

# IMPROVING THE WAY WE ESTIMATE COSTS

## A SNAPSHOT OF OUR COST ESTIMATION PRACTICES DEVELOPMENT PLAN

We recognise the way we estimate our costs ultimately affects the investment decisions we make and therefore the performance of the service you receive and the prices you pay.

That's why we are committed to improving the accuracy of our **cost estimations and budgets** for asset renewals and maintenance, and for assessing options to meet future growth.

To ensure that we **effectively forecast our short-term and long-term costs**, it is important that we have the capability to forecast the things driving network investment and maintenance, and then track and predict the associated unit costs.

### Customer benefits

- Enhanced cost estimation to inform better business decisions
- Greater transparency of the drivers of costs for projects and programmes
- Improved cost estimation and therefore cost-efficiencies for customers

For a full copy of our **Development Plan** go to [www.auroraenergy.co.nz/disclosures/delivering-our-cpp](http://www.auroraenergy.co.nz/disclosures/delivering-our-cpp)

## HOW WE PLAN TO IMPROVE OUR COST ESTIMATION PRACTICES

\*Regulatory Year (RY) runs from 1 April - 31 March

Initiative	How we'll do it	By when*
Unit rate estimation	Embed project cost breakdowns in our processes/systems/templates.	RY23
	Leverage the above new processes to comprehensively capture unit rate costs in RY24.	RY24
	Manage major project costs and ensure tender documents provide the necessary detail to inform ongoing reviews of various unit rate costs.	RY23-24
	Where practical, seek to agree unit rates with our contractors for high-volume low-cost work.	RY23-26
Project cost estimation	Introduce a more comprehensive system and process for managing project cost estimations, to include integration with our Asset Management Plan (AMP) forecast reporting tool and our unit rate estimation tool.	RY23-24
	Extend the development of project estimates to include additional programmes of work such as distribution reinforcement projects and power line renewal projects.	RY24
Network operating (OpEx) models	Review our list of OpEx change initiatives to test their ongoing relevance and timing, ready for capture in our RY24 budgets.	RY23
	Review our OpEx 'trend' assumptions in RY23, ready for capture in our RY24 budgets and forecasts.	RY23
	Improve coding and annually review costs for each OpEx programme to better understand our 'base' cost drivers, and to determine whether a change in each 'base' forecast can be made.	RY23-24
Vegetation forecast	Capture/transition contractor vegetation programme information in our own systems (subject to any Tree Regulation changes).	RY24-25
	Develop a 'bottom-up' forecast model to better understand what is driving vegetation management costs - to improve our ability to forecast future costs. This is dependent on improved vegetation status capture and cost data.	RY25

