# DCC Submission re Proposed Aurora Sale

**Disclosure**
As DCC ratepayers, my wife and I should benefit from the sale of Aurora Energy Ltd as we are in the OtagoNet Area. However, we oppose the sale of Aurora.

We need to consider the total costs to households when studying rates and power charges for the greater Dunedin area.

**Submission**
Aurora Energy Ltd is a natural monopoly. Whilst there is very limited competition in the Queenstown area from PowerNet via its ownership of the Lakeland Network, the majority of electricity in Aurora's supply areas is supplied by Aurora.

Our fixed daily charge is **289 cents** + GST/day.
Aurora's Dunedin, Central Otago/Wanaka, and Queenstown equivalent fixed daily charge is **60** cents/day.

In my opinion OtagoNet consumers have not benefited from the purchase of their network by a PowerNet consortium in the early 2000's with the above line charge differential being evidence of this.

If Aurora was sold, assuming the current board and management are competent then increasing your return on investment, which is what all business owners, let alone monopoly owners, strive for, is done by:

Increasing prices or,
Holding or decreasing costs – maintenance and capital expenditure,
Or a combination of both of the two above items.

The result is either a lowering of customer service or an increase of combined costs (Rates and power charges) to the Dunedin customer or both.

If the DCC councillors believe that a third party could run Aurora better, and thus make a better return on their investment that is currently happening, then the DCC is acknowledging that they do not have the skills to appoint good Aurora Board members who do have the ability to govern effectively. This implies that the DCC should remove itself from all commercial enterprises if the preferred proposal to sell Aurora goes ahead.

If this is not the case, then the DCC should keep Aurora noting that it will return to profitability in the future.

The issue of Aurora not being currently acceptably profitable is of the DCC and former Aurora Board making. Historically as I understand it, the DCC was happy to accept dividends from Aurora with little or no oversight as to how the quantum of dividends were possible and whether they would continue. Now is the time to retain the investment in Aurora, not dispose of it when it is commercially weak.

The Proposal document states that "*interest in purchasing Aurora Energy is expected to be high and is likely to generate a price premium."* Protentional purchasers will want to gain a return on their investment – the only reason that one pays a price premium for a business is that one can see opportunities to strip out costs , increase income via higher electricity prices, or both. Thus, in effect the DCC proposal envisages that most of Dunedin's ratepayers will face increased combined rates and electricity charges.

The argument that the return on the investment fund as proposed will offset rates rises fails as the new investor has to cut expenditure or increase charges or both to make their investment pay.

The proposal notes that *"The alternative is to keep Aurora Energy, which is likely to increase its capital value over time."*

It then goes on the say that Aurora Energy is likely to take on more debt. There is no problem with a commercial entity taking on more debt in order to make more money. The growth in Aurora is coming out of Central Otago/The Lakes District so consumers outside the Dunedin area are contributing to subsidizing Dunedin ratepayers in the long term.

Renewal of the aging Aurora distribution system can also be funded with debt as this is overseen by the appropriate Regulatory Authorities. This would continue on an economic needs basis as required by Aurora Energy's analyses.

An analysis is attached showing for the Southern South Island that Balclutha lines component has had the highest price movement compared to Invercargill, Dunedin, and Blenheim***. This is a clear relevant and local example that a Lines Company takeover is likely to lead to higher pricing***.

**Conclusion**
It is my opinion that the proposed sale of Aurora Energy Ltd will not benefit ratepayers of Aurora's Dunedin consumers as mooted in the consultation document.

I therefore recommend that the DCC do not sell Aurora Energy Ltd.

## Appendix – Domestic Electricity Costs 2004 – 2023

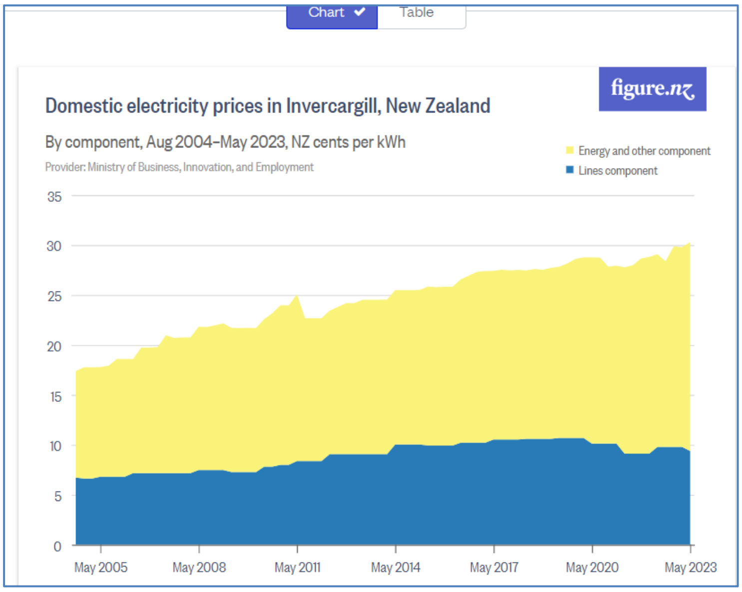
### Introduction

A search of domestic power price trends in the southern South Island and Marlborough Lines Company Ltd reveals that the largest price movement was in Balclutha.

### Selected Lines Companies Price Comparison

Balclutha is in the OtagoNet area – and as such is the only area where the lines company was purchased in this time period. It was purchased by a PowerNet/Marlborough Lines company consortium.

The data source is figure.nz/chart/…….

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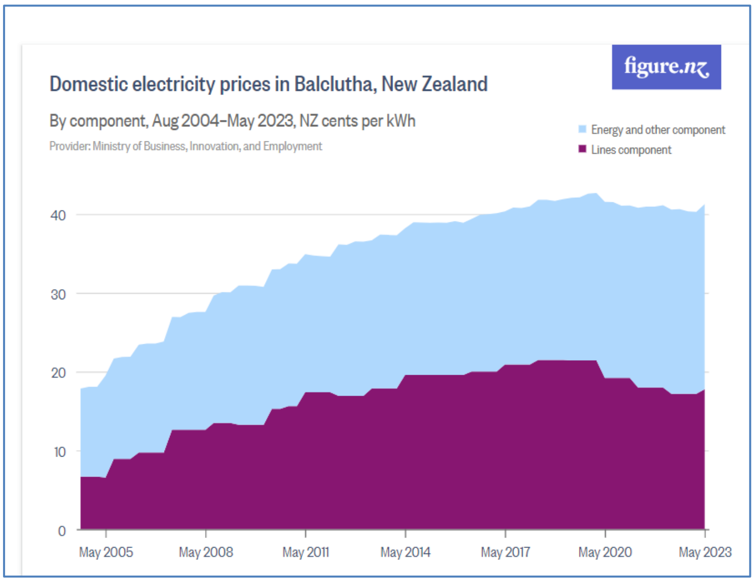


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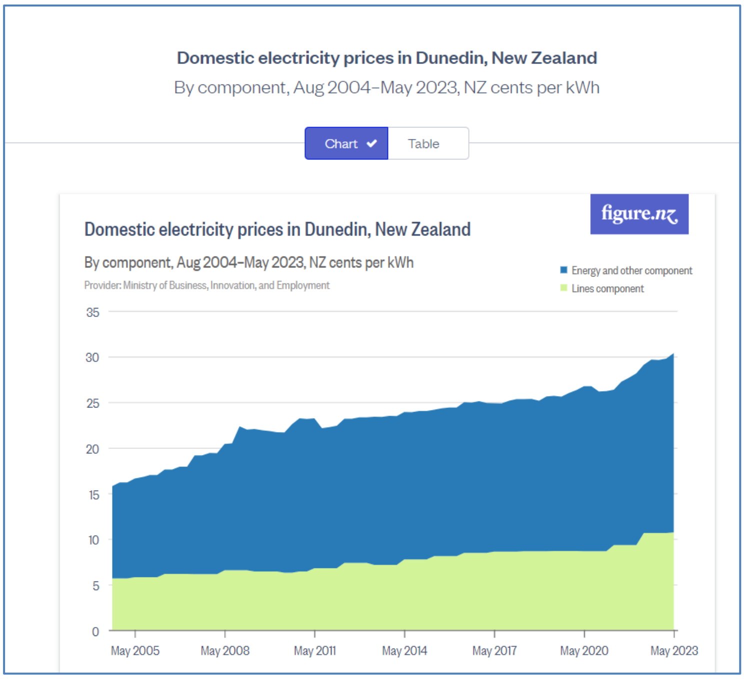
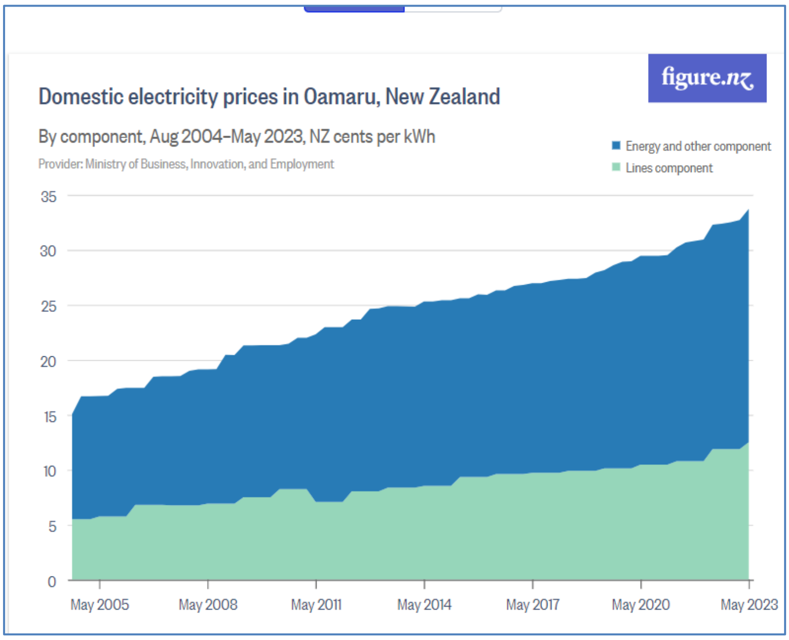



Supplied by Auroa Energy Ltd




Supplied by Network Waitaki

| | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| 1 | C:\Users\Nigel\Documents\[Domestic Electricity Price Movements.xlsx]Sheet1 | | | | | | | |
| 2 | | | | | | | | |
| 3 | Lines Component | | | | | Energy component | | |
| 4 | | 2004 | 2023 | % change | | 2002 | 2023 | % change |
| 5 | Invercargill | 7 | 9 | 29% | | 11 | 21 | 91% |
| 6 | | | | | | | | |
| 7 | Balclutha | 7 | 17 | 143% | | 11 | 23 | 109% |
| 8 | | | | | | | | |
| 9 | Dunedin | 6 | 11 | 83% | | 11 | 19 | 73% |
| 10 | | | | | | | | |
| 11 | Oamaru | 6 | 13 | 117% | | 10 | 21 | 110% |
| 12 | | | | | | | | |
| 13 | Blenheim* | 7 | 16 | 129% | | 11 | 23 | 109% |
| 14 | Note that in 2018 Marlbough Lines Company bought Yealands wines | | | | | | | |

Price Movement Table – Balclutha has had the highest Lines Component price movement.