

21 May 2024

Dear stakeholder,

Open letter on Aurora Energy's mid-period performance under its customised price-quality path

Introduction

1. The Commerce Commission (the Commission) welcomes the disclosure of two reports evaluating Aurora Energy Limited (Aurora)'s performance at the midpoint of its five-year customised price-quality path (CPP). We are publishing this letter under section 53B(2)(b) of the Commerce Act 1986, which requires us to publish a summary and analysis of information disclosed by regulated suppliers, including Aurora, so that stakeholders can better understand the performance of those suppliers.
2. The expert evaluations were completed by Energy Networks Consulting (Energy Networks) and Farrierswier and can be found [here](#).¹ Energy Networks' report evaluated Aurora's performance in areas associated with asset management and Farrierswier evaluated Aurora's customer engagement.^{2 3}
3. Encouragingly, the evaluations found that Aurora has performed reasonably well across the evaluated practice areas. Some positive examples from the expert evaluations found that Aurora:⁴
 - had made substantial improvements to its safety practices;
 - had improved its asset management practices;
 - maintained a good level of engagement consistent with the CPP process and good electricity industry practice; and
 - used a wide range of forums to engage with customers.

¹ Aurora Energy "[Delivering our customised price-path \(CPP\)](#)".

² Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), page 4.

³ Farrierswier "[Aurora Energy Mid-period review on consumer consultation](#)" (27 February 2024), page ii.

⁴ Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), pages 6, 40, 43 and 48; and Farrierswier "[Aurora Energy Mid-period review on consumer consultation](#)" (27 February 2024), executive summary, page ii.

4. However, Energy Networks' evaluation considered that Aurora could improve its network reliability because its unplanned outages remained high during Aurora's time on the CPP so far.⁵ We also drew attention to Aurora's network reliability issues in our recent fact sheet on Aurora's progress under its CPP.⁶

Background

5. In March 2021, Aurora was moved to a five-year CPP to enable Aurora to obtain sufficient revenue to fund required improvements to network safety and reliability.⁷ A CPP is a tailored regulatory instrument that enables the Commission to set the maximum revenue that a specific lines company can earn and the minimum quality standards it must deliver.⁸
6. Alongside the CPP, we introduced enhanced information disclosure (ID) requirements. Among these requirements, Aurora was required to publicly disclose reports from independent experts on its progress in relation to areas associated with asset management and customer engagement.⁹ These areas were specified for expert evaluation because the analysis carried out in the CPP process identified them as areas where performance improvement was required, and further, they were complex matters to evaluate. Expert opinions enable us and other stakeholders to assess Aurora's progress under its CPP.¹⁰
7. The evaluations by the independent experts were limited under the terms of reference to only considering publicly available information, including what Aurora had released under its enhanced ID requirements.¹¹ In March 2024, Aurora published the expert findings from Energy Networks and Farrierswier on its website.¹²

Aurora's progress and recommended enhancements in the identified practice areas

8. The expert evaluations recognised Aurora's progress in the areas evaluated. Energy Networks identified the following areas of progress:

⁵ Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), page 21.

⁶ Commerce Commission "[Aurora's performance alongside the customised price-quality path – Year Two](#)" (27 February 2024).

⁷ Commerce Commission "[Aurora Energy's CPP and enhanced information disclosure requirements](#)".

⁸ Commerce Commission "[Customised price-quality regulation Fact Sheet](#)" (September 2017), page 2.

⁹ Commerce Commission "[Aurora Energy Limited Additional Information Disclosure Requirements – Final reasons paper](#)" (31 August 2021), para 54.

¹⁰ Commerce Commission "[Aurora Energy Limited Additional Information Disclosure Requirements – Final reasons paper](#)" (31 August 2021), paras 5.70 and 5.72.

¹¹ Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), page 4; and

Farrierswier "[Aurora Energy Mid-period review on consumer consultation](#)" (27 February 2024), page 2.

¹² Aurora Energy "[Delivering our customised price-path \(CPP\)](#)".

- Aurora has made substantial improvements to its safety practices, to the extent that it demonstrated that its practices and initiatives have helped to identify, monitor and reduce safety risks on its network.¹³
 - Aurora’s asset management practices have improved and are now aligned with industry practice.¹⁴
 - Aurora has demonstrated ongoing development of its risk management framework and improved its asset data quality and systems.¹⁵
 - Aurora has demonstrated plans for monitoring voltage quality on the low voltage parts of the network and applied good industry practice to manage voltage quality issues.¹⁶
 - Aurora’s capabilities in developing and managing distributed energy resources (DER) and data systems were recognised by Energy Networks. Aurora has demonstrated that it has the systems in place for managing DER at the sub-transmission level.¹⁷ An example is the DER system that Aurora established for the Upper Clutha region and the associated flexibility management system used to manage that DER system.¹⁸
9. Farrierswier’s findings on Aurora’s customer engagement were favourable, noting Aurora’s alignment with the CPP requirements and industry standards.¹⁹ Farrierswier made particular positive mention about Aurora’s use of various forums for communication with customers.²⁰
10. However, Farrierswier recommended that Aurora undertake further engagement with its customers about the reprioritisation of major projects.²¹ Farrierswier also

¹³ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), page 48.

¹⁴ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), pages 6, 40 and 43.

¹⁵ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), pages 6, 40 and 43.

¹⁶ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), page 28.

¹⁷ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), page 31.

¹⁸ Energy Networks Consulting [“CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited”](#) (February 2024), page 31.

¹⁹ Farrierswier [“Aurora Energy Mid-period review on consumer consultation”](#) (27 February 2024), executive summary, page ii.

²⁰ Farrierswier [“Aurora Energy Mid-period review on consumer consultation”](#) (27 February 2024), executive summary, page ii.

²¹ Farrierswier [“Aurora Energy Mid-period review on consumer consultation”](#) (27 February 2024), page 5.

suggested reconvening the previously used customer advisory panels as another way to improve Aurora's customer engagement.²²

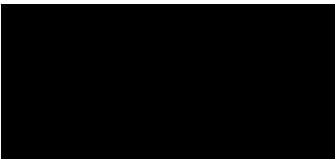
Increasing reliability issues on Aurora's network

11. Energy Networks' evaluation identified increasing reliability issues on Aurora's network, which adversely impacted Aurora's customers. Specifically, the length and frequency of unplanned outages had increased across Aurora's networks from regulatory year 2022 to 2023.²³ Additionally, unplanned outages had increased in the Queenstown Lakes area from regulatory year 2021 to 2022.²⁴
12. Our recent fact sheet also drew attention to Aurora's network reliability issues as part of our commentary on Aurora's progress under its CPP.²⁵ The frequency and duration of unplanned outages on Aurora's network remained high in the second year of Aurora's CPP, which adversely impacted consumers.

Conclusion

13. We acknowledge the improvements made by Aurora as identified through the independent experts' evaluations. We emphasise the importance of further enhancement in network reliability as a critical area for further progress.
14. We will continue to monitor Aurora's progress and performance under the CPP. Our continued monitoring of Aurora's performance and investment delivery under its CPP underscores our commitment to promoting the long-term benefit of Aurora's customers through the effective delivery of the CPP.

Yours sincerely



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²² Farrierswier "[Aurora Energy Mid-period review on consumer consultation](#)" (27 February 2024), executive summary, page iii.

²³ Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), page 21.

²⁴ Energy Networks Consulting "[CPP Mid-Period Review: Independent Expert Report – Aurora Energy Limited](#)" (February 2024), page 21.

²⁵ Commerce Commission "[Aurora's performance alongside the customised price-quality path – Year Two](#)" (27 February 2024).