

Aurora Energy's transition to the 2025-2030 default price-quality path

Final decision reasons paper

25 November 2025



Associated documents

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31 March 2021	ISBN 978-1-869458-78-2	Decision on Aurora Energy's proposal for a customised price-quality path – Final decision
31 August 2021	ISBN 978-1-869459-24-6	Aurora Energy Limited Additional Information Disclosure Requirements
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Table of Contents

Associated documents	1
Introduction	3
Chapter 1 Overview of Final Decisions	5
Summary of the DPP4 price-quality path final decisions for Aurora Energy	5
Chapter 2 Approach to Aurora’s CPP to DPP Transition	9
Purpose of this chapter	9
Context and approach to Aurora’s transition	9
Our draft decision provides the full overview of our approach	9
High-level overview of our approach to Aurora’s transition	9
Approach to the transition – starting prices	10
Decision to set different starting prices	10
Chapter 3 Capital Expenditure	12
Purpose of this chapter	12
Background on setting capex allowances	12
Decisions and analysis	12
Overview of all final capex decisions	12
Reconsideration of decisions C2 and C6	13
Chapter 4 Operating Expenditure	17
Purpose of this chapter	17
Background on setting opex allowances	17
Decisions and analysis	17
Overview of all opex decisions	17
Reconsideration of O2.1 and O2.2	22
Chapter 5 Revenue Path and Financeability	34
Purpose of this chapter	34
Background on setting the revenue path	34
Decisions and analysis	34
Price path decisions	34
Revenue path decisions	36
Financial model inputs and IRIS	39
Consumer bill impact	41
Chapter 6 Aurora’s enhanced information disclosure requirements	42
Purpose of this chapter	42
Background	42
Summary of submissions	42
Proposed next steps for review	44

Introduction

- X.1 This reasons paper explains our decision to amend the 2025 – 2030 default price-quality path (DPP) to provide for Aurora Energy Limited's (Aurora's) transition from its 2021 – 2026 customised price-quality path (CPP) to the 2025-2030 DPP (DPP4).
- X.2 Our role when making this decision is to provide Aurora with incentives to undertake activities that benefit consumers over the long-term, given its position as a natural monopoly. Our final decisions in this paper aim to promote the long-term benefit of consumers by delivering outcomes that are consistent with outcomes produced in competitive markets. This includes providing the right incentives for Aurora to invest to meet consumer demands and find efficiencies, as well as ensuring Aurora is limited in its ability to earn excessive profits.
- X.3 Aurora's current CPP expires on 31 March 2026 and to transition Aurora to DPP4, we will use new starting prices. These will be set using the approach from DPP4 where it is appropriate to do so, supplemented by targeted scrutiny of Aurora's proposed investment plans. This approach is intended to give consumers confidence that the expenditure allowances are justified and only provide for what is necessary.
- X.4 Our final decision is for a four-year DPP4 revenue allowance for Aurora of \$680.8 million (nominal). To minimise price shocks for consumers, we have limited the initial increase in real distribution revenue¹ to 14.5% per ICP (ie, per consumer) from the last year of the CPP. This is equivalent to an average increase of about \$15 (ex GST)² to the monthly household electricity bill for Aurora consumers from April 2026.³ Aurora has three pricing regions and actual average price changes may differ in each region. Individual consumers may not experience the average increase due to their specific circumstances and usage.
- X.5 The increase in revenue allowance reflects the combination of significant increases in underlying costs and the necessary continued investment to deliver a safe and reliable network for Aurora's consumers, while simultaneously meeting increases in demand. The impact of this is that Aurora's underlying expenditure remains higher than prior to its CPP. This was expected when we set the CPP, because its historical baseline of expenditure was insufficient.
- X.6 To mitigate fluctuations in lines charges throughout the regulatory period, we have smoothed the rate at which Aurora recovers its DPP4 revenue over the four years. We have made these decisions to balance Aurora's ability to finance its investments with the need to limit the volatility in the prices paid by consumers each year.
- X.7 The estimated price increases also account for the recovery of revenue that we deferred from the CPP period to manage the price shocks faced by consumers at the time of our CPP decision.⁴

¹ We use the term 'distribution revenue' to refer to forecast net allowable revenues plus recoverable costs. This is because certain recoverable costs – incremental rolling incentive schemes (IRIS) incentives and wash-up drawdowns – will have a material effect on the revenues EDBs can recover and a flow on effect on consumer prices and EDB financeability.

² Note this is an estimate only, and is rounded to the nearest \$1.

³ This figure assumes Aurora draws down the full wash-up balance it is able to in 2027.

⁴ Commerce Commission, [Decision on Aurora Energy's proposal for a customised price-quality path](#), (31 March 2021), para X69, p. 18.

X.8 We received significant feedback on our draft decision and want to thank those stakeholders for taking the time to provide detailed and considered submissions. In response to the evidence provided in submissions, we have amended two key decisions. These changes and other key decisions contained in this paper are outlined below in Chapter 1, and discussed in more detail in Chapters 2, 3, 4 and 5.

Chapter 1 Overview of Final Decisions

Summary of the DPP4 price-quality path final decisions for Aurora Energy

1.1 For Aurora, DPP4 will cover the four-year period from 1 April 2026 to 31 March 2030.

Key changes from our draft decision

1.2 In response to submitter feedback and further analysis, we have made two key changes from our draft decision:

1.2.1 We have changed decision O2.2 to no longer apply a specific reduction to Aurora's system operations and network support (SONS) and people costs opex allowance. Instead, our final decision is to apply the lower of the base, step and trend method (as applied in DPP4) or Aurora's 2025 Asset Management Plan (AMP) forecasts. The result of this decision is that we have allowed Aurora's 2025 AMP forecast for three of the four years.

1.2.2 We have changed decision C6 to use the All-Groups Capital Goods Price Index (CGPI) forecast with an additional 0.8% adjustment to escalate the constant price capex allowance to nominal terms. This is the same method as applied to all other Electricity Distribution Businesses (EDBs) in the DPP4 decision last year.

1.3 In addition to the above decision changes, we have also altered our decisions P3 and R2.2 - which limit the initial price increase and apply revenue smoothing limits respectively. These decisions mean that while the initial increase is higher, our final decision achieves a similar smoothing of the revenue profile in the outyears when compared to our draft decision.

Starting prices (see Chapter 2)

1.4 Our final decision is to not allow Aurora's CPP prices to roll over to the DPP (under s53X(2) of the Commerce Act 1986 (the Act)).

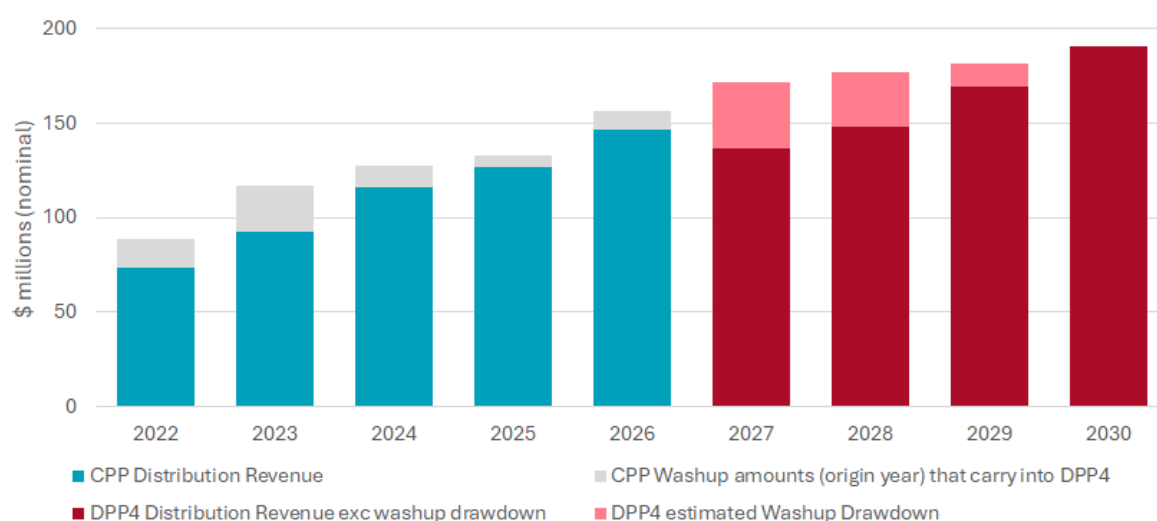
1.5 Instead, our final decision is to notify Aurora that different starting prices will apply and that we will be using the building blocks allowable revenue (BBAR) method, used for DPP4, to set its starting prices.

Total revenues (see Chapter 5)

1.6 Our final decision is to set Aurora's total forecast net allowable revenue at \$680.8 million in nominal terms for the four-year period.

- 1.7 Most of the increase in revenue post CPP reflects higher external cost pressures, including the cost of borrowing, return on capital, cost of materials and other inflationary pressures. Operating expenditure (opex) and capital expenditure (capex) allowances by comparison contribute a small proportion of the increase in forecast net allowable revenue.
- 1.8 We have set the initial increase in real distribution revenue per ICP⁵ to 14.5%. This equates to a nominal increase of approximately \$15 per month (ex GST)^{6,7} on average for a household consumer's electricity bill from 01 April 2026.
- 1.9 Revenue increases over the remainder of the period have been set to achieve a smooth year-to-year profile, to limit fluctuations in prices paid by consumers. This means that each year from 1 April 2027, for the remainder of the regulatory period, household consumers will on average see the lines charge component of their monthly bill increase by about \$3 (ex GST).⁸ As Aurora has three different pricing regions, an individual consumer's actual increase may depend on which region they are in and their specific situation.
- 1.10 When we set Aurora's CPP we deferred recovery of some of the revenue allowance to minimise the price shocks for consumers. This revenue will now be able to be recovered by Aurora in the DPP4 period, and this is factored into the estimated price increases outlined above.
- 1.11 Figure 1.1 below highlights the difference between the distribution revenue for Aurora, and how the deferred revenue (in grey) will be recovered during DPP4 (pink).

Figure 1.1 Annual change in distribution revenue for Aurora



⁵ Installation control point (ie, a consumer).

⁶ Note this figure is an estimate only and is rounded to the nearest \$1.

⁷ The estimated price increase for consumers includes deferred revenue from the CPP period, assuming Aurora chooses to draw down the full amount available. It should be noted that the forecast net allowable revenue and comparison against the CPP average actual allowable revenue did not include this deferred revenue.

⁸ Note this figure is an estimate only and has been rounded to the nearest \$1.

- 1.12 Aurora is able to do its own discretionary smoothing should it wish to. For example, Aurora may choose to do its own smoothing towards the end of the period to mitigate the transition into the next regulatory period.

Expenditure allowances

- 1.13 Our final decision is to set Aurora's total ex-ante expenditure allowances for capital expenditure (capex) and operating expenditure (opex) combined at \$692.3 million (nominal, net of capital contributions) for DPP4. The allowance is \$21.2 million (nominal) or 3.0% less than Aurora's 2025 asset management plan (AMP) forecasts of \$713.5 million.
- 1.14 The average annual expenditure allowance is 16.8% higher than the CPP allowance in real terms.

Capex (see Chapter 3)

- 1.15 Our final decision is to set a capex allowance of \$448.6 million (nominal, net of capital contributions) for DPP4. This includes a cost escalation based on the forecast for CGPI plus an additional 0.8% to reflect higher EDB-specific costs.
- 1.16 The average annual capex allowance is 21.7% higher than the CPP capex allowance in real terms.
- 1.17 The capex allowance is \$17.0 million (nominal) or 3.7% less than Aurora's 2025 AMP forecast of \$465.7 million for DPP4. One of the drivers of the lower capex allowance relative to Aurora's forecast is our reservation about the uncertainty in some growth projections, including the potential for greater use of non-network solutions to defer projects later in DPP4.

Opex (see Chapter 4)

- 1.18 Our final decision is to set an opex allowance of \$243.7 million (nominal). The opex allowance is \$4.2 million or 1.7% less than Aurora's 2025 AMP forecast of \$247.8 million for DPP4.
- 1.19 The average annual opex allowance is 8.7% higher than the CPP opex allowance in real terms.
- 1.20 The final opex allowance includes provision for four step-changes in relation to insurance, low voltage monitoring, cybersecurity, and software-as-a-service.
- 1.21 It also excludes some CPP-specific costs that we are not satisfied will continue into the DPP4 period. These costs relate to forecast reductions in corrective maintenance and the Upper Clutha DER (distributed energy resource) project that is no longer continuing as initially planned.

Innovation and non-traditional solutions allowance (INTSA)

- 1.22 Our final decision for the maximum allowable revenue means Aurora's innovation and non-traditional solutions allowance is \$5.4 million, applying the DPP4 INTSA framework. This is 0.8% of Aurora's allowable revenue over DPP4. 25% of the allowance (\$1.4 million) is ringfenced for projects that involve Aurora collaborating with another EDB.

Quality standards and incentives

- 1.23 Aurora's quality standards were set during the DPP4 reset process last year. For those final decisions, see Attachment E of the DPP4 Final decision reasons paper.⁹

⁹ Commerce Commission, Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision – [Attachment E Setting quality standards and incentives](#), (20 November 2024).

Chapter 2 Approach to Aurora's CPP to DPP Transition

Purpose of this chapter

- 2.1 This chapter sets out:
 - 2.1.1 a high-level description of our approach to Aurora's transition;
 - 2.1.2 what DPP4 decisions are not covered in this transition; and
 - 2.1.3 our final decision to set new starting prices for Aurora, using the building blocks allowable revenue (BBAR) method we applied in DPP4.

Context and approach to Aurora's transition

Our draft decision provides the full overview of our approach

- 2.2 In our draft decision reasons paper, we outlined the background and context of Aurora's CPP and discussed in more detail the approach taken to setting Aurora's DPP4 allowance. Below is a list of the key sections and where to find them in the draft decision reasons paper:
 - 2.2.1 The Part 4 Regime in the Act – DPP and CPP incentives (page 9)¹⁰
 - 2.2.2 Aurora's CPP application in 2020 (page 10)¹¹
 - 2.2.3 Aurora's progress on the CPP and its continued need for investment (page 11)¹²
 - 2.2.4 Our approach to the transition (page 13)¹³
 - 2.2.5 Overview of the incentive framework in the price-quality regime (page 16)¹⁴

High-level overview of our approach to Aurora's transition

- 2.3 In setting new starting prices for Aurora, our high-level approach is to apply the relevant DPP4 decisions to Aurora where appropriate. However, to acknowledge the specific circumstances of Aurora's CPP, we have applied a different approach where it was for the long-term benefit of consumers to do so.

¹⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 9.

¹¹ Ibid, p. 10.

¹² Ibid, p. 11.

¹³ Ibid, p. 13.

¹⁴ Ibid, p. 14.

- 2.4 For this reason, we applied additional scrutiny to Aurora’s capex forecasts (for both growth and asset replacement and renewal) and in its baseline opex spend (focusing on non-recurring CPP-specific costs). This is discussed in more detail in Chapters 3 and 4. We have also reassessed the revenue smoothing decisions from DPP4 to minimise the impact of price shocks and price volatility for Aurora consumers across the regulatory period. This is covered in Chapter 5.

DPP4 decisions not considered in this transition

- 2.5 Decisions covering quality standards and the design of the INTSA have not been considered as part of this process. Those decisions were made during the DPP4 process last year, and will apply to Aurora once it transitions to DPP4 from 1 April 2026.
- 2.6 It should be noted that while the design and framework for the INTSA regime is not being reconsidered, we have indicated in this paper what Aurora’s INTSA amount is, as it is calculated using its maximum allowable revenue for DPP4.

Approach to the transition – starting prices

Decision to set different starting prices

- 2.7 Section 53X(2) of the Act outlines how we are to set new starting prices that will apply at the end of a CPP. Our discretion in setting starting prices involves:
- 2.7.1 deciding between rolling over the prices that applied at the end of the CPP or setting different starting prices (provided we give Aurora notice of this at least four months prior to its CPP ending); and
 - 2.7.2 if we decide to set different starting prices, deciding on the starting prices that must apply.
- 2.8 How the starting prices are set is therefore a key decision that determines the overall approach to the transition.

Decision P1: Set different starting prices, using the BBAR method applied in DPP4.

- 2.9 Our final decision is to:
- 2.9.1 not allow the starting price to roll over under s 53X(2) of the Act, but instead to notify Aurora that different starting prices will apply in DPP4; and
 - 2.9.2 use a BBAR approach to set starting prices for Aurora under DPP4.
- 2.10 This is the same as our draft decision.

What we heard from submissions

2.11 We received support for our draft decision from Orion.¹⁵ No other submissions discussed this draft decision.

2.12 Orion stated that they supported the draft decision as it is:¹⁶

“Consistent with previous CPP transitions and allows for appropriate adjustments to non-recurring expenditure.”

Analysis

2.13 There is no new evidence to justify changing our draft decision. For the full analysis on our decision, see paragraphs 2.21 to 2.25 on pages 12 and 13 of our draft decision reasons paper.¹⁷

¹⁵ Orion, [Submission on Aurora CPP to DPP4 transition](#), (5 September 2025), p. 8.

¹⁶ Ibid.

¹⁷ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 12-13.

Chapter 3 Capital Expenditure

Purpose of this chapter

- 3.1 This chapter outlines our final decisions which relate to setting Aurora's capital expenditure (capex) allowances for the DPP4 period.
- 3.2 The chapter is split into two main sections:
 - 3.2.1 an overview of all capex decisions, including those that did not receive any substantive submissions in response to our draft decision; and
 - 3.2.2 analysis of the capex decisions which we reconsidered as they were discussed in more detail in submissions on the draft decision.

Background on setting capex allowances

- 3.3 The capex allowance is an input to determining the revenues Aurora may earn; affecting its profitability, incentives to invest, and ability to deliver electricity lines services. Although the capex allowance is not the biggest contributor to the regulated revenue path within a regulatory period (eg, DPP4), it is important to long-term consumer outcomes. Once an asset is built, the cost recovery for the asset is spread over many years (both the return of assets – depreciation, and the return on assets) and requirements for ongoing maintenance.

Decisions and analysis

Overview of all final capex decisions

Decision C1: Use Aurora's 2025 Asset Management Plan as a source for forecast capex information.

- 3.4 Our final decision is the same as our draft decision. Only Aurora¹⁸ and Orion¹⁹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 3.5 to 3.8 on page 19 of our draft decision reasons paper.²⁰

Decision C2: Set the capex allowance (net of capital contributions) in constant dollars based on Aurora's forecast capex minus \$16.6m for uncertain projects in Upper Clutha.

- 3.5 Our final decision is the same as our draft decision. This decision received substantial feedback in submissions. The summary of submissions and full analysis of our final decision is outlined below in the next section at 3.9.

¹⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 23.

¹⁹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 8.

²⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 19.

Decision C4:²¹ Include an allowance for the cost of finance, scaled in proportion to the capex allowance.

- 3.6 Our final decision is the same as our draft decision. Only Aurora²² and Orion²³ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 3.70 to 3.72 on page 31 of our draft decision reasons paper.²⁴

Decision C5: Include an allowance for the value of considerations for vested assets and specifically identified spur assets.

- 3.7 Our final decision is the same as our draft decision. Only Aurora and Orion submitted on this decision. Aurora stated this decision was not relevant to it,²⁵ and Orion supported the decision but noted it did not impact Aurora.²⁶ For the full analysis on this decision, see paragraphs 3.73 to 3.76 on page 31 of our draft decision reasons paper.²⁷

Decision C6: Use the All-Groups CGPI forecast with an additional 0.8% adjustment to escalate the constant price capex allowance to nominal terms.

- 3.8 Our final decision is different to our draft decision. This decision received substantial feedback in submissions. The summary of submissions and full analysis of our final decision is outlined below in the next section at 3.18.

Reconsideration of decisions C2 and C6

Decision C2: Set the capex allowance (net of capital contributions) in constant dollars based on Aurora's forecast capex minus \$16.6m for uncertain projects in Upper Clutha.

- 3.9 Our final decision is the same as our draft decision.
- 3.10 Our draft decision was based on an assessment of Aurora's forecast capex assessed at a category level, leveraging information within Aurora's AMP and provided by Aurora in response to requests for information (RFIs). For the full analysis supporting the draft decision, see paragraphs 3.9 to 3.69 on pages 19 to 30 of our draft decision reasons paper.²⁸

²¹ Note we have not included decision C3 (which was included in the DPP4 Final decisions) as this was considered within Decision C2 for Aurora's transition.

²² Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 23.

²³ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 8.

²⁴ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 31.

²⁵ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

²⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 8.

²⁷ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 31.

²⁸ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 19-30.

What we heard from submissions

- 3.11 Three submissions discussed this decision. Two submissions opposed the draft decision (Aurora and The Lines Company), and one submission supported the draft decision (Orion). Aurora also discussed this decision in its cross submission.
- 3.12 Aurora submitted that its 2025 AMP forecast meets its customers' needs and is for the long-term benefit of its consumers.²⁹ It submitted that it does not consider there is enough uncertainty to justify it being excluded from the DPP allowance.³⁰
- 3.13 Aurora, in its original submission, stated that the cost of a reopener (to seek the allowance for the project once it is more certain) is ultimately borne by consumers.³¹ It suggested we should consider the cost of the reopener approval process against the potential benefits from an expenditure deferral before excluding the project from the DPP allowance.³² However, Aurora acknowledged in its cross-submission that:³³

“the reopener mechanism provides an avenue through which to seek future approval.”

- 3.14 The Lines Company submitted:³⁴

“Reliance on reopeners for major projects creates administrative cost and uncertainty. TLC recommends upfront funding for essential projects, reserving reopeners for unforeseen circumstances.”

- 3.15 Orion submitted in support of our draft decision, agreeing with our assessment that Stage 4 of the Upper Clutha project had sufficient uncertainty to justify its exclusion from the DPP allowance.³⁵ It stated:³⁶

“We support the Commission’s draft decision to exclude Stage 4 of Aurora’s Upper Clutha upgrade project as being uncertain as to timing, since it is forecast at the tail-end of the regulatory period, and due to some potential for deferral by using non-network solutions.”

Analysis

- 3.16 Our draft decision stated that due to the uncertainty around the timing of the later stages of the Upper Clutha Upgrade project and the potential for those stages to be deferred due to non-network solutions, Stage 4 of the Upper Clutha Upgrade project should not be provided for in the DPP4 allowance.³⁷ It also noted that if Stage 4 was to occur as currently planned in RY 2030 and Aurora was unable to reprioritise expenditure to undertake the work, it may apply to reopen its price path.³⁸

²⁹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 15.

³⁰ Ibid.

³¹ Ibid.

³² Ibid, pp. 15-16.

³³ Aurora Energy, [Cross submission on Aurora CPP to DPP4 draft decision](#), (23 September 2025), p. 2.

³⁴ The Lines Company, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 2.

³⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

³⁶ Ibid.

³⁷ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 28.

³⁸ Ibid.

- 3.17 We do not consider sufficient information has been supplied through submissions to provide additional certainty around the later stages of the Upper Clutha Upgrade project. We also did not receive any information to suggest that the later stages of the project could not be deferred by the use of non-network solutions. For these reasons, we maintain our draft decision to exclude the cost for Stage 4 of the Upper Clutha Upgrade project from the DPP4 allowance.

Decision C6: Use the All-Groups CGPI forecast with an additional 0.8% adjustment to escalate the constant price capex allowance to nominal terms.

- 3.18 Our final decision is different to our draft decision. For our draft decision, we only applied the All-Groups CGPI forecast to escalate the constant price capex allowance to nominal terms. For the full analysis for our draft decision, see paragraphs 3.77 to 3.91 on pages 32 to 34 of our draft decision reasons paper.³⁹

What we heard from submissions

- 3.19 Five submissions discussed this decision. Four of those submissions opposed our draft decision (Aurora, Electricity Networks Aotearoa (ENA), The Lines Company and Unison). Orion submitted in conditional support of our draft decision.
- 3.20 Aurora submitted that not applying the additional cost escalation, as applied to all other EDBs during DPP4, would erode its incentive to invest.⁴⁰ In response to the reasoning from our draft decision analysis, Aurora restated that its:⁴¹

“constant \$ 2025 forecasts are based on RY25 costs and do not reflect any future increase in costs and that we fully expect to incur price increases over the regulatory period to the same extent as other EDBs.”

- 3.21 The Lines Company submitted that our draft decision treated Aurora inconsistently compared to other EDBs.⁴² The ENA questioned why we didn’t apply the same approach to Aurora as applied to other EDBs during DPP4 last year, and that if the additional adjustment was not applied to Aurora then it would be absorbing cost inflation.⁴³ Unison similarly submitted that our draft decision would require Aurora to absorb inflation without the adjustment applied to other EDBs, creating financial strain and likely hindering necessary investment.⁴⁴

³⁹ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 32-34.

⁴⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 16.

⁴¹ Ibid, p. 17.

⁴² The Lines Company, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), pp. 1-2.

⁴³ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 6.

⁴⁴ Unison, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

3.22 Orion submitted in conditional support, stating:⁴⁵

“We do have a residual concern that the differences in Aurora’s 2024 and 2025 forecasts may reflect the short-term and do not negate (or do not fully negate) the uplift that was applied for DPP4 with the intention to adjust for EDB-specific CGPI costs. We recommend that, if Aurora can provide suitable evidence that the adjustment has not already been provided for in its forecasting, in full or in part, that the 0.8% uplift or a proportion thereof is added back.”

Analysis

- 3.23 In DPP4, we used the All-Groups CGPI forecast with an additional adjustment of 0.8% to escalate the constant price capex allowance to nominal terms. We provided for an additional adjustment of 0.8% beyond the All-Groups CGPI because we considered this to be a reasonable proxy of future EDB input price pressures above the average for capital goods.⁴⁶
- 3.24 In our draft decision for Aurora, we used the All-Groups CGPI but did not apply the additional adjustment of 0.8%. This was due to our uncertainty on whether the expected increase in costs beyond the All-Group CGPI (provided for by the 0.8% increase) may have already largely occurred for Aurora as a ‘step-change’ in price levels between the 2024 AMP forecasts and 2025 AMP forecasts.⁴⁷ For example, increases may have already been built in through the retendering of its Field Services Agreement.
- 3.25 In response to our draft decision, Aurora has maintained that its 2025 AMP forecasts do not reflect any future cost increases and that it expects to incur price increases across DPP4 to the same extent as other EDBs.
- 3.26 We acknowledge the point raised in submissions, that if we do not apply the 0.8% adjustment to Aurora (ie, maintain our draft decision) this might risk Aurora needing to absorb some cost inflation that other EDBs are not exposed to.
- 3.27 In setting Aurora’s DPP4 capex allowance, we aim to ensure Aurora is best placed to invest in its network for the long-term benefit of its consumers. We therefore consider that, on balance, it would best meet the Part 4 Commerce Act purpose to also apply the additional 0.8% adjustment to Aurora having had confirmation from Aurora that its cost escalation between 2024 to 2025 is different and distinct to the expected cost increases which the 0.8% adjustment accounts for.

⁴⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

⁴⁶ Commerce Commission, Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision – [Attachment B Capital Expenditure](#), (20 November 2024), pp. 82-89.

⁴⁷ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 34.

Chapter 4 Operating Expenditure

Purpose of this chapter

- 4.1 This chapter outlines our final decisions on forecasting Aurora’s operational expenditure (opex) allowances for the DPP4 period.
- 4.2 The chapter is split into two main sections:
 - 4.2.1 an overview of all opex decisions, including those that did not receive any substantive submissions in response to our draft decision; and
 - 4.2.2 analysis of the opex decisions which we reconsidered as they were discussed in more detail in submissions on the draft decision.

Background on setting opex allowances

- 4.3 Opex allowances enable EDBs to fund activities that are not capex, including activities essential to the network operation such as maintenance and planning. Opex has an immediate effect on the revenue EDBs can earn. Revenue limits are set to allow recovery of opex allowances directly via revenue over the regulatory period, whereas capex is added to the RAB and recovered over the life of the asset.

Decisions and analysis

Overview of all opex decisions

Decision O1.1: Use the base, step and trend method as applied in DPP4 for setting Aurora’s opex allowance.

- 4.4 Our final decision is the same as our draft decision. Only Aurora⁴⁸ and Orion⁴⁹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.5 to 4.8 on pages 35 and 36 of our draft decision reasons paper.⁵⁰

⁴⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁴⁹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 8.

⁵⁰ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 35-36.

Decision O1.2: Use Regulatory Year 2025 as Aurora’s base year.

- 4.5 Our final decision is the same as our draft decision. Only Aurora⁵¹ and Orion⁵² submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.9 to 4.11 on page 36 of our draft decision reasons paper.⁵³

Decision O2.1: Remove some opex costs from the base year, to reflect CPP specific costs that we do not expect to recur in DPP4.

- 4.6 Our final decision is the same as our draft decision. This decision received substantial feedback in submissions. The summary of submissions and full analysis is outlined below in the next section at 4.28.

Decision O2.2: The SONS and people costs opex allowed in DPP4 will be the lower of the base, step, and trend method approach or Aurora’s 2025 AMP forecasts.

- 4.7 Our final decision is different to our draft decision. This decision received substantial feedback in submissions. The summary of submissions and full analysis is outlined below in the next section at 4.44.

Decision O3.1: Use the same decision-making approach for assessing opex step changes as applied in DPP4.

- 4.8 Our final decision is the same as our draft decision. Only Aurora⁵⁴ and Orion⁵⁵ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.25 to 4.26 on page 39 of our draft decision reasons paper.⁵⁶

Decision O3.2: Approve the low-voltage (LV) network monitoring step change.

- 4.9 Our final decision is the same as our draft decision. Only Aurora⁵⁷ and Orion⁵⁸ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.27 to 4.29 on pages 39 and 40 of our draft decision reasons paper.⁵⁹

⁵¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁵² Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 8.

⁵³ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 36.

⁵⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁵⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁵⁶ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 39.

⁵⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁵⁸ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁵⁹ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 39-40.

Decision O3.3: Approve the insurance step change.

- 4.10 Our final decision is the same as our draft decision. Only Aurora⁶⁰ and Orion⁶¹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.30 to 4.32 on page 40 of our draft decision reasons paper.⁶²

Decision O3.4: Approve the cybersecurity step change.

- 4.11 Our final decision is the same as our draft decision. Only Aurora⁶³ and Orion⁶⁴ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.33 to 4.34 on page 40 of our draft decision reasons paper.⁶⁵

Decision O3.5: Approve the Software as a Service (SaaS) step change.

- 4.12 Our final decision is the same as our draft decision. Only Aurora⁶⁶ and Orion⁶⁷ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.35 to 4.36 on page 41 of our draft decision reasons paper.⁶⁸

Decision O3.6: Cap the increases from opex step changes at 5% of aggregate opex, excluding specified costs for insurance and low voltage monitoring.

- 4.13 Our final decision is the same as our draft decision. Only Aurora⁶⁹ and Orion⁷⁰ submitted on this decision. They submitted in support and did not discuss the decision in detail. Aurora noted that it did not support the 5% cap being affected by the SONS and people cost decision.⁷¹ Our final decision for the SONS and people costs (O2.2) has changed from draft and no longer applies a significant ongoing reduction. As a result, the 5% cap does not bind and Aurora's comment does not require further consideration.
- 4.14 For the full analysis on this decision, see paragraphs 4.37 to 4.40 on page 41 and 42 of our draft decision reasons paper.⁷² Based on the final decision outlined in this paper, the cap does not bind for Aurora.

⁶⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁶¹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁶² Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 40.

⁶³ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 24.

⁶⁴ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁶⁵ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 40.

⁶⁶ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁶⁷ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁶⁸ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 41.

⁶⁹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁷⁰ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁷¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁷² Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 41-42.

Decision O4.1: Escalate all opex costs (network and non-network) using the same cost escalator.

- 4.15 Our final decision is the same as our draft decision. Only Aurora⁷³ and Orion⁷⁴ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.42 to 4.44 on page 42 of our draft decision reasons paper.⁷⁵

Decision O4.2: Escalate opex using the all-industries labour cost index (60% weighting) and all industries producers' price index (40% weighting) plus a 0.3% pa adjustment to reflect EDB-specific inflation.

- 4.16 Our final decision is the same as our draft decision. Only Aurora⁷⁶ and Orion⁷⁷ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.45 to 4.46 on page 42 of our draft decision reasons paper.⁷⁸

Decision O4.3: Forecast opex scale growth separately for network and non-network opex.

- 4.17 Our final decision is the same as our draft decision. Only Aurora⁷⁹ and Orion⁸⁰ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraph 4.47 on page 43 of our draft decision reasons paper.⁸¹

Decision O4.4: Use 2018-2024 as the reference period for scale growth elasticities.

- 4.18 Our final decision is the same as our draft decision. Only Aurora⁸² and Orion⁸³ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.48 to 4.50 on page 43 of our draft decision reasons paper.⁸⁴

⁷³ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁷⁴ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁷⁵ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 42.

⁷⁶ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁷⁷ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁷⁸ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 42.

⁷⁹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁸⁰ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁸¹ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 43.

⁸² Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁸³ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁸⁴ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 43.

Decision O4.5: Forecast network opex scale growth with ICPs (elasticity 0.44) and line length (elasticity 0.53).

- 4.19 Our final decision is the same as our draft decision. Only Aurora⁸⁵ and Orion⁸⁶ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.51 to 4.52 on page 43 of our draft decision reasons paper.⁸⁷

Decision O4.6: Forecast non-network opex scale growth with ICP count (elasticity 0.20), line length (elasticity 0.35) and capex (elasticity 0.31)

- 4.20 Our final decision is the same as our draft decision. Only Aurora⁸⁸ and Orion⁸⁹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.53 to 4.54 on page 43 and 44 of our draft decision reasons paper.⁹⁰

Decision O4.7: Forecast lines length is extrapolated using the trend in the growth rate over the period of 2021- 2025.

- 4.21 Our final decision is the same as our draft decision, with an update to include 2025 data now available. Only Aurora⁹¹ and Orion⁹² submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.55 to 4.56 on page 44 of our draft decision reasons paper.⁹³

Decision O4.8: Forecast ICP count is extrapolated using the growth rate trend between 2021- 2025.

- 4.22 Our final decision is the same as our draft decision, with an update to include 2025 data as it became available. Only Aurora⁹⁴ and Orion⁹⁵ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.57 to 4.58 on page 44 of our draft decision reasons paper.⁹⁶

⁸⁵ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁸⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁸⁷ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 43.

⁸⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁸⁹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 9.

⁹⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 43-44.

⁹¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁹² Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

⁹³ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 44.

⁹⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁹⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

⁹⁶ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 44.

Decision O4.9: Forecast capex growth rate (for the purpose of Decision O4.6) based on the average annual growth in the Expenditure on Assets from the reference period (2021-2025) to the DPP4 allowance (2027-2030).

- 4.23 Our final decision is the same as our draft decision. Only Aurora⁹⁷ and Orion⁹⁸ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraph 4.59 on page 44 of our draft decision reasons paper.⁹⁹

Decision O4.10: Apply an opex partial productivity factor of 0%.

- 4.24 Our final decision is the same as our draft decision. Only Aurora¹⁰⁰ and Orion¹⁰¹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 4.60 to 4.61 on page 45 of our draft decision reasons paper.¹⁰²

Reconsideration of O2.1 and O2.2

- 4.25 As the DPP4 opex allowance is set using RY 2025 as the base year, this locks in spend on non-recurring costs from this year and trend those upwards across the DPP4 period. To mitigate the risk of consumers paying for costs that are no longer occurring, we have assessed the base year spend to identify any CPP specific costs that should be removed.
- 4.26 We have based this assessment on:
- 4.26.1 Aurora's CPP application;
 - 4.26.2 our final decision on the CPP;
 - 4.26.3 Aurora's 2025 AMP and Aurora's ID disclosures; and
 - 4.26.4 information provided through submissions on our draft decision.
- 4.27 We have outlined the following areas below where we have made negative adjustments. This level of scrutiny is consistent with the approach used when assessing Powerco's opex allowance, before its transition to DPP3.¹⁰³

⁹⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

⁹⁸ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

⁹⁹ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 44.

¹⁰⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁰¹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁰² Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 44.

¹⁰³ Commerce Commission, [Powerco Limited's transition to the 2020-2025 default price-quality path](#), (30 November 2022), pp. 22-23.

Decision O2.1: Remove some opex costs from the base year, to reflect CPP specific costs that we do not expect to recur in DPP4.

- 4.28 Our final decision is the same as our draft decision, with adjustments to the size of steps due to the use of updated information between the draft and final decision.
- 4.29 Our final decision is to remove:
- 4.29.1 Corrective maintenance: \$2.51m (constant \$ 2025)
- 4.29.2 Upper Clutha DER solution: \$20,000 (constant \$ 2025)
- 4.30 Our draft decision was to remove:
- 4.30.1 Corrective maintenance: \$1.86m (constant \$ 2025)
- 4.30.2 Upper Clutha DER solution \$115,000 (constant \$ 2025)
- 4.31 The changes from draft to final are because we used Aurora’s 2025 AMP forecasts for the draft decision but Aurora’s 2025 Information Disclosure data for the final decision. This shift from forecast to actual data is to use the most up to date and accurate information. It also aligns with the approach applied in DPP4 to all other EDBs for setting opex.

What we heard in submissions

- 4.32 Four submissions discussed this draft decision, all were opposed. These were from Aurora, The Lines Company, ENA and Unison.
- 4.33 Aurora submitted that the reduction for the specific Upper Clutha DER solution that was no longer occurring should be left in the allowance to enable it to reallocate the funding to another initiative.¹⁰⁴ It submitted that the exclusion of non-recurring opex does not allow it to:¹⁰⁵
- “reprioritise expenditure between initiatives, expenditure categories, or years, which is good management practice.”
- 4.34 Aurora submitted that:¹⁰⁶
- “While we agree our forecasts contain a reduction in corrective maintenance, that does not necessarily mean the base year level network opex, applied in the base step trend forecast, is not efficient and more importantly not in the long-term interest of consumers.”

¹⁰⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 6.

¹⁰⁵ Ibid, p. 14.

¹⁰⁶ Ibid, p. 15.

- 4.35 Aurora also suggested in its submission that if our final decision is to make an adjustment for corrective maintenance, then:¹⁰⁷

“the AMP25 forecast change is the most accurate reflection of our expected change in costs – not the difference between actual RY25 and the now out-of-date AMP25 forecast of RY27 costs.”

- 4.36 The Lines Company submitted that underfunding DER integration risks network reliability, energy transition and consumer outcomes, and therefore they supported the reinstatement of the DER costs.¹⁰⁸

- 4.37 Unison submitted that:¹⁰⁹

“The proposed reduction limits Aurora’s capacity to integrate distributed energy resources, undermining customer-driven innovation and the energy transition.”

- 4.38 The ENA submitted that it was concerned about the reduction in the allowance for DER costs and the potential customer implications of that.¹¹⁰ It also submitted that the number of ICPs with distributed generation has more than trebled between the beginning of 2019 to the end of 2024 (according to Electricity Authority data), and it believes the trend would continue.¹¹¹ It stated that it is therefore important for EDBs to have sufficient funding to enable integration of DER into the network.¹¹²

Analysis

Corrective Maintenance

- 4.39 We do not accept Aurora’s comment that its 2025 AMP forecast for corrective maintenance opex could be an efficient base that should be trended forward. Aurora forecast in its 2025 AMP for the corrective maintenance opex to significantly reduce, following progress from the CPP period.

- 4.40 The DPP regime enables EDBs to reprioritise expenditure within the allowance as different needs or priorities arise across the regulatory period. We do not, however, accept the argument that reducing specific costs down to the levels forecast in its most recent AMP would inhibit Aurora’s ability to do that. Where EDBs consider they are unable to reprioritise expenditure without compromising quality outcomes, a CPP or reopeners may be warranted.

¹⁰⁷ Ibid.

¹⁰⁸ The Lines Company, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 1.

¹⁰⁹ Unison, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

¹¹⁰ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 6.

¹¹¹ Ibid.

¹¹² Ibid.

- 4.41 In its submission, Aurora also noted that if we were to maintain our draft decision for a reduction in corrective maintenance opex, then the amount should be calculated from its 2025 AMP forecast and not from the 2025 ID data. We disagree with this approach. As outlined above in paragraph 4.31, the use of 2025 ID data is more accurate and aligns with the DPP4 approach for setting opex allowances.¹¹³

Upper Clutha DER solution

- 4.42 Submissions that opposed this decision stated that the opex for a DER solution that is no longer occurring should be left in Aurora's allowances to enable it to fund other DER or non-network solutions. We disagree with this view. DER costs are typically incurred by EDBs where they can defer or avoid growth related capex investment. We consider that if new opportunities for DER solutions arose during DPP4, Aurora will be able to use the associated reduction in the capex allowance from the deferred or avoided investment to fund the opex investment.

Summary

- 4.43 We maintain our position that this decision is for the long-term benefit of consumers and best achieves the incentives in the Part 4 Commerce Act purpose. Specifically, we consider our decision provides incentives to innovate, find efficiencies and limits Aurora's ability to extract excessive profits.¹¹⁴ Setting a more accurate base year ensures Aurora has sufficient opex to invest in its network while also being appropriately exposed to the incentives in the regime to reduce costs.

Decision O2.2: The SONS and people costs opex allowed in DPP4 will be the lower of the base, step, and trend approach or Aurora's 2025 AMP forecasts.

- 4.44 Our final decision is different to our draft decision. Our final decision is to apply the lower of the base, step and trend approach used in DPP4 for non-network opex, as a proxy for SONS and people costs, or Aurora's 2025 AMP forecasts for non-network opex, for each year. The resulting non-network opex allowance is \$2.5 million lower (constant \$ 2025) than the base, step and trend approach would provide across the whole DPP4 period.
- 4.45 Our draft decision was to apply a 6% negative adjustment, each year, to Aurora's SONS and people costs opex starting from the 2025 base year amount. For the full analysis of our draft decision, see paragraphs 4.20 to 4.24 on page 38 of our draft decision reasons paper.¹¹⁵

What we heard from submissions

- 4.46 This draft decision received the most focus in submissions, with ten out of the total 11 submissions received discussing it. We also received a further two cross submissions, who did not submit an original submission, that were solely focused on this decision. All submissions that discussed this decision opposed it.

¹¹³ Commerce Commission, Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision – [Attachment C Operating Expenditure](#), (20 November 2024), p. 4.

¹¹⁴ Section 52A (1)(a), (b) and (d) Commerce Act 1986.

¹¹⁵ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 38.

- 4.47 The submissions were from Aurora, Unison, ENA, The Lines Company, Orion, Wellington Electricity, Counties Energy, Buller Electricity, Vector and Powerco. The cross submissions were from Aurora, PowerNet and Westpower.
- 4.48 In addition to its own submission analysis, Aurora included a report from PWC and legal advice from Chapman Tripp in its submission.¹¹⁶
- 4.49 The submissions received covered the following main themes, which our summary of submissions will be structured around:
- 4.49.1 the efficiency adjustment applied was based on analysis completed in 2019/2020 that has not been updated to reflect changes in Aurora's operating environment since that time;
 - 4.49.2 the industry is playing a key role in the transition to electrification, and that a significant reduction in opex would limit Aurora's ability to appropriately invest in its network;
 - 4.49.3 Aurora as a business has matured over the course of the CPP period, and has replaced previous CPP related costs with other necessary opex costs; and
 - 4.49.4 Aurora is no longer an outlier amongst its peers, and therefore it should be treated the same as other EDBs in DPP4.

Reliance on analysis completed in 2019/2020

- 4.50 Aurora submitted that the analysis relied on for the draft decision was out of date and not fit for purpose as it is not relevant to the environment EDBs are currently operating in.¹¹⁷ Aurora submitted that its analysis of its non-network opex spend shows it has been relatively flat in recent years, and has increased at a lower rate than other EDB's.¹¹⁸
- 4.51 It noted, from the PWC report it commissioned, that the steady state benchmarks used to determine the RY 2032 end point are materially understated due to unanticipated increases in EDB non-network opex since the CPP decision.¹¹⁹ Analysis contained in the PWC report stated that relative to the data from 2020 (from the comparator group of EDBs used in the Strata Report¹²⁰):¹²¹
- 4.51.1 average annual non-network opex per ICP has increased by 10%, and
 - 4.51.2 average annual non-network opex per km has increased by 15%.

¹¹⁶ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), pp. 28-60.

¹¹⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹¹⁸ Ibid, p. 11.

¹¹⁹ Ibid, p. 10.

¹²⁰ Strata Energy Consulting, [Report on Aurora Energy's CPP Application](#), (November 2020).

¹²¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 54.

- 4.52 PWC asserted that the end ‘steady state’ the annual 6% downward adjustment was tracking towards was materially understated, by at least 12%.¹²²
- 4.53 The ENA in its submission also referenced separate analysis completed by PWC in 2024, showing that non-network opex increased by ~10% from RY 2022 to RY 2023 and by a further ~15% from RY 2023 to RY 2024 across the distribution sector.¹²³ The ENA noted that the information used to apply the annual 6% reduction has not been updated in any way to reflect the demands and expectations of EDBs in the DPP4 period.¹²⁴ The ENA further stated that:¹²⁵
- “Given the step change in front of the sector, it is critically important that regulators base their decisions on the circumstances and evidence of today.”
- 4.54 Orion submitted, referring to the Strata analysis completed for the CPP final decision, that:¹²⁶
- “The intervening more than 4.5 years since the analysis was undertaken has been characterised by significant input cost volatility, post-pandemic, that may have eroded its validity.”
- 4.55 Unison submitted that several key assumptions from 2019/2020 would no longer reflect the current environment, such as digitalisation transformations, inflation, regulatory change, insurance and new training/compliance obligations.¹²⁷ The Lines Company,¹²⁸ Powerco,¹²⁹ Buller Electricity,¹³⁰ Vector,¹³¹ Wellington Electricity,¹³² PowerNet,¹³³ and Westpower¹³⁴ all submitted similar statements, reflecting concern about our reliance on analysis that has not taken into account sector wide changes and is therefore not valid today.
- 4.56 Powerco further added that a reliance on outdated information:¹³⁵
- “Causes real concern at a time where underfunding opex can have material consequences which ultimately come at a cost to customers over the longer-term.”

¹²² Ibid.

¹²³ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 5.

¹²⁴ Ibid, p. 4.

¹²⁵ Ibid.

¹²⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

¹²⁷ Unison, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), pp. 1-2.

¹²⁸ The Lines Company, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 1.

¹²⁹ Powerco, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

¹³⁰ Buller Electricity, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 1.

¹³¹ Vector, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 1.

¹³² Wellington Electricity, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 2.

¹³³ PowerNet, [Cross submission on Aurora CPP to DPP4 draft decision](#), (23 September 2025), p.1.

¹³⁴ Westpower, [Cross submission on Aurora CPP to DPP4 draft decision](#), (23 September 2025), p.1.

¹³⁵ Powerco, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

The sector's role in the electrification transition

4.57 The ENA in its submission emphasised the importance of non-network opex for the performance of EDBs in the context of the electrification transition. It noted that allowable revenues set by the Commission must keep pace with the transition to enable EDBs to unlock the opportunities.¹³⁶ It stated that:¹³⁷

“As networks become more complex with more connected distributed energy resources (DER), and, as consumers rely even more on electricity, EDBs need to invest in the right tools and capability to continue delivering a secure and reliable service.”

4.58 Counties Energy submitted that the growing reliance on digital systems, such as Advanced Distribution Management Systems, is driving up IT staffing requirements and software licensing costs.¹³⁸

4.59 Unison stated that rapid digitalisation, electrification, inflationary pressures and rising customer expectations requires a flexible and forward-looking regulatory approach, to not undermine EDBs' ability to deliver reliable services and adapt to transformative change.¹³⁹

4.60 Orion submitted that it, and other EDBs, recognise that the energy transition will require a period of capability-building, new systems and additional inputs such as advanced smart-meter data.¹⁴⁰ It cautioned that:¹⁴¹

“Aurora's consumers would not be well-served if Aurora becomes out of step with other EDBs due to differing curtailment of revenue to support its capability build.”

4.61 Powerco stated that a material uplift is needed in both network and non-network solutions to meet customer expectations and support forecast demand growth.¹⁴² It submitted that underfunding opex could cause Aurora to only focus on core opex costs at a critical time for the sector.¹⁴³ Powerco also referenced Ofgem analysis that stated efficiency incentives applied during times of investment growth could instead result in short-term decision making and cause underinvestment, impacting long-term outcomes for consumers.¹⁴⁴

4.62 Aurora submitted that the Commission has acknowledged the energy sector is in a period of change and uncertainty, and that most commentators expect the pace of change to continue to accelerate throughout DPP4.¹⁴⁵ It submitted a list of drivers behind higher non-network expenditure levels compared to 2020 that they expect to continue across DPP4.¹⁴⁶

¹³⁶ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 5.

¹³⁷ Ibid.

¹³⁸ Counties Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 2.

¹³⁹ Unison, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

¹⁴⁰ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

¹⁴¹ Ibid.

¹⁴² Powerco, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

¹⁴³ Ibid.

¹⁴⁴ Ibid, pp. 1, 3.

¹⁴⁵ Aurora, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 12.

¹⁴⁶ Ibid, p. 13.

- 4.62.1 responding to customer demands and increased engagement practices;
 - 4.62.2 changes in network operations and service response including non-network (opex) solutions;
 - 4.62.3 new planning needs to meet DER requirements;
 - 4.62.4 higher network growth and congestion;
 - 4.62.5 Health and Safety at Work Act changes;
 - 4.62.6 increased disclosure and compliance requirements;
 - 4.62.7 engagement with and responses to changing expectations from regulators on future network expectations (ie, Energy Task Force);
 - 4.62.8 higher levels of regulatory consultation and submission;
 - 4.62.9 higher industry collaboration; and
 - 4.62.10 new regulatory processes, including reopener and INTSA application processes.
- 4.63 Aurora warned that the draft decision would be impractical to achieve and would seriously inhibit its ability to deliver its published plans.¹⁴⁷ It stated that:¹⁴⁸

“It would constrain the planned development of the company’s network and operations to support our customer’s electrification transition and the economic growth in our regions.”

Aurora has matured over the CPP period, and its base spend is already efficient

- 4.64 Aurora submitted that it has made significant progress over the course of the CPP period, and its current base year spend (RY 2025) is already prudent and efficient.¹⁴⁹ In addition to the costs noted above at 4.62.1 – 4.62.10, Aurora submitted additional information in its cross-submission listing costs they are currently undertaking in its base-opex that would not have been considered at the time of the CPP.¹⁵⁰ These are:¹⁵¹

- 4.64.1 LV monitoring activities including the review of smart meter data analysis and decision making;
- 4.64.2 larger data sets being processed, stored and orchestrated to better understand the LV network;
- 4.64.3 network constraint forecasting and publication;

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid, p. 11.

¹⁵⁰ Aurora Energy, [Cross submission on Aurora CPP to DPP4 draft decision](#), (23 September 2025), p. 3.

¹⁵¹ Ibid, pp. 3-4.

- 4.64.4 seeking non-network and flexibility solutions to meet network constraints;
 - 4.64.5 enhanced demand forecasting that incorporates the impact of flexibility dependencies as well as identifying opportunities for flexibility;
 - 4.64.6 expanding and developing operation technology systems to signal and communicate with flexibility solutions;
 - 4.64.7 enhanced connection processes and pricing;
 - 4.64.8 proactive work and engagement with regional councils and industry groups to align with local development needs;
 - 4.64.9 response and dispatch for network faults on a 24hr, 7-day basis;
 - 4.64.10 enhanced asset management practices in asset health, risk quantification and asset portfolio optimisation; and
 - 4.64.11 increased cyber security controls required to protect the network.
- 4.65 In its principal submission Aurora also noted, in support of its base year opex (RY 2025) being efficient, that:¹⁵²
- “Our non-network opex for the 4 years ended RY25 is lower than the CPP allowances for that period in real \$ terms. Total EDBs have reported significant increases (16%) in non-network opex during the same period.”
- 4.66 Aurora pointed out that its CPP application was for a 3-year CPP period, due to the relative immaturity of its asset management systems and asset data.¹⁵³ It stated this immaturity meant it had less confidence in its longer term 10-year AMP forecasts at the time of its CPP application.¹⁵⁴ Aurora then stated that since the beginning of the CPP, it has enhanced its asset management maturity, data quality and supporting systems to the point where it now has much higher confidence in its expenditure forecasts.¹⁵⁵
- 4.67 Orion submitted that while the CPP draft and final decision discussed the application of an efficiency adjustment until Aurora reaches a steady-state, there has been little articulation from the Commission and Aurora as to what an appropriate steady-state for Aurora would look like.¹⁵⁶ It further added that data, systems, processes and innovations that EDBs must now develop to support electrification are disrupting historic notions of what a steady-state looks like.¹⁵⁷

¹⁵² Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

¹⁵³ Ibid, p. 65.

¹⁵⁴ Ibid.

¹⁵⁵ Ibid.

¹⁵⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 4.

¹⁵⁷ Ibid.

Aurora is no longer an outlier

- 4.68 Aurora submitted that its analysis of RY 2024 data shows that Aurora is not an outlier amongst its peers for non-network opex.¹⁵⁸ It stated that its non-network spend per ICP is below its peers and on a per kilometre of lines length basis it is higher but not an outlier.¹⁵⁹ Aurora added that:¹⁶⁰

“Any indication of our non-network opex levels being higher relative to other EDBs is explainable by our higher than industry average network investment requirements. This is reflected in the non-network opex per network investment metric showing us below the industry average.”

- 4.69 Aurora noted that at the time the CPP was set, it was assumed that network investment levels would peak in RY 2023 and decline from RY 2024 onwards.¹⁶¹ However, Aurora said that due to increased growth and customer connection investment requirements, its capex has increased above the CPP forecasts and is expected to stay at that sustained level throughout DPP4.¹⁶² Aurora submitted that two of its pricing regions have experienced, and are forecast to experience, growth well above the industry averages.¹⁶³ It noted that high network growth requires increased investment and management.¹⁶⁴

Analysis

Reliance on 2019/2020 analysis and the importance of the electrification transition in DPP4

- 4.70 We have considered the statements in submissions that the analysis underpinning the draft decision has not been updated to reflect changes within the sector and within Aurora since the CPP final decision. We accept that the application of an efficiency adjustment based on data from 2019/2020 may not appropriately reflect the current context. We acknowledge the evidence submitted by the ENA and Aurora that non-network opex has been about 10-15% higher than forecast in 2020¹⁶⁵, and that our draft decision did not make any adjustment to the 6% annual reduction to reflect updated analysis.

¹⁵⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 61.

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

¹⁶¹ Ibid, p. 64.

¹⁶² Ibid.

¹⁶³ Ibid.

¹⁶⁴ Ibid.

¹⁶⁵ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 5.

- 4.71 We also acknowledge that the wider context within which the sector is now operating has changed since 2019/2020 when the CPP was set. As outlined in our DPP4 final reasons paper, EDBs will play an important role in the transition towards electrification while navigating uncertainties around cost and timing.¹⁶⁶ We note the comments made by submitters about the potential pace and complexity of the electrification transition, and the importance of sufficient opex allowances to invest in DER, digitalisation and capability. We accept that it is not appropriate to apply an ongoing efficiency adjustment to these costs for Aurora that was not applied to other EDBs in DPP4, without up-to-date analysis to justify the differential treatment.

Aurora's base year is efficient, and it is no longer an outlier

- 4.72 A key focus of Aurora's submission was to provide evidence that its current non-network opex allowance is prudent and efficient, and no further reduction is required. It argued that any CPP specific costs incurred since 2020 have been replaced with other necessary costs for the current operating environment, and its non-network opex level is no longer an 'outlier' amongst other EDBs.
- 4.73 We acknowledge that Aurora's non-network opex has remained relatively flat across the CPP period (in real terms), while other EDBs' non-network opex has increased. We also accept the qualitative evidence put forward by Aurora (listed under paragraphs 4.62 and 4.64 above) which identified costs that have emerged over the CPP period. While these were not quantified and compared against the size of CPP specific costs that they would be replacing, we do accept the changing environment and drivers behind those costs.
- 4.74 We have also assessed Aurora's Asset Management Plans, Annual Delivery Reports and its Project and Programme Delivery Plan. Our assessment aimed to ascertain the cost drivers for Aurora's non-network opex over the course of the CPP period and what new costs they might be undertaking now and into DPP4. We found qualitative evidence for Aurora's spending on key focus areas across the CPP (health and safety, engagement, reliability) that we expect to continue into DPP4.¹⁶⁷ We also found some evidence for new digitalisation investments and work programmes that Aurora has forecast for in DPP4, that either replace or build upon investments made during its CPP.¹⁶⁸
- 4.75 From the assessment of the qualitative evidence supplied by submissions and from our additional desktop analysis, we are satisfied that Aurora's current non-network opex spend appears to be at appropriate level that does not indicate concern of material over investment or inefficiency. We consider there are likely some CPP specific costs contained in Aurora's base year, however we do not have clear evidence to identify the level of SONS and people costs to exclude. We may expect this level of information to be available in future CPP applications.

¹⁶⁶ Commerce Commission, [Default price-quality paths for electricity distribution businesses from 1 April 2025 – Final decision reasons paper](#), (20 November 2024) p. 29.

¹⁶⁷ Aurora Energy, [Annual Delivery Report](#), (31 March 2025), pp. 13, 29, 72.

¹⁶⁸ Aurora Energy, [Asset Management Plan April 2025 – March 2035](#), (28 March 2025), pp. 243 – 248.

- 4.76 On balance, and without sufficient evidence to support a specific negative step change, our final decision is to approve the lower of the base, step and trend method (as applied in DPP4) or Aurora's non-network opex forecasts from its 2025 AMP. We consider this best promotes the Part 4 purpose, specifically the s52A(1)(a) limb to innovate and invest and s52A(1)(b) to provide services at a quality that reflects consumer demands. From the evidence outlined above, we are satisfied that Aurora's opex allowance will be set at a level that limits its ability to extract excessive profits but enables Aurora to invest in its network for the long-term benefit of its consumers. We also note that the incremental rolling incentive scheme (IRIS) mechanism is in place to provide incentives for Aurora to improve efficiency throughout the regulatory period.

Chapter 5 Revenue Path and Financeability

Purpose of this chapter

- 5.1 This chapter outlines our final decisions to setting Aurora's revenue path for DPP4. Since none of these decisions received any substantial discussion in submissions, this chapter discusses all decisions in order. For the decisions that have not changed we refer back to the draft decision for the full analysis.

Background on setting the revenue path

- 5.2 Investment in distribution networks is made by EDBs, and paid for by their consumers over time as they benefit from the network. Each reset or transition must manage the tension between consumers' interests in:
- 5.2.1 having access to a network that can deliver the energy services they need at the quality they expect; and
 - 5.2.2 avoiding paying more than is necessary to maintain and expand the network.
- 5.3 This includes seeking to minimise price shocks to consumers on the one hand while avoiding undue financial hardship for EDBs on the other.
- 5.4 To address this balance, we have assessed the impact of revenue smoothing mechanisms alongside notional financeability assessments. This has included analysis to consider whether Aurora has a reasonable prospect of recovering its full DPP4 revenue as well as the deferred revenue from the CPP period over the next four-year regulatory period.

Decisions and analysis

Price path decisions

Decision P4: Assess price shocks on a real revenue per-ICP basis, incorporating wash-ups and IRIS.

- 5.5 Our final decision is the same as our draft decision. Only Aurora¹⁶⁹ and Orion¹⁷⁰ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.5 to 5.9 on pages 46 and 47 of our draft decision reasons paper.¹⁷¹

¹⁶⁹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁷⁰ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁷¹ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 46-47.

Decision P5: Assess notional financeability using FFO/Debt¹⁷² and Debt/EBITDA¹⁷³ ratios.

- 5.6 Our final decision is the same as our draft decision. Only Aurora¹⁷⁴ and Orion¹⁷⁵ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.10 to 5.12 on pages 47 and 48 of our draft decision reasons paper.¹⁷⁶

Decision P3: Set the alternate x-factor at -8.90% to limit the initial price shock to no more than 15% in real per-ICP terms.

- 5.7 Our final decision is mostly the same as our draft decision. Our draft decision was to use an alternate x-factor of -8.90% to limit the initial price shock to 10% in real per-ICP terms.

What we heard from submissions

- 5.8 Only Aurora¹⁷⁷ and Orion¹⁷⁸ submitted on this decision. Orion submitted in support and did not discuss the decision in detail. Aurora only noted that the price shock impact cap was below the 20% applied in DPP4 to other EDBs, but did not comment more specifically.¹⁷⁹

Analysis

- 5.9 We considered two options for this decision:
- 5.9.1 keep the initial price shock to 10% in real per-ICP terms; or
 - 5.9.2 keep the alternate x-factor at -8.90% to create a revenue profile that is a similar shape to the draft decision.
- 5.10 Applying a 10% initial price shock would have maintained a similar initial estimated bill increase from the draft decision but would have led to steeper increases in the remaining DPP4 years. For both options, consumers would pay the same amount over the whole DPP4 period (in net present value terms).
- 5.11 Our final decision creates a higher initial bill impact for household consumers (\$15 increase to a monthly electricity bill) but maintains an average increase of \$3 for each of the remaining years of DPP4. The higher initial increase is largely attributed to the change to decision O2.2 from draft to final (the increase to Aurora's non-network opex to reflect their forecast expenditure) as well as the use of updated data. This decision is consistent with the initial price increases estimated for all other EDBs in DPP4.

¹⁷² Funds From Operations over Debt

¹⁷³ Earnings Before Interest, Tax, Depreciation and Amortisation

¹⁷⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁷⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁷⁶ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 47-48.

¹⁷⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁷⁸ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁷⁹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

- 5.12 We have also applied the notional financeability sense checks to our final decision. Aurora meets the BBB+ reference level for the primary metric (FFO/Debt > 13%) and meets the BBB+ reference level for the second metric (Debt/EBITDA < 4).
- 5.13 We consider our final decision is in the long-term best interests of consumers as the 14.5% initial price shock means subsequent years' price changes will be lower than they otherwise would be, while enabling Aurora to recover its full revenue and wash-up balance within the DPP4 period. It also maintains a similar revenue profile from our draft decision, which was not opposed through the submissions process. For the full analysis on our draft decision, see paragraphs 5.13 to 5.22 on pages 48 to 51 of our draft decision reasons paper.¹⁸⁰

Revenue path decisions

Decision R1.1: Apply a revenue cap with wash-up as the form of control.

- 5.14 Our final decision is the same as our draft decision. Only Aurora¹⁸¹ and Orion¹⁸² submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraph 5.23 on pages 52 of our draft decision reasons paper.¹⁸³

Decision R1.2: Forecast CPI¹⁸⁴ based on the four-quarter average change in CPI between the first year of the regulatory period and the current year.

- 5.15 Our final decision is the same as our draft decision. Only Aurora¹⁸⁵ and Orion¹⁸⁶ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.24 to 5.25 on page 52 of our draft decision reasons paper.¹⁸⁷

Decision R1.3: Apply a 90% "voluntary undercharging" limit.

- 5.16 Our final decision is the same as our draft decision. Only Aurora¹⁸⁸ and Orion¹⁸⁹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.25 to 5.29 on pages 52 and 53 of our draft decision reasons paper.¹⁹⁰

¹⁸⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 48-51.

¹⁸¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁸² Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁸³ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 52.

¹⁸⁴ Consumer Price Index

¹⁸⁵ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁸⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁸⁷ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 47-48.

¹⁸⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 25.

¹⁸⁹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁹⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 52-53.

Decision R1.4: Include a large connection contract (LCC) wash-up term in the wash-up accrual formula, to avoid recovery of LCC under-recovered revenue from other consumers and correct over-allocation to LCC revenue from non-qualifying LCCs.

- 5.17 Our final decision is the same as our draft decision. Only Aurora¹⁹¹ and Orion¹⁹² submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.30 to 5.33 on page 53 of our draft decision reasons paper.¹⁹³

Decision R1.5: Require Aurora to determine a reasonable reallocation of revenue following an asset transfer.

- 5.18 Our final decision is the same as our draft decision. Only Aurora¹⁹⁴ and Orion¹⁹⁵ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.34 to 5.36 on pages 53 and 54 of our draft decision reasons paper.¹⁹⁶

Decision R2.1: Apply the revenue smoothing limit based on forecast net allowable revenue for the current year and CPI-adjusted recoverable costs from the prior year.

- 5.19 Our final decision is the same as our draft decision. Only Aurora¹⁹⁷ and Orion¹⁹⁸ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.37 to 5.38 on page 54 of our draft decision reasons paper.¹⁹⁹

Decision R2.2: Apply revenue smoothing limits between DPP4 years to produce the most uniform real per-ICP increases possible.

- 5.20 Only Aurora²⁰⁰ and Orion²⁰¹ submitted on this decision. They submitted in support and did not discuss the decision in detail.
- 5.21 Our final decision achieves the same policy outcome as our draft decision. However, as the final expenditure allowances have increased from the draft decision, different values for the revenue smoothing limits have been applied. Our final decision applies the following revenue smoothing limits:

5.21.1 RY 2027: Not applicable

¹⁹¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

¹⁹² Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 10.

¹⁹³ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 53.

¹⁹⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

¹⁹⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

¹⁹⁶ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 53-54.

¹⁹⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

¹⁹⁸ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

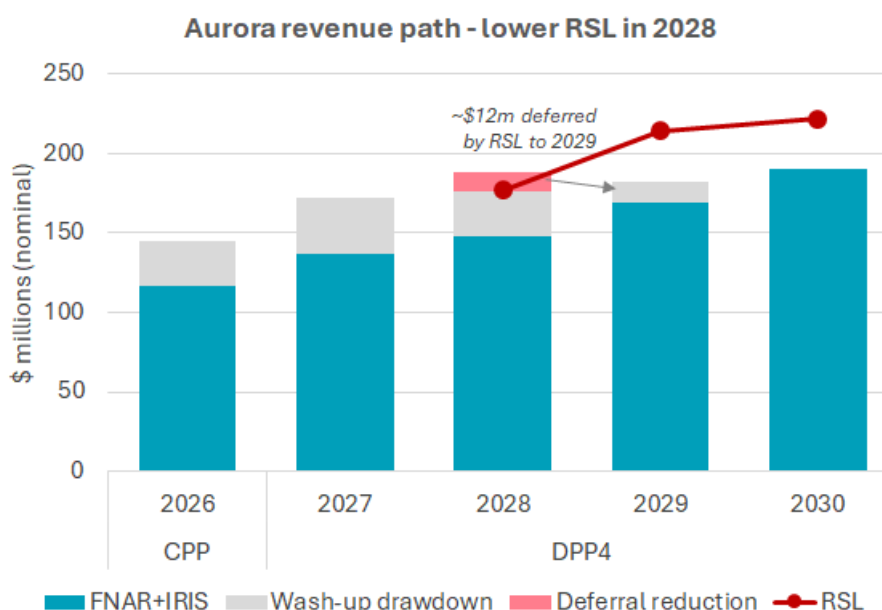
¹⁹⁹ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 54.

²⁰⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²⁰¹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

- 5.21.2 RY 2028: 93.8% of $(\text{FNAR}^{202} + \text{FRC}^{203}(t-1))$. This will constrain Aurora to drawing down only part of the wash-up account balance that is available. The remaining balance will carry forward into the subsequent year/s.
- 5.21.3 RY 2029: 110% of $(\text{FNAR} + \text{FRC}(t-1))$
- 5.21.4 RY 2030: 110% of $(\text{FNAR} + \text{FRC}(t-1))$
- 5.22 The revenue smoothing limit in RY 2028 has the impact of deferring \$11.7 million of the forecast \$40.2 million wash-up drawdown to be recovered in RY 2029 instead. The impact of this smoothing is shown below in Figure 5.1. For the analysis of this decision, we have assumed that Aurora draws down the full wash-up balance available to it each year, to recover the full revenue allowance.
- 5.23 Like all EDBs in DPP4, Aurora is able to do its own discretionary smoothing should it wish to. For example, Aurora may choose to do its own smoothing towards the end of the period to mitigate the transition into the next regulatory period.
- 5.24 For the full analysis on this decision, see paragraphs 5.40 to 5.45 on page 55 of our draft decision reasons paper.²⁰⁴

Figure 5.1 Aurora's revenue path showing the impact of variable revenue smoothing limits (RSL) (nominal \$000)



²⁰² Forecast Net Allowable Revenue

²⁰³ Forecast Recoverable Costs

²⁰⁴ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 55.

Decision R2.3: Implement the revenue wash-up by specifying a re-run of the DPP4 financial model.

- 5.25 Our final decision is the same as our draft decision. Only Aurora²⁰⁵ and Orion²⁰⁶ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.46 to 5.47 on page 56 of our draft decision reasons paper.²⁰⁷

Decision R2.4: Calculate the Y1 inflation wash-up based on the four-quarter average change in inflation between Y0 and Y1.

- 5.26 Our final decision is the same as our draft decision. Only Aurora²⁰⁸ and Orion²⁰⁹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.48 to 5.49 on page 57 of our draft decision reasons paper.²¹⁰

Decision R2.5: Do not specify base revenue wash-up draw down amounts for DPP4.

- 5.27 Our final decision is the same as our draft decision. Only Aurora²¹¹ and Orion²¹² submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.50 to 5.52 on page 57 of our draft decision reasons paper.²¹³

Financial model inputs and IRIS

Decision S1: Set the IRIS retention rate for capex equivalent to the opex rate.

- 5.28 Our final decision is the same as our draft decision (to set the capex incentive rate at 32.16%). Only Aurora²¹⁴ and Orion²¹⁵ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.53 to 5.54 on pages 57 and 58 of our draft decision reasons paper.²¹⁶

²⁰⁵ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²⁰⁶ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²⁰⁷ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 56.

²⁰⁸ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²⁰⁹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²¹⁰ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 57.

²¹¹ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²¹² Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²¹³ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 57.

²¹⁴ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²¹⁵ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²¹⁶ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 57-58.

Decision S2: Determine IRIS opex and capex forecasts in real terms (inflated by CPI).

- 5.29 Our final decision is the same as our draft decision. Only Aurora²¹⁷ and Orion²¹⁸ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.55 to 5.57 on page 58 of our draft decision reasons paper.²¹⁹

Decision M2: Include an allowance for disposed assets, based on historical levels.

- 5.30 Our final decision is the same as our draft decision. Only Aurora²²⁰ and Orion²²¹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.58 to 5.60 on page 58 of our draft decision reasons paper.²²²

Decision M3: Forecast depreciation on existing assets based on information provided by Aurora.

- 5.31 Our final decision is the same as our draft decision. Only Aurora²²³ and Orion²²⁴ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.61 to 5.62 on page 59 of our draft decision reasons paper.²²⁵

Decision M4: Use base year data from 2025 Information Disclosures in our final decisions.

- 5.32 Our final decision is the same as our draft decision. Only Aurora²²⁶ and Orion²²⁷ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraph 5.63 on page 59 of our draft decision reasons paper.²²⁸

²¹⁷ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²¹⁸ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²¹⁹ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 58.

²²⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²²¹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²²² Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 58.

²²³ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²²⁴ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²²⁵ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 58.

²²⁶ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²²⁷ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²²⁸ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 59.

Decision M5: For CPI forecasts that are used for Revaluations and Disposals, use the most recently available RBNZ MPS²²⁹ forecasts from when the WACC was determined.

- 5.33 Our final decision is the same as our draft decision. Only Aurora²³⁰ and Orion²³¹ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.64 to 5.65 on page 59 of our draft decision reasons paper.²³²

Decision M6: Update the opex inflators, capex inflators, and CPI used for converting BBAR into a price path with the latest information (as at early October 2025). This includes updated index forecasts from NZIER and the Reserve Bank.

- 5.34 Our final decision is the same as our draft decision. Only Aurora²³³ and Orion²³⁴ submitted on this decision. They submitted in support and did not discuss the decision in detail. For the full analysis on this decision, see paragraphs 5.66 to 5.68 on pages 59 and 60 of our draft decision reasons paper.²³⁵

Consumer bill impact

- 5.35 Our final decision is for an increase in Aurora's allowable revenue for DPP4. To mitigate price shocks and volatility throughout the regulatory period, we have smoothed the revenue recovery across the four years through the use of an alternate X factor and the revenue smoothing limit (to smooth the draw down of the RY 2028 wash-up balance).
- 5.36 These decisions mean the estimated increase in monthly household electricity bills for Aurora consumers will be an average of \$15 (ex GST)²³⁶ for the first year Aurora transitions to DPP4 (ie, 1 April 2026 to 1 April 2027). Following that, the monthly lines component of the average household electricity bill will increase by about \$3 (ex GST)²³⁷ each year for the remainder of the regulatory period. As Aurora has three different pricing regions, an individual consumer's actual increase may depend on which region the consumer is in as well as their specific electricity plan and use.

²²⁹ Reserve Bank of New Zealand Monetary Policy Statement

²³⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²³¹ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 12.

²³² Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), p. 59.

²³³ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 26.

²³⁴ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 11.

²³⁵ Commerce Commission, [Aurora Energy's transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 59-60.

²³⁶ Note this is an estimate only and is rounded to the nearest \$1.

²³⁷ Note this is an estimate only and is rounded up to the nearest \$1.

Chapter 6 Aurora’s enhanced information disclosure requirements

Purpose of this chapter

- 6.1 This chapter summarises the feedback received in submissions and outlines our intended next steps for assessing Aurora’s additional information disclosure (ID) requirements.

Background

- 6.2 Enhanced ID requirements were introduced when Aurora commenced its CPP. These requirements were specifically designed to enable stakeholders to more comprehensively scrutinise Aurora’s performance, given the significant expenditure increases and corresponding rises in line charges aimed at addressing critical safety and reliability issues within its network.
- 6.3 We have grouped Aurora’s enhanced ID requirements into two categories:
- 6.3.1 **time-bound requirements** – these are tied to specific, hard-coded dates within the CPP period or, in the case of the project and programme delivery plan, can only logically be read in context of the CPP period expenditure content of that plan; and
 - 6.3.2 **unbound requirements** – these are not tied to specific dates and continue to apply beyond the CPP period unless removed.
- 6.4 Our draft decisions reasons paper asked for submitter feedback on our approach to assessing Aurora’s unbound requirements. For the full overview of the ID requirements, see paragraphs 6.5 to 6.7 on pages 61 and 62 of our draft decision reasons paper.²³⁸

Summary of submissions

- 6.5 Five submissions discussed our proposed approach to assessing Aurora’s unbound ID requirements. Submissions were from Aurora, Orion, ENA, Wellington Electricity and the Lines Company. Aurora also briefly mentioned this topic in its cross submission.²³⁹ All submissions that discussed this issue expressed support for the removal of the unbound ID requirements.

²³⁸ Commerce Commission, [Aurora Energy’s transition to the 2025-2030 default price-quality path – Draft decision reasons paper](#), (29 July 2025), pp. 61-62.

²³⁹ Aurora Energy, [Cross submission on Aurora CPP to DPP4 draft decision](#), (23 September 2025), p. 2.

- 6.6 Aurora submitted that it considers the CPP specific information disclosure requirements are now of “little value to stakeholders” and would prefer its resources be applied to other matters it considers more relevant to its consumers.²⁴⁰ Aurora stated that it did not get the higher level of engagement from consumers that was anticipated when the CPP decision was made.²⁴¹ Aurora encouraged:²⁴²
- “...the Commission to consider why the existing information disclosure framework applicable to all other EDBs would not also be appropriate for Aurora under the DPP.”
- 6.7 Orion submitted that the Commission should take an objective and principled approach to a decision to extend Aurora’s enhanced reporting, which would have regard to the underlying drivers of the CPP, consumer and community concerns, performance reports, and improvements that have been demonstrated throughout the CPP.²⁴³ It suggested that if requirements are maintained, they should be removed from the principle EDB ID determination and issued instead via a s53ZD notice or supplementary ID determination.²⁴⁴
- 6.8 Wellington Electricity and the Lines Company submitted that the ongoing requirements should not continue as they create additional regulatory burden and opex costs that are not required from other EDBs.^{245, 246}
- 6.9 The ENA submitted that any continuation of additional regulatory requirements should be balanced against the resourcing required to complete them and the costs to consumers that it represents.²⁴⁷ The ENA also referenced a quote from the Auditor General, that it agreed with:^{248, 249}
- “Electricity distribution businesses have, in the past, expressed concern about the substantial, complex, and multiple disclosure requirements. We have seen the effects of this complexity through our work (see Part 2). Our auditors also continue to raise these concerns.”

²⁴⁰ Aurora Energy, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 19.

²⁴¹ Ibid, pp. 19-20.

²⁴² Ibid.

²⁴³ Orion, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 6.

²⁴⁴ Ibid, p. 7.

²⁴⁵ Wellington Electricity, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 3.

²⁴⁶ The Lines Company, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 2.

²⁴⁷ Electricity Networks Aotearoa, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 6.

²⁴⁸ Ibid, p. 7.

²⁴⁹ Office of the Auditor General, [Electricity Distribution Businesses: Observations from the 2023/24 audits](#), (June 2025), p. 13.

- 6.10 Otago Federated Farmers did not submit specifically on this topic, however it did provide a submission outlining concerns with the lack of improvement in reliability and quality of service in its region.²⁵⁰ It submitted that it supported the CPP as a necessary measure to overcome the severity of underinvestment in the lines network.²⁵¹ However, it submitted that its Central Otago members have not experienced any improvement to its network despite paying the price increases associated with the CPP.²⁵² It further submitted that:²⁵³

“Questions are now rightly being raised as to the reasonableness of asking Central Otago customers to pay even more for work that ought to have had a noticeable impact on the quality and reliability of their network electricity supply.”

Proposed next steps for review

- 6.11 Following the analysis of submissions received, we are making a commitment to review the unbound ID requirements prior to 1 April 2027. This will be one year after Aurora transitions to DPP4.
- 6.12 This will give us sufficient time to properly assess the costs and benefits of continuing any of the unbound requirements for Aurora and its consumers. It will enable us to appropriately test any ID amendments through an ID amendment consultation process, and will provide an additional year to track Aurora’s continued progress while on the DPP.
- 6.13 We acknowledge this represents short terms costs for Aurora that will continue into DPP4. We believe these costs are justified by the long-term benefit for consumers. A well-run consultation process for any unbound ID requirements will ensure consumers remain well informed about the quality of service they receive.

²⁵⁰ Federated Farmers Otago, [Submission on Aurora CPP to DPP transition](#), (5 September 2025), p. 1.

²⁵¹ Ibid.

²⁵² Ibid.

²⁵³ Ibid.