

Feedback on Draft ID Requirements for Aurora Energy's CPP



Updated - 10 May 2021

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

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

- delivery against engagement plans and improvement initiatives;
- explanations for variances in our plans; and
- increased regional reporting on spending and outages.

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

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

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

- **value-adding:** requirements should provide demonstrable value to customers, the Commission, and other stakeholders;
- **cost-effective:** requirements must weigh-up resourcing implications;
- **avoid duplication:** recognise existing ID reporting, other Aurora disclosures, and the role of Electricity Authority;
- **commensurate:** recognising the relative maturity of the business, reflecting what's feasible now and later in the CPP Period;
- **flexible:** allow for transitional reporting (year-to-year) and include staggered reporting windows to avoid resource conflicts; and
- **streamlined:** take opportunity to streamline reporting (e.g., incorporate WSP updates).

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

- whether the proposed requirements align with the reporting principles;
- the degree of related/similar current reporting we undertake;
- improvements we are making in the relevant areas (e.g., expanded customer engagement);
- our ability to report the information, both for RY22 and in RY23 and beyond;
- a summary of key issues in each reporting area, including:
 - areas that would benefit from alternative and/or further definition;
 - areas that have workability concerns;
 - areas that may be limited by availability of resourcing.

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

We currently measure the financial performance of opex and capex programmes utilising our SAP financial management system. External reporting is by way of:

- Audited annual Information Disclosures in accordance with input methodologies;
- Audited Annual Report in accordance with International Financial Reporting Standards (IFRS); and
- Management reporting to our Board on a regular basis.

Our ongoing improvement programme is targeting:

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

Comparison against financial reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Capex Forecasts	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Capex Actuals	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Variance from forecast	✓	Partial, ID	TBC	Possible	
Unit rates	?	No	No	Possible	Unit rates are most informative for repetitive/volumetric programmes of work
Opex Forecasts	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects. Reactive expenditure difficult to predict at a granular level
Opex Actuals	✓	Yes, ID	Yes		
Regional	?	No	TBC	Possible	There are likely to be issues with multi-region programs/projects
Variance from forecast	?	No	TBC	Possible	Less meaningful for trended forecasts, definition of how this can be effectively tracked

Alignment with ADR Principles

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

Reporting areas that require further definition

- Extent of regional reporting and dealing with multi-region works
- Application/extent of unit rates to programmes of work – unit rates are generally more informative for repetitive/volumetric types of work

Reporting areas likely to require transitional process

- Regional reporting of reactive / volumetric works
- Collection of more granular deliverables or those relating to new programs
- Opex-related deliverables
- Unit rate/average cost reporting

Aspects that may be impacted by future Aurora resourcing

- Data capture process improvements for regional reporting will require additional resources (people and/or system based)
- Systems based reporting improvements for regional reporting and unit rates will require software development and systems integration
- Data integrity and reporting capabilities compromised if resourcing for process/systems-based improvement is constrained

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

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

Meaningful reporting of forecasts by pricing region is impractical for some expenditure categories (particularly in earlier years of CPP).

Comparison against work delivery reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Asset Replacement					
• actual assets replaced vs planned	✓	Partial	Transitional	Yes	Annual Delivery report
• high-level reasons for variances	✓	No	Possible	Yes, subject to definitions	Scope clarity required, e.g., materiality thresholds
• regional	?	No	Transitional	Yes (see comment)	Forecasting by pricing region impractical for some categories. Reporting by region achievable
• unit cost per unit replaced	?	No	Transitional	Yes	Scope clarity required, e.g., some works will be aggregated e.g., zone sub site works and earthing
Vegetation management					
• kilometres of vegetation inspected and cleared	✓	Partial	Yes	Yes	Annual report
• Regional	✗	No	Possibly	TBD	Change to contractor reporting required and may be commercially sensitive

Alignment with ADR Principles

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

Reporting areas likely to require transitional process

- Regional reporting, especially volumetric forecasts which we ordinarily would not plan to develop regional models
- Some aspects of vegetation unit rates may require new contractor reporting arrangements to be put in place, especially regional reporting at a unit rate level

Aspects that may be impacted by future Aurora resourcing

- AMS critical to capturing and reporting maintenance programmes and defects

Aurora Energy has a three-year customer and engagement plan to deliver against its strategic commitment to customer orientation and build the foundations for improved customer experience. Focus areas are:

1. improved outage communication and customer experience
2. stakeholder and community engagement and consultation
3. external communication
4. customer connections.

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

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

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

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

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

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

Ongoing improvements and planned developments

Key planned improvements to customer engagement and reporting include:

- Improved reporting and monitoring of customer metrics including planned outages, customer complaints, Customer Charter compliance
- Transition to a new service provider for after-hours contact handling service, following completed review.
- Outage Management System (OMS) to provide real time outage and fault information to customer channels
- Next phase of website development to enhance ease-of-use for customers, targeted content and integration with future OMS
- Next stage of CIW new connections portal for standard connections, Stage 2 in development.
- Scope requirements for CRM system to support stakeholder engagement and customer experience improvement
- Customer consultation on Customer Charter and regional pricing reviews.

Comparison against customer engagement reporting requirements – I

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
how Aurora has engaged with consumers in each of the three regions using various communication channels including [list]...	✓	Partial	Yes		
narrative on outage communication performance and actions to improve ...	✓	No	TBC		Scope to be defined
Description of how Aurora is improving consumer awareness of its existing charter, how it is tracking with meeting its existing service commitments in its charter and results of consumer consultation on proposed changes to its charter	✓	No	Yes		Initiative underway to begin tracking this information
Update of progress in improving voltage quality on its LV network processes against ID requirement	?		TBC		Scope to be defined
Aurora to provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to: <ul style="list-style-type: none"> • Customer satisfaction • Customer engagement 	?	No	TBC		Scope to be defined. Cost and resource implications.

Alignment with ADR Principles

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

Comparison against customer engagement reporting requirements – II

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
<ul style="list-style-type: none"> publicly disclose its compensation scheme and service level targets 	✓	Yes	Yes		Website
<ul style="list-style-type: none"> report on how it has consulted with consumers on any proposed changes to its minimum service commitments and associated compensation 	✓	No	Yes		
<ul style="list-style-type: none"> report the number and type of complaints it receives from customers and whether the complaints are covered by the service level targets and compensation. 	?	No	No	TBC	May require system changes
Charter payments <ul style="list-style-type: none"> payments made against individual service standards 	✗	No	Yes		Value of this reporting unclear
Outage system improvements <ul style="list-style-type: none"> Information on its performance against its voluntary charter 	✓	No	Yes		
<ul style="list-style-type: none"> improvements it has publicly committed on outage notification. 	✓	No	TBC		Definitions needed

Reporting areas that require further definition

- Complaint numbers
- Outage communication
- Customer queries and connection timings (external driven process)

Reporting areas likely to require transitional process

- Collection of more granular information, including regional breakdowns

Aspects that may be impacted by future Aurora resourcing

- Need for increased staff capability / capacity to maintain and increase customer consultation, engagement and reporting back
- Specialist external support / advice to deliver staged CIW process improvement, customer satisfaction research
- System improvements to capture and report more granular information, introduction of CRM system, reporting by pricing region

Safety Reporting

In the short term, decisions are fundamentally based on all reasonably practical steps (with the information available) we can take to address risks above the 'intolerable risk' line. Justifying and managing risks through additional control measures to a lower level through business case analysis is a secondary phase. Some of the requested reporting would likely require additional supporting documentation and would necessarily include fleet strategies/plans and risk treatment plans which are yet to be fully developed.

Quality of Service (power quality)

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

Quality of Service (reliability/outages)

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

Worst served customers

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

Reporting areas that require further definition

- Many areas require further definition to assess stakeholder usefulness and feasibility
- Definitions need to be mindful of linking reporting to CPP drivers – reliability was not the main driver of the CPP, a consequential benefit only
- Safety definitions particularly important given CPP focus and the wide coverage of safety initiatives in our CPP proposal.
- There is a need to avoid overlap with AMP and WSP reporting

Reporting areas likely to require transitional process

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

Aspects that may be impacted by future Aurora resourcing

- Further development of our risk framework and risk treatment plans and associated reporting will be subject to available resource
- AMS will be a significant enabler of delivering our approach to risk management
- Improved data capture requires new processes and templates and the development of new apps/mobility

Environmental

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

Currently renewing Archaeological Authorities for the Dunedin and Central Otago networks

Full participation in second generation district plan reviews.

Pricing

Regional cost allocation approach reviewed by Electricity Authority:

- <https://www.ea.govt.nz/assets/Distribution-pricing-and-Aurora-flyer-February-2021.pdf>
- <https://ea.govt.nz/assets/Aurora-regional-pricing-report-February-2021.pdf>

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

Recommendation regarding allocation of capital costs being reviewed, with a proposed change from allocating based on an estimate of regional replacement cost to a regional RAB allocation approach:

- We have developed regional RAB models that can form the basis for the proposed allocation change following an ID audit cycle.
- We have publicly signalled that the approach will be consulted on in September/October 2021

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

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

Comparison against pricing and environmental reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
<p>Regional Pricing High level summary to be published in the ADR, with supporting detail able to be published separately Update on consumer interactions regarding enhanced regional pricing disclosures against ID requirement</p>	?	No	Yes		<ul style="list-style-type: none"> Expected to be completed by end RY22. Cost allocation issue, not pricing issue. Once regional cost allocations are made, pricing is indifferent to location (subject to historic metering configurations) Appropriate reporting document is pricing methodology.
<p>Pricing methodology Information that allows interested persons to understand the implications of Aurora’s assumptions, and methodological choices made on prices for each consumer group in each pricing region</p>	✓	TBC	TBC	TBC	<ul style="list-style-type: none"> Not clear what is meant by this. Examples of problems that this requirement seeks to address will be required. Will require careful and comprehensive definition Appropriate reporting document is pricing methodology.
<p>Provide a worked example for a standard consumer in each consumer group (i.e., for a residential consumer that used 9000 kWh per year) in each pricing region on how that consumers prices are set.</p>	?	No	No	Yes	<ul style="list-style-type: none"> Assumes pricing is a purely mechanical exercise, devoid of assumption and judgement. Identified by the Commission as resource intensive (but has concluded that no resources are required). Appropriate reporting document is pricing methodology.
<p>Disclose Aurora’s cost of supply model down to a level that individual contracts cannot be identified.</p>	✗	No	Potentially		<ul style="list-style-type: none"> Not possible for cost of supply model to identify individual contracts or consumers in any case. Proprietary / commercially sensitive document

Alignment with ADR Principles

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

Reporting areas that require further definition

- Overlaps with EA
- Granularity of pricing information. Assumes 'mechanical' pricing processes.

Reporting areas likely to require transitional process

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

Aspects that may be impacted by future Aurora resourcing

- EDBs not compensated for environmental improvement initiative, so any initiative needs to pay for itself.
- Granular pricing information identified by the Commission as resource intensive but has concluded that no resources are required.
- Resource requirements will compromise distribution pricing reform (including development and consultation of regional cost allocation), delaying improvements in favour of reporting.
- Transition to more cost reflective pricing is likely to drive successive/constant development of granular pricing models – inefficient.

We have implemented two levels of **project governance**. We have also:

- Completed Prince 2 training for project managers.
- Implemented Sentient (software solution).

We have also recently completed a FSA review (actions to be implemented), with lessons learnt already reflected in key projects. Additionally, ICAMs have been undertaken as required. Possible future improvement initiatives include;

- Internal audit of project reporting
- Internal audit of deliverables reporting
- Upskilling of progress and completed works reporting and auditing by project managers and quality assurance officers

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

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

Comparison against process improvement reporting requirements – I

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
<p>Asset management improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its asset management processes</p>	X	Partial, AMP		AMP2023 for the first report against plan	Significant resources would be required to document and report our plan and progress under each of these areas. Providing such detailed planning and reporting of process development is unlikely to deliver material value to customers.
<ul style="list-style-type: none"> processes so that asset health models are informed by asset condition data and models are consistent with industry accepted modelling practices 	?		TBD - scope clarity required		It should be noted that these type of initiatives inevitably overlap. Setting out explicit reporting requirements on individual aspects may not align with how they should be delivered. It would be counterproductive if we were effectively required to align our initiatives with such reporting requirements.
<p>Project assurance improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its <u>project assurance</u> processes</p>	?	Individual initiative level reporting only	Dependent on scope and resource availability	Dependent on scope and resource availability	Our comments on more general asset management initiatives also apply. However, there is likely to be fewer requirements to report on making project assurance reporting less onerous.
<p>Cost estimation improvements provide updated plans in the first half year of the CPP period that will detail how it will develop improvements to its <u>cost estimation</u> processes</p>	?	Partial, AMP	Dependent on scope and resource availability	Yes	Our comments on more general asset management initiatives apply here.

Alignment with ADR Principles

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

2b Comparison against process improvement reporting requirements

Reporting areas	Aligned with ADR Principles	Current Reporting	RY22 Feasibility	RY23+ Feasibility	Comments
Asset management improvements continued					
<ul style="list-style-type: none"> processes to improve understanding of asset criticality and prioritisation of asset replacement and renewals ... 	?	Partial, AMP	TBD (Scope?)	TBD	<p>Significant resources would be required to document and report our plan and progress under each of these areas. Providing such detailed planning and reporting of process development is unlikely to deliver material value to customers.</p> <p>It should be noted that these type of initiatives inevitably overlap. Setting out explicit reporting requirements on individual aspects may not align with how they should be delivered. It would be counterproductive if we were effectively required to align our initiatives with such reporting requirements.</p>
<ul style="list-style-type: none"> processes to coordinate asset condition, asset health models and criticality understanding. 	?		TBD (Scope?)	TBD	
<ul style="list-style-type: none"> processes to improve the asset risk framework to inform risk-based decision-making ... 	?		TBD (Scope?)	TBD	

Alignment with ADR Principles

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

Reporting areas that require further definition

- Data and Asset Management planning and reporting needs to be defined.
- We propose that planning and reporting should be at a high level, tracking improvement through established standards such as ISO55001 with priority areas established

Reporting areas likely to require transitional process

- Assuming high level planning and reporting only, RY22 can be used to establish planning and possibly report one or two prioritised improvement areas (e.g. AMS)
- Detailed planning and reporting across multiple areas will slow down progress, requiring further prioritisation and transitional reporting

Aspects that may be impacted by future Aurora resourcing

- BAU planning and delivery absorbs a significant proportion of staff time while we deliver at elevated levels and therefore specialist external support is required to enable improvement initiatives to be progressed
- System improvements also incur procurement and licensing costs, and ongoing internal support for maintenance and enhancement