

Cross-submission
**Default price-quality paths for electricity
distribution businesses from 1 April 2025:
Issues Paper**

26 January 2024

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1 Introduction

- 1.1 Aurora Energy welcomes the opportunity to cross-submit on the Commerce Commission's (the Commission's) Default price-quality path for electricity distribution businesses from 1 April 2025-Issues Paper.
- 1.2 No part of our cross-submission is confidential.

2 General comments

- 2.1 Having reviewed the submissions received by the Commission on the Draft Decision, our views expressed in our submission on 19 December 2023 remain unchanged.
- 2.2 We generally support the views raised by other electricity distributors and Electricity Networks Aotearoa (ENA). Our cross-submission comments are focussed on the views raised by non-EDB submitters.

3 The Commission has an important role to play

- 3.1 The Commission is uniquely placed to support the investment required for the energy transition through a combination of communications with consumers and advocacy for a government social policy response.
- 3.2 While Aurora Energy carefully considers the impact its price increases have on households, ultimately, we support the view raised by Infrastructure New Zealand that wider government policy will be needed to address household income challenges. We agree with Mercury's comment that the Commission should be involved in this process by transparently providing their expectations of the DPP4 impact on retail prices.
- 3.3 We would also like to record our support for the view raised by retailers that the Commission has a role to play in communicating the price impacts of DPP4 to consumers. As an organisation respected for its protection of consumers, we feel the Commission is uniquely positioned to communicate price impacts in an unbiased manner.

4 Limiting expenditure allowances will be to the long-term detriment of consumers

- 4.1 Our submission argued that the consequences of under investment during the DPP4 period far outweighed the modest consequences of investing slightly too early. We agree with Infrastructure New Zealand's succinct articulation of the challenges faced by EDBs and their conclusion that it is critical for EDBs to upgrade networks ahead of the increase in demand, to support future growth.
- 4.2 Generally, the submissions made accept that the change in economic parameters such as interest rates and inflation will cause significant price increases in the DPP4 period. These economic factors will be the largest drivers of DPP4 price increases. Attempting to moderate DPP4 price impacts by cutting expenditure allowances will not address the major underlying drivers of the DPP4 increases and will threaten New Zealand's energy transition – to the long-term detriment of consumers.

5 Defining a price shock

- 5.1 We support Contact Energy's submission point that the Commission should do further work on defining a price shock before arriving at an arbitrary revenue limit. However, the analysis presented by Contact Energy fails to acknowledge that charges from electricity distributors make up approximately 27% of the average consumers electricity bill. We reject the assertion that 10% is an appropriate measure of price shock for EDBs, on the basis that not all participants in the electricity supply chain are facing the same cost increases as EDBs.
- 5.2 We understand Contact Energy's concerns about the impact forecasting errors could have on a per-unit of supply measure of price shock. However, we believe that the use of historic published data as a proxy for network growth could be a practical and conservative solution to address this concern.

6 Changing customer expectations not reflected in Commission's allowances.

- 6.1 Our submission provided examples of business costs such as increased compliance and changing customer expectations that aren't being reflected in the Commission's traditional measures of productivity.
- 6.2 There were numerous examples of the changing expectations of customers raised in submissions, including:
 - Utilities Disputes Limited (UDL) highlighted the expectations of customers at the time of connection. The historic measures of productivity do not consider the level of EDB time and resource that is involved in the initial connection of consumers, and the growing customer expectations at this point in the process.
 - Drive Electric also submitted that the connection application and installation timeframes are the measures of real customer service that matter. This is not reflected in the Commission's traditional view of cost drivers which focus on the total numbers of ICPs supplied by a network, rather than the number of new ICPs being connected to a network. It is at the time of connection that EDBs incur significant opex to engage with consumers and ensure customer expectations are met.
 - The Major Electricity Users Group (MEUG) raised the need for EDBs to undertake consumer engagement to ensure consumer needs are met as we continue to electrify the economy. This is a new category of expenditure that has previously not been allowed for.