

Key decisions on Aurora's plan

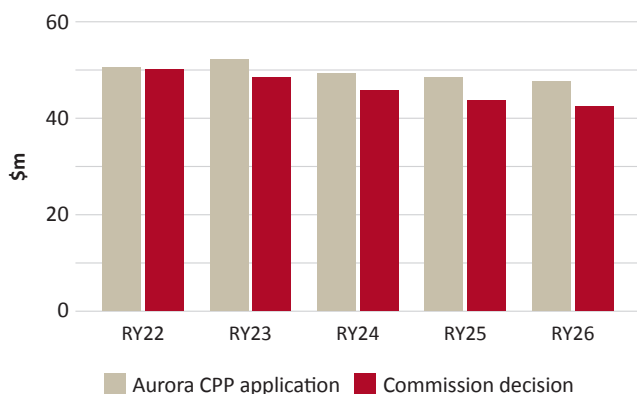
In June 2020 Aurora Energy (Aurora) made an application for a customised price-quality path (CPP) to enable it to spend heavily to fix its ageing electricity lines network in Dunedin, Central Otago, and Queenstown Lakes.

This fact sheet outlines the key decisions we have made after assessing Aurora's plan and engaging with stakeholders and the public.

Aurora's expenditure

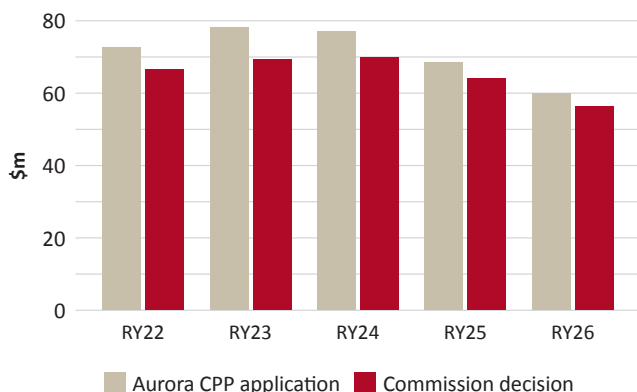
The Commerce Commission's decision reduces Aurora's planned expenditure by \$46 million over five years from April 2021.

Forecast operating expenditure



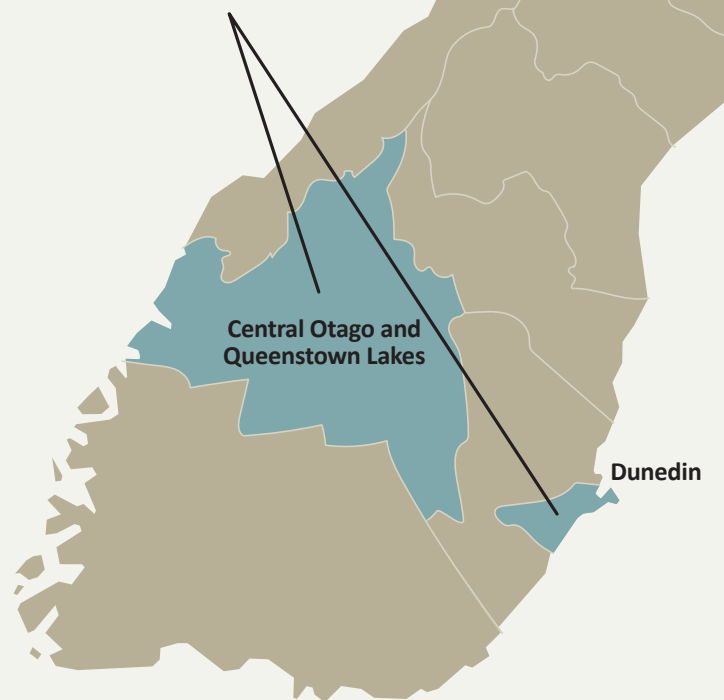
Our decision approves \$236m of the \$253m Aurora proposed to spend on maintaining and operating its network.

Forecast capital expenditure



Our decision approves \$327m of the \$356m Aurora proposed to spend on capital expenditure (new assets like poles, cables, and transformers).

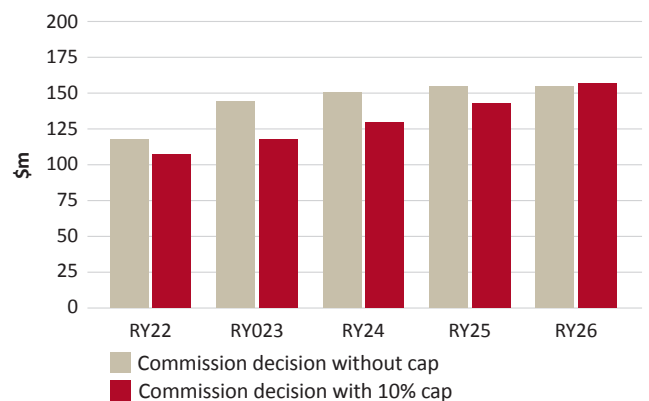
Aurora Energy's distribution area



Aurora's revenue

To help minimise the impact of price increase on consumers, our decision caps Aurora's revenue increases to approximately 10% each year. This cap means we have deferred the recovery of \$69m until after the five year period.

Forecast revenue



Quality standards

Our decision sets network quality standards at levels that broadly reflect Aurora's recent performance over the past four years.

Overall, this means that customers should expect the reliability and quality of their electricity supply to stabilise at today's levels, before gradually improving over time.



Price impact

In its application, Aurora estimated the price impact of its spending plan. We adjusted these estimates to include relevant factors (like GST and inflation) to compare it to our decision.

Our decision substantially reduces the increase in lines charges compared to Aurora's original proposal, although we are conscious that the impact on consumers electricity bills will still be significant.

Aurora has already announced changes to its pricing mechanism and the line charge increases that will take place for the year starting 1 April 2021.

Based on these figures, and the information available to the Commission, we have provided estimates on the expected line charge increases over the five-year CPP period in the table below.

Ultimately, Aurora is responsible and in the best place to provide estimates of the price impact of its plan on its customers.

Our decision results in lower price increase than Aurora proposed

(Estimates for 2023/24)

	Dunedin	Central Otago	Queenstown
Aurora application (adjusted)	32.70	47.30	39.80
Final Decision	22.20	31.50	22.70
Difference	-10.50	-15.80	-17.10



Increase in Residential Monthly Lines Component relative to 2020/21 – Medium Consumer Profile

	2021/22	2022/23	2023/24	2024/25	2025/26
	Aurora's prices	Commerce Commission estimates			
Dunedin	\$4.94	\$11.60	\$18.10	\$24.90	\$32.40
Central Otago	\$9.19	\$17.50	\$27.50	\$39.10	\$51.30
Queenstown	\$6.20	\$10.80	\$17.40	\$24.80	\$33.00

Draft decision on transparency and accountability measures

We're seeking feedback from consumers

A key theme that emerged during our consultation was public's lack of trust and confidence in Aurora's ability to deliver on its investment plan and improve its engagement practices.

Alongside the CPP decision, we have released details of proposed additional reporting requirements on Aurora to improve the transparency of its performance and its accountability to its customers.

These proposed requirements include:

- Producing an Annual Delivery Report and present it to customers in each of its three regions.
- Reporting on the quality of its services, regional pricing, and improvements in its asset management.
- Reporting on its customer charter and compensation scheme.

We want to hear your views on these proposed measures by 10 May 2021.

Visit our website for more information or contact us at

feedbackauroraplan@comcom.govt.nz

