

Your ref: email 17/7/2013

Our ref: ADM 8/19/2

7 August 2013

Mr P. Ware
Commerce Commission
PO Box 2351
WELLINGTON 6140

Dear Paul

**STRATA ENERGY LTD REPORT ON THE RELIABILITY PERFORMANCE OF
AURORA ENERGY LTD**

Thank you for your email dated 17 July 2013, which invited comment on the above report.

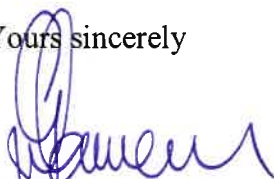
In summary we consider that Strata's report is generally fair and balanced. The report objectively states the challenges faced by Aurora in managing the factors that will continue to influence reliability performance, and acknowledges that these challenges are well understood and are being managed appropriately and proactively. We concur with Strata's recommendations, and have initiated work streams aimed at implementation.

To this end, we have appreciated Strata's observations, advice, and bringing a "fresh set of eyes" to bear on the organisation. It has, to a large extent, confirmed the view that we had already formed and underlined the actions we have commenced with strong support from the Aurora Board.

The above notwithstanding, we consider that the report may benefit from some minor amendment prior to publication, as noted in the Attachment.

We thank you for the opportunity to provide this feedback. If you have any further questions, please contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Grady Cameron".

Grady Cameron
CHIEF EXECUTIVE

Encl



Attachment: Amendments for Consideration

Paragraph(s)	Commentary
8(d)	While we do not disagree with the comment, we are not sure that this should be grouped with the contributing factors described in paragraphs 8(b) and 8(c). We consider that this is more in the nature of a qualifying statement and should be a separate paragraph. We also feel that consideration should be given to amending the content of this paragraph in light of the response already provided by us for the inconsistencies noted.
9(a)	We consider that, for this paragraph to be useful to interested persons, a brief description of the “alternative asset management strategies” should be provided. (Also paragraph 131(a)).
13(a)	Improvement of asset condition / asset health information is a significant work stream currently in progress which we outlined in our response to subsequent questioning. We expect that interested persons will see tangible improvement in the reported data accuracy of asset condition schedules in future releases of Aurora’s Asset Management Plan (AMP). As stated above (see 8(d)), we feel the report would should reflect our responses in this regard.
13(b)	We commit to publishing a full AMP in March 2014, rather than an AMP update as permitted under the Information Disclosure Determination. As such, the documented asset strategies and expenditure forecasts will reflect the more accurate data expected as a result of recommendation 13(a).
36	We understand the assertion made by Strata, and agree. However, we consider that there is a threshold when extreme weather transitions from being a trigger, to become a causal factor in its own right. This paragraph also seems to be somewhat contradictory with the opinion given in the opening sentence of paragraph 129.
71	The deficiencies associated with pole assessments are acknowledged, and a work stream has, for several months now, been actively engaged in eliminating, as much as possible, the inherent subjectivity of the current assessment process. This includes assessing the suitability of a range of proprietary equipment designed to provide empirical evidence of pole condition.
76 - 82	We consider that the report would benefit from refreshing section 5.3, and incorporating the information provided to Strata on 9 July 2013, in response to their questions of 18 June 2013.
90	Whilst the forecast vegetation expenditure is currently shown to remain constant in real terms, we would expect to refine and revise those forecasts annually as we refine the underlying data and understand actual needs.
90(d)	We consider that this paragraph would benefit from acknowledging the advice to Strata, on 9 July 2013, that “as a result of Aurora’s budget planning process conducted in April 2013, an additional \$2 million of operational expenditure has been allocated for pole remediation and vegetation management in the 2013/14 <i>financial</i> year. An additional \$1 million of operational expenditure has also been forecast for each of the four financial years from 2015 to 2018 (year ending June)”.
95	With respect to the final sentence, the predominant HV distribution voltage in Dunedin city is 6.6kV, albeit using 11kV rated equipment.
111	In developing and implementing the asset management framework, Aurora is also referencing the principles and practices described in the International Infrastructure Management Manual (IIMM).
119	The report notes changes in management and personnel over the past 5 years. With respect to the Asset Management team, however, changes are more recent. The management structure presented in Figure 11 was adopted two years ago (August 2011) and associated recruitment completed a little under a year ago (September 2012).