

18 January 2021

Commerce Commission
PO Box 2351
Wellington 6140.

By email to feedbackauroraplan@comcom.govt.nz

Re: Cross submission on Aurora CPP Draft Decision

Dear Commission

Thank you for the opportunity to provide this cross submission on the Aurora CPP draft decision submissions that were published in December 2020. We will not repeat our December views on the draft decision, but we do have a few comments to make regarding views that other stakeholders included in their submissions.

Our main comments relate to the Commission's reliance on Strata and its top-down benchmarking as vital input to reducing the opex cost levels in Aurora's CPP. While other submitters share our concerns here, they also voice concerns about the 'capture' that Strata's views seem to have with the Commission. Other submitters also share our considerable concerns with how the Commission appears to have discarded much of the detailed work that the verifier undertook and the chilling effect that the Aurora CPP process may have on other EDBs who may contemplate applying for a CPP. The independent verification process involving intensive scrutiny and direct engagement with the Company would be seen as worthless if the Commission were to continue to favour the high-level approaches adopted by Strata, which appear to suffer significant flaws and errors.

Submitters also share ENA's Members concerns with the recovery risk associated with the use of a 10% total revenue cap and also that it is expressed in nominal dollars rather than in real terms – as Aurora has noted it is real dollars that cause price shocks for consumers, not

nominal. Moreover, it is not evident that the Commission has factored into its position the relatively low starting position for Aurora's prices in adopting a 10% cap.

The role of CPI in CPP/DPP revenue modelling is a topic that has been referred to in our DPP3 submissions and is equally important in terms of Aurora's CPP. The comments that Vector included in its Aurora CPP draft decision submission talk to this issue in a comprehensive way. It is important that Aurora has an expectation of achieving real financial capital maintenance, but current methods of establishing CPI forecasts and rolling forward the RAB would prevent Aurora having that expectation.

Again, we appreciate the opportunity to offer these cross-submission views.

Kind regards

A handwritten signature in grey ink, appearing to be 'd' followed by a stylized flourish.

David de Boer
Principal Advisor
Electricity Networks Association