

Reconsideration of Aurora Energy Customised Price-Quality path – Error event reopen

Draft decision reasons paper

17 February 2026



Associated documents

Publication date	Reference	Title
17 February 2026	ISBN: 978-1-991414-56-4	[DRAFT] Aurora Energy Limited Electricity Distribution Customised Price-Quality Path (Error event) Amendment Determination 2026
25 February 2025	ISSN: 1178-2560	Aurora Energy Limited Electricity Distribution Customised Price-Quality Path (WACC Change Event Reconsideration) Amendment Determination 2025
31 March 2021	ISSN: 1178-2560	Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021

Introduction

1. This draft decision reasons paper seeks feedback on our proposal to reopen the Aurora Energy Customised Price-Quality Path (Aurora CPP) to correct two errors introduced by the Aurora Energy Weighted Average Cost of Capital (WACC) Change Event reopeners.^{1,2,3}

First Error: Actual Net Allowable Revenue (ANAR) does not reflect the increase in Forecast Net Allowable Revenue (FNAR)

2. When we amended Aurora's WACC as part of the Aurora WACC Change Event reopeners, we amended only year 5 FNAR. This reflected that the change in WACC applied only to revenue in year 5. The FNAR for years 1-4, where the WACC was equivalent to the 2020-2025 default price-quality path (DPP3) WACC, was unchanged.
3. When we amended only the year 5 FNAR without also making an amendment to ANAR, we introduced an error in the ANAR calculation, where the increase in FNAR is not reflected in the ANAR for year 5.
4. In the CPP determination, ANAR is defined in two ways.⁴ For the first year of the regulatory period, it is equal to the year 1 FNAR. For each subsequent year, it is equal to the previous year's ANAR multiplied by the actual change in the consumer price index (CPI) and the annual rate of change (x-factor).
5. Therefore, it is necessary to amend FNAR in year 1 so that those changes are reflected in ANAR in year 5.

Second Error: Time value of money calculations do not correctly reflect the change in WACC

6. There are two 'time value of money adjustments' in the Aurora CPP determination. One for the opening washup balance, and one for the quality incentive scheme.
7. These adjustments exist to carry forward, in real terms, the value of the washup balance and quality incentive amounts for the two years between accrual and when the value can be recognised in the price-path.
8. In both cases, the time value of money calculation adjusts the amount by
$$(1 + 67^{\text{th}} \text{ percentile estimate of the post-tax WACC})^2.$$
9. While this correctly compensates Aurora for the time value of money when there is a single applicable WACC, the formula breaks down when there are two relevant WACC's. This is because, as determined, only the original WACC will be acknowledged by the formula.

¹ Via the error event reopeners provided by *Electricity Distribution Services Input Methodologies Determination 2012* [2012] NZCC 26 (as amended), cl 5.6.3.

² *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* [2021] NZCC 3.

³ *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path (WACC Change Event Reconsideration) Amendment Determination 2025* [2025] NZCC 3.

⁴ *Aurora Energy Limited Electricity Distribution Customised Price-Quality Path Determination 2021* [2021] NZCC 3, cl 4.2.

10. The WACC set through the Aurora WACC Change Event reopener is higher than the WACC at the time the CPP was set. Not acknowledging this higher WACC would result in Aurora being under compensated by being unable to recover approximately \$290,000 of revenue.

Our draft decision is to amend Aurora's price-path to correct the errors

Correcting the errors via the error event reopeners

11. The error event reopeners provisions of the Electricity Distribution Services Input Methodologies (EDB IMs) outline the circumstances under which a customised price-path can be reopened when an error has been made.⁵
12. In both errors, data (FNAR value or WACC estimate) has been incorrectly applied in setting the price-path creating a clearly unintended circumstance. These errors therefore meet the eligibility criteria in clause 5.6.3(1)(b) of the EDB IMs.
13. The materiality threshold for Aurora to qualify for an error event reopeners is:⁶

has an impact on the price-path of an amount equivalent to at least 1% of the aggregate forecast net allowable revenue for the affected disclosure years of the CPP.
14. Following the WACC Change Event Reopener, Aurora's 2026 FNAR is \$113,864,000.⁷ The ANAR error would have an approximately \$24 million impact on Aurora's allowable revenue, while the time value of money errors have an approximately \$290,000 impact. The combined \$24.29 million impact of the errors represents approximately 21% of the FNAR for the affected disclosure year, exceeding the materiality threshold of 1%.
15. In our view it is appropriate to include both errors together when considering the materiality threshold as both errors arose from us processing the same reopeners, so there is one error event.
16. The specific steps we have taken in this draft decision to remedy each error are set out below.

Correcting the ANAR error

17. In the DPP3 reopeners we used the 'dual FNAR approach' to update ANAR in cases where FNAR changed. In this approach a second 'year 1' FNAR was created by deflating the updated FNAR by the forecast CPI used to set the price-path. This second 'year 1' FNAR value was then used to amend the FNAR and ANAR amounts for the years impacted by the reopeners.⁸

⁵ Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended), cl 5.6.3.

⁶ Electricity Distribution Services Input Methodologies Determination 2012 [2012] NZCC 26 (as amended), cl 5.6.3 (2)(a).

⁷ Aurora Energy Limited Electricity Distribution Customised Price-Quality Path (WACC Change Event Reconsideration) Amendment Determination 2025 [2025] NZCC 3.

⁸ For example, see: Electricity Distribution Services Default Price-Quality Path (Wellington Electricity unforeseeable major capex project) Amendment Determination 2024 [2024] NZCC 13.

18. Therefore, to correct the ANAR error, our draft decision is to include a ‘year 1 FNAR’ to be used solely to calculate year 5 ANAR, in a manner similar to the DPP3 reopeners.⁹ We consider that this drafting is understood by stakeholders, as a result of previous reopeners, and remains appropriate.
19. We have simplified the language in the draft determination we are consulting on when compared to the DPP3 reopeners by replacing the CPI formulae with the values, where known.
20. We consider that correcting this error promotes the Part 4 purpose in section 52A of the Commerce Act 1986 (the Act), particularly s52A(1)(a) by ensuring that EDBs continue to have incentives to invest in the network.
21. Correcting the error preserves the policy intent of the Aurora WACC Change Event reopener, and thus ensures that EDBs are not subject to perverse incentives when considering whether to apply for a CPP.¹⁰

Correcting the time value of money calculations

22. To correct the time value of money errors, both equations need to be amended to ensure that they function as intended by applying the WACC that is relevant for each year to the calculation. These changes bring the TVOM calculations into line with their DPP4 counterparts, as intended.
23. For the washup calculation, we propose adding a second formula, to be used in the years where both WACCs are relevant. This second equation amends the $(1+WACC)^2$ formulation to include both relevant WACC values.
24. These errors are not material enough to reach the error event threshold when considered alone. However, together with the ANAR error occurring in the same event (the Aurora WACC Change Event reopener), they meet the materiality threshold to be reconsidered.
25. We consider that correcting the errors promotes the Part 4 purpose of the Act by ensuring that Aurora is appropriately incentivised to improve its quality of service in line with consumer expectations.¹¹

Submissions on this paper

26. We seek your views on the matters discussed in this paper and the proposed drafting of the Aurora Energy Customised Price-Quality Path Amendment Determination by 5pm, 3 March 2026.

⁹ For example, see *Electricity Distribution Services Default Price-Quality Path (Wellington Electricity unforeseeable major capex project) Amendment Determination 2024 [2024] NZCC 13*.

¹⁰ [Commerce Commission “Input methodologies review decisions Consolidated reasons paper” \(20 December 2016\)](#), Topic paper 4: Cost of capital issues para 616.

¹¹ Section 52A(1)(b) of the Commerce Act.

27. Please address your submission to Ben Woodham c/o infrastructure.regulation@comcom.govt.nz with 'Aurora Error Event opener consultation' in the subject line of your email.
28. We prefer submissions in both a format suitable for word processing (such as a Microsoft Word document), as well as a 'locked' format (such as a PDF) for publication on our website.

Confidential submissions

29. While we encourage public submissions so that all information can be tested in an open and transparent manner, we recognise that there may be cases where parties that make submissions wish to provide information in confidence. We offer the following guidance.
 - 29.1 If it is necessary to include confidential material in a submission, the information should be clearly marked, with reasons why that information is considered to be confidential.
 - 29.2 Where commercial sensitivity is asserted, submitters must explain why publication of the information would be likely to unreasonably prejudice their commercial position or that of another person who is the subject of the information.
 - 29.3 Both confidential and public versions of the submission should be provided.
 - 29.4 The responsibility for ensuring that confidential information is not included in a public version of a submission rests entirely with the party making the submission.
30. Please note that all submissions we receive, including any parts that we do not publish, can be requested under the Official Information Act 1982. This means we would be required to release material that we do not publish unless good reasons exist under the Official Information Act 1982 to withhold it. We would normally consult with the party that has provided the information before any disclosure is made.
31. We request that you provide multiple versions of your submission if it contains confidential information or if you wish for the published electronic copies to be 'locked'. This is because we intend to publish all submissions on our website. Where relevant, please provide both an 'unlocked' electronic copy of your submission, and a clearly labelled 'public' version.