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Dane Gunnell
Manager, Price-Quality Regulation
Commerce Commission
44 The Terrace
WELLINGTON

By email only: feedbackauroraplan@comcom.govt.nz

Dear Dane

AURORA ENERGY SUBMISSION ON PROPOSED TECHNICAL CHANGES TO THE AURORA ENERGY CPP DRAFT DETERMINATION

1. We welcome the opportunity to make this cross-submission on the Commerce Commission's **(the Commission's)** "[c]onsultation on two technical changes to our draft determination for Aurora's proposal to customise its prices and quality standards" **(technical consultation)**.
2. No part of our submission is confidential.


Technical change #1: Adjusting the CPP for the effects of transfers

3. We have no material concerns with proposed technical change #1. The approach is consistent with the DPP and we note that similar intent, if not drafting, was included in the Powerco CPP.
4. Given that this is a feature of the DPP, a proposed feature of Aurora Energy's CPP, and a likely feature of future CPPs, we suggest that, for the sake of efficiency, the requirements for transfers that are not mergers or major transactions are incorporated into the input methodologies (IMs) at the next scheduled IM review.
5. We note that there are many drafting changes when compared to the DPP3 text; however, these appear to be made for reasons of readability and clarity. We note two technical errors:
 - 5.1. At subclause (a) of the definition of Transfer. This should read "10% or less" rather than "less than 10%". The purpose of this drafting is to distinguish "transfers" from "major transactions", which are defined as transactions with a value of "more than 10%" of opening RAB value. If the current drafting is retained, a transaction comprising exactly 10% of opening RAB value will constitute neither a transfer nor a major transaction.
 - 5.2. At clause 11.4. Numbering from clause 11.4(g) onwards appears to be incorrect. These sub-clauses should all be further indented as sub-paragraphs of clause 11.4(f) otherwise the clause does not make sense. Hence clause 11.4(g) should in fact be clause 11.4(f)(vii), and so on through to what is currently numbered 11.4(k).]

Technical change #2: A better basis for setting prices for the 2021-22 year

6. We agree with the Commission that proposed technical change #2 is consistent with the section 52A of the Commerce Act 1986, in that it provides Aurora with an incentive to continue, without delay, renewal and improvement of its network.
7. For clarity, we advise that our price change from 1 April 2021 will be based on the Commission's draft determination.¹ Should the final determination be materially different from the draft, then we consider it appropriate to update pricing. Proposed technical change #2 would enable that to happen more smoothly.
8. We note that proposed technical change #2 makes explicit, in clause 11.1(a)(iii), that Aurora Energy may restate prices at any time during an assessment period, provided the revised prices only take effect after the revised compliance statement is disclosed. We are unclear as to the intent of clause 11.1(a)(iii); however, we interpret it to provide an option to refresh all components of both forecast allowable revenue and forecast revenue from prices (including, for example, unforeseen changes in recoverable costs in the period). We request the Commission clarify the intent of clause 11.1(a)(iii) in its final decision.
9. We trust that the Commission finds our comments helpful in reaching its final decision on this technical consultation.

Yours sincerely



Alec Findlater

General Manager, Regulatory & Commercial

¹ Commerce Commission. (2020). *[Draft] Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021*. 12 November 2020.