



25 March 2011

Capital Contributions Policy

Aurora has reviewed its policy and methodology of calculating capital contributions required for connection of developments and new consumers. The changes summarised below are effective from 1 April 2011, subject to the transition arrangements described.

The purpose of the change is to more accurately signal the true cost of providing and maintaining supply over the life of the connected assets, and are intended to be revenue neutral to Aurora. That is, while the contributions from individual developments may change, the overall effect is that new loads will, in aggregate, continue to make the same level of capital contributions as previously.

For new and upgraded connections requiring a capacity of 150kVA or more (Large Developments), capital contributions will be determined on the basis of economic investment analysis. Contractors will price the work required to give new and upgraded connections, as they have done in the past, and will forward that pricing to Aurora for input into the economic model. The economic model will calculate the expected future use-of-system charges (distribution) that will be generated from the new or upgraded connection, and factor this against the future cost of ownership, including an allocation of operations and maintenance costs and the costs associated with shared use of upstream assets that Aurora has already provided. In circumstances where analysis indicates that the new or upgraded connection is likely to be uneconomic, a capital contribution will be required before the connection will be provided.

In conjunction with the policy change, a change to the capital funding process will also occur. Aurora will now be responsible for arranging quotations for connecting Large Developments, following the economic analysis, and will arrange the contractual documentation directly with the developer. Upon acceptance from the developer, Aurora will then engage the contractor to construct the new or upgraded connection. This will ensure that clear lines of accountability exist in contractual arrangements, and that Aurora can more effectively discharge its duties as a Principal. These matters will be more explicitly detailed in revised policy documentation that will be issued in the near future.

The changes will not affect Small Developments (those adding less than 150kVA of capacity) as they have a lesser impact on the assets required to give or maintain supply, and correspondingly because the higher cost of a more sophisticated approach isn't warranted.

During the transition to the new method, developments for which Aurora funding has already been agreed and for which construction has both been committed and commences within 90 days will remain unchanged.

A handwritten signature in blue ink, appearing to read "Grady Cameron".

Grady Cameron
Chief Executive Officer