
Feedback
EDB Productivity Study

24 April 2024



1 Introduction

- 1.1 Aurora Energy welcomes the opportunity to provide feedback on CEPA's EDB Productivity Study prepared for the Commerce Commission (the Commission).
- 1.2 No part of our feedback is confidential.

2 Context

- 2.1 CEPA's report highlights the productivity challenges facing the electricity distribution sector, including increased costs for health and safety, severe weather, insurance, and cyber-security. These challenges are not unique to the electricity distribution sector and are wider issues impacting the New Zealand economy.
- 2.2 The recently disestablished productivity commission has also observed similar trends across New Zealand industry. NZIER's report 'Business Productivity in New Zealand' published in February 2024 also echoed these findings and amongst the reasons for New Zealand's declining productivity they cited innovation, lack of access to international markets, and increasing regulation.
- 2.3 The electricity distribution sector operates in a highly regulated, safety focused context, and is exposed to all the factors impacting productivity in New Zealand.

3 Aurora Energy outputs not captured in productivity metrics

- 3.1 The CEPA report notes that the apparent decline in productivity could be explained by the report not capturing all of the changes in the outputs of EDBs. We agree with this assessment, and the numerous examples cited in the report. In addition, we would like to draw attention to the following outputs that we have experienced over the Customised Price-Quality Path (CPP) period.

Increased levels of consumer engagement

- 3.2 The CEPA report cites examples of EDB outputs that may not be captured in their analysis of productivity, including increased customer-service outcomes such as provision of timelier information to customers and improved websites. We agree with this assessment and have increased our consumer engagement activities throughout the period of Aurora Energy's Customised Price-Quality Path (CPP). This is an important function to maintain a social license to operate within the communities we serve.

Increased Commission disclosure requirements

- 3.3 Aurora Energy's CPP includes customer reporting requirements such as the annual preparation and disclosure of an Annual Delivery Report (ADR) and presenting a summary of the ADR in a public forum. In 2023 we requested an exemption from the latter requirement on the basis that this was not a cost-efficient way of engaging with consumers. However, the Commission considered the exemption request to be contrary to the purpose of information disclosure under section 53A of the Commerce Act 1986.

Increase in complexity and number of new connections

- 3.4 Traditional productivity metrics compare opex to the total number of ICPs served by a distributor. However, this metric does not account for the additional incremental cost of joining

new customers to a network. As new connections are becoming increasingly complex, increasing levels of effort are required to ensure EDBs understand the requirements of new customers and are 'solution focussed'. The increasing rate of growth is driving additional planning effort and requirements to provide additional information to new customers such as network heat maps, and online customer portals to streamline connection processes. The increase of distributed energy resources is further adding to the complexity of new connections. These factors are particularly evident in the Queenstown and Central Otago/Wanaka networks.

4 Insufficient evidence to introduce a productivity factor in DPP4

- 4.1 The CEPA report provides numerous examples of outputs that are not being measured as well as cost increases that are not covered by traditional inflation measures. The decline in productivity metrics over the 2008 – 2023 period is more likely an indication that the method of measurement is flawed, rather than evidence of a decline in actual productivity.
- 4.2 It is important to consider the mechanisms for setting allowances and the role of the IRIS regime in incentivising efficiency. EDBs are already penalised for delivering unmeasured outputs through the IRIS mechanism. The fact that penalties are incurred should be seen as evidence that EDBs are consciously performing additional activities that are delivering customer value.
- 4.3 Without compelling evidence that EDBs are not delivering efficient services for consumers, and while the IRIS mechanism remains in place, the introduction of a productivity factor in DPP4 is unnecessary and overly punitive.