quality practices referred to in proposed clause 17.1 of Attachment A.

¹⁹³ For the detail on these proposed drafting changes, refer to the [DRAFT] Electricity Distribution Information Disclosure (*Aurora Energy Limited*) Amendment Determination 2021 published alongside this Aurora ID Draft Decision Paper.

¹⁹⁴ As described at para 5.68.1 of this paper, we are proposing to insert a new clause 2.5.4(1)(a) to require Aurora by 31 March 2022 to publicly disclose its plan for developing and improving its processes and practices in the seven areas listed in new clause 2.5.4(1)(a)(i)-(vii).

¹⁹⁵ As described at para 5.68.5 of this paper, we are proposing to insert a new Attachment C which sets out requirements regarding the content of an Annual Delivery Report.