

# AURORA ENERGY PERFORMANCE: CUSTOMISED PRICE-QUALITY PATH

Year 1 | Apr 2021 – Mar 2022

This factsheet outlines our summary and analysis of how Aurora Energy Limited (Aurora) is performing and delivering in the first year of its Customised Price-Quality Path (CPP). It also provides insight into Aurora's investments into its network assets, customer engagement and accountability, and quality and service reliability.

## Investments & overall delivery

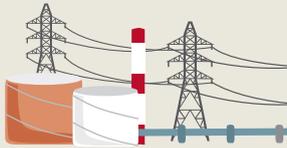
Aurora Energy reported that it has complied with all its statutory requirements in Year 1 (01 April 2021 – 31 March 2022).

As required, Aurora Energy published an annual compliance statement and annual delivery report on its website. Aurora Energy explains it is completing necessary work and spending money effectively on its network assets. Aurora Energy has approval to charge consumers enough to enable it to invest \$563m over a 5-year period (01 April 2021 – 31 March 2026) to address safety and reliability risks across its network.

**65% of Aurora Energy's total expenditure in Year 1 has been spent on assets and network improvements.**

### What we see

**Reliability** has been impacted by adverse weather (see page 2).



Major **investment** on asset replacement and renewals to enhance network reliability and growth (see page 3).

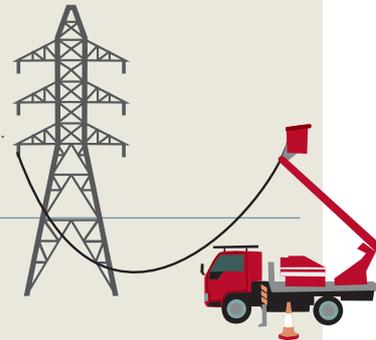
Renewed commitment in **engagement with consumers** and **increased accountability** (see below).



### Major projects carried out in Year 1

#### Dunedin Sub-network

- Waipori high voltage line upgrade.
- Outram zone substation upgrade.
- Otago Harbour crossing project to replace high lattice towers and overhead lines with submarine cables.
- Otago Peninsula overhead line upgrade.



#### Central Otago and Wanaka Sub-network

- Lake Hāwea overhead line upgrade.
- St Bathans lines under-grounded.
- Clyde 11kV overhead line upgrade.
- Roxburgh upgrade of 1.3 kilometres of power lines and 23 poles overhead lines.
- Ettrick zone substation upgrade (new switchgear and protection equipment).
- Work commenced on new Omakau zone substation.

#### Queenstown Sub-network

- Glenorchy upgrade of power poles and crossarms.
- Work commenced on Arrowtown ring upgrade (a 9 kilometre new cable route).

## Consumer engagement & accountability

Aurora Energy has demonstrated strong commitment to engagement and communication with consumers on operational issues to re-build trust and confidence amongst customers.

Areas of engagement where Aurora Energy showed improved performance:

- Committing to the terms and conditions of its new customer charter and consumer compensation plan that applies when power outage is not restored within a specified timeframe.
- Commencing a yearly survey of customers to establish customer service value preferences for the purpose of measuring progress and further improving services.
- Using a variety of channels (print, radio, and online advertising) to promote public consultation.
- Developing its planning, management, and communication of planned interruptions to customers.
- Improving communication with customers in relation to interruptions/outages to their electricity supply among other things.
- Improving transparency of pricing by engaging with consumers and promoting awareness to ensure interested persons understand how Aurora Energy sets prices for each of its pricing regions.

In Year 1, Aurora Energy began the process of revising its customer charter. The charter outlines Aurora Energy's commitments and its consumer compensation arrangement when power outage restorations do not go as planned. Aurora Energy promoted public knowledge about the charter during the period.

#### Identified areas for improvement:

Notifying and updating customers on interruptions affecting them in a timely manner:

- There were instances where Aurora Energy did not meet customers' expectations to notify them of planned interruptions before they occurred and to restore electricity after an unplanned interruption within its commitment to customers.
- As a result, Aurora Energy paid service failure credits to the affected customers.

**We are focused on interruptions and will continue to monitor Aurora Energy's progress and improvements in this area as well as report our findings.**



# Quality and service reliability

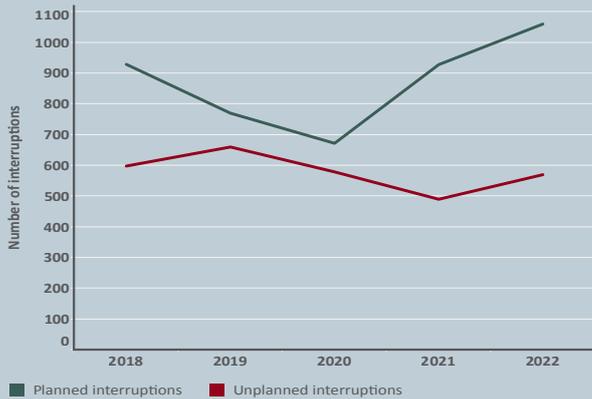
**86%** of Aurora Energy's planned interruptions in 2022 met the requirement to notify customers before the interruption, a significant improvement compared to **53%** in 2021.

Aurora Energy suggests that the current elevated level of its planned power outages will need to continue to permit ongoing upgrade and maintenance work in its network. Aurora Energy is committed to improving customer notifications.

*Note: Year on chart refers to regulatory year ending on 31 March of the stated year.*

Customers have experienced an increase in the number of planned and unplanned interruptions. Planned interruptions are due to outages for maintenance work.

## Total number of interruptions

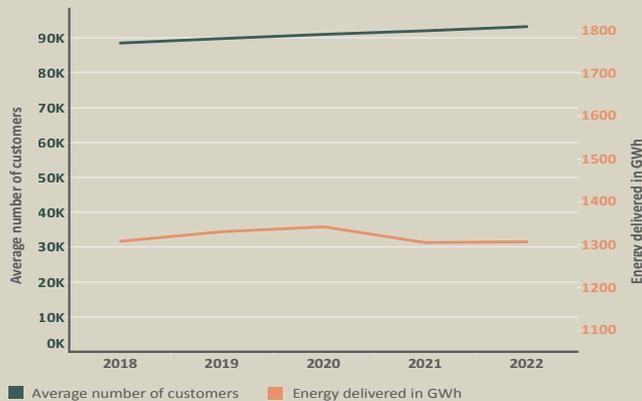


## Key processes Aurora Energy has set up to enhance quality:

- Developed an outage variation reporting framework to analyse any outages that did not go as planned.
- Developed new guidelines for outage planning that is driven by customer considerations.
- Improved availability of out-of-hours contact to allow customers to report faults after-hours and on the weekends.
- Bundled different types of maintenance work into the same outage to reduce number of outages.
- Adopted a new cancellation and deferral process, which allows Aurora Energy to identify any corrective actions and improvement opportunities for times when planned outage is about to be cancelled.

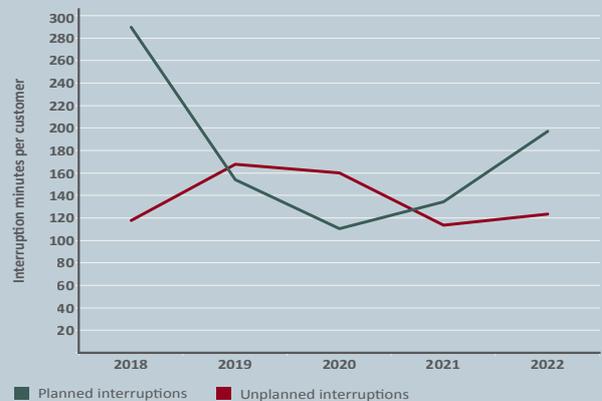
Aurora Energy has seen continuous growth in the number of average customers it serves. There has been a slight drop in the volume of energy delivered by Aurora Energy since 2020.

## Energy volumes and customers served



Interruption minutes per customer as represented by System Average Interruption Duration Index (SAIDI) is a measure of reliability of Aurora Energy's network. Planned interruptions have increased as a result of the work undertaken to replace assets. The Unplanned interruptions have also increased slightly in 2022.

## SAIDI: Planned and Unplanned



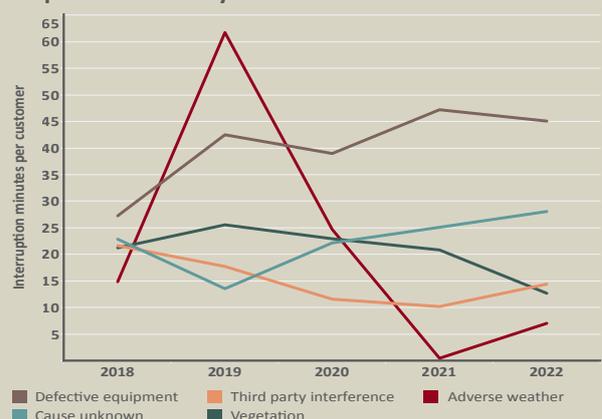
With the increase in unplanned interruptions in 2022, there is a corresponding increase in outages restored within 3 hours and greater than 3 hours. The likely cause of Interruptions requiring greater than 3 hours to restore includes adverse weather and third party interference.

## Unplanned interruptions: Restoration time



In 2022, unplanned interruptions caused by defective equipment and vegetation have decreased. Unplanned interruptions caused by adverse weather and other factors outside the direct control of Aurora Energy have increased.

## Unplanned SAIDI by cause



# Expenditure breakdown

Aurora Energy's capital expenditure in Year 1 was **8%** higher than the CPP forecast while its operating cost was **15%** less.

The charts below illustrate that Aurora Energy is addressing historical under-investment in its network assets as proposed in its CPP application.

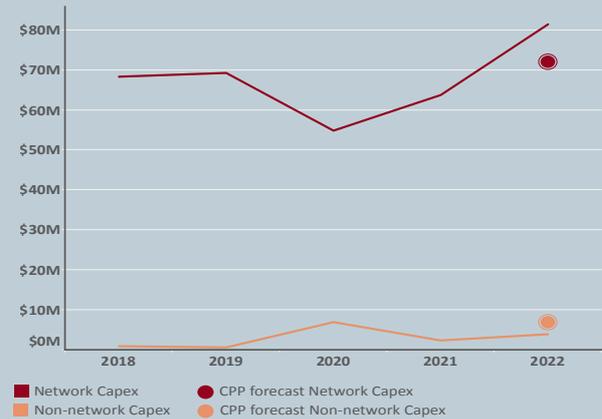
Aurora Energy spent \$131m on capital expenditure (Capex) and operating expenditure (Opex) in 2022. Between 2021 and 2022, there was a noticeable increase in Aurora Energy's capital investment while operating expenditure remained stable.

## CAPEX and OPEX



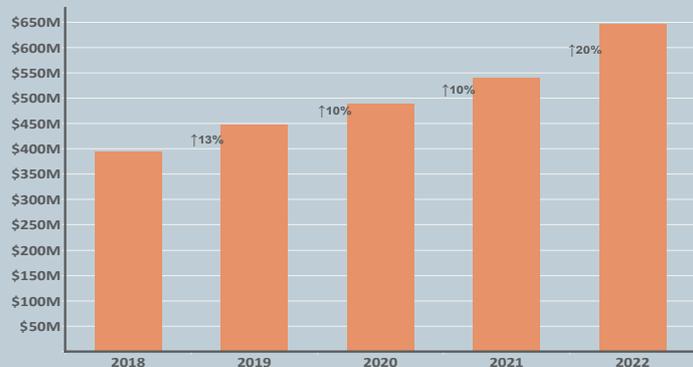
The capital expenditure on network assets increased significantly in 2022 (Year 1). Non-network assets such as software and office buildings represent a small portion of Aurora Energy's capital expenditure.

## CAPEX: Network and Non-network



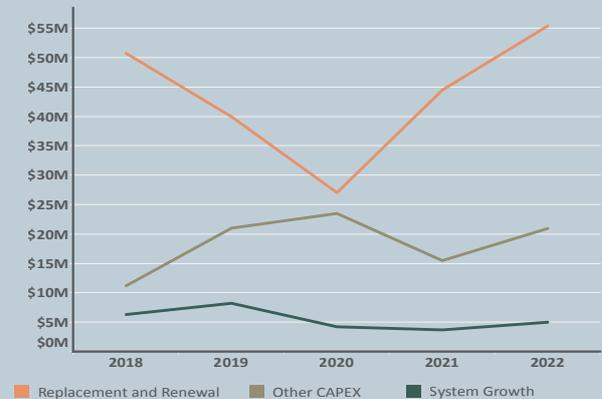
Aurora Energy's investment in 2022 contributed to a **20%** increase in its Regulatory Asset Base (RAB). New and replacement assets commissioned amounted to **\$93m** in the asset base.

## Closing RAB



Expenditure on network assets has increased due to replacement and renewal of assets such as poles, cables, crossarms and conductors among others.

## Network CAPEX by categories



## Why is the Commerce Commission monitoring Aurora Energy specifically?

In March 2021, we decided to allow Aurora Energy to recover increased spending needed to address safety and reliability issues on its network. This subjects Aurora Energy to a customised price-quality path regulation for a five-year period from 01 April 2021 – 31 March 2026.

In approving the price-quality path, we required Aurora Energy to improve the visibility of its performance and accountability to stakeholders. Aurora Energy is required to publish an annual delivery report demonstrating its progress and disclose more information than electricity distribution businesses under default price-quality path.

The Commerce Commission, under s 53B(2)(b) of the Commerce Act 1986, has a statutory obligation to publish a summary and analysis of disclosed information for the purpose of promoting greater understanding of the performance of individual regulated suppliers, including Aurora Energy.

## What is next?

When setting the additional Information Disclosure (ID) requirements on Aurora Energy, we noted that we intended to carry out summary and analysis of Aurora Energy each year to better understand its performance and to track changes over time.

We expect to provide more detailed analysis as time goes on and more information becomes available.