Aurora ENERGY

Submission

Treatment of operating leases

Issues paper

10 July 2019

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1 Introduction

Aurora Energy welcomes this opportunity to comment on the Commerce Commission's (Commission) consultation paper *"Treatment of operating leases – Issues paper"* (Consultation Paper).

No part of our submission is confidential and we are happy for it to be publicly released.

If the Authority has any queries regarding this submission, please do not hesitate to contact:

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2 Support for proposal

The Commission has proposed to:

- align the price-quality regulation and information disclosure requirements with the new financial reporting standard that has been issued by the New Zealand Accounting Standards Board (Standard); and
- amend the input methodologies (IMs) so that operating leases continue to be treated as operating expenditure for IRIS purposes.

We agree with the Commission's view that the treatment of operating leases should be aligned with the Standard.

In our opinion, alignment supports the low-cost purpose of price-quality regulation, set out in section 53K of the Commerce Act 1986, by reducing compliance costs and complexity for distributors. To ensure that compliance costs are kept low and complexity is minimised, it is important that there is consistency between financial and regulatory reporting requirements, and amending the regulatory framework in the manner proposed achieves this.

We also support the proposed IM amendments, so that operating leases continue to be treated as operating expenditure for IRIS purposes. We agree that this approach will be simpler to administer and is more desirable than introducing a complex wash-up mechanism.