

# Watercare's performance in 2025

Report prepared by the Commerce Commission as  
Crown monitor to Watercare

28 November 2025



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## Foreword

Our role as Crown monitor to Watercare formally started on 1 April 2025. Since then, we have been building the foundation for improved transparency and accountability of Watercare. This will help ensure that Watercare delivers outcomes that matter to Aucklanders.

The initial baseline performance report, published in October 2024, was a collaboration between us, Department for Internal Affairs, and National Infrastructure Funding and Financing. This was a major step forward and identified areas where Watercare needs to significantly improve its performance. The Charter was then designed to encourage those improvements.

Under the Charter, the increase in customer bills has been limited to 7%, substantially lower than previous plans. The resulting revenue expectation has been sufficient to enable Watercare's successful financial separation from Auckland Council on 1 July 2025, including a \$3.4 billion debt raise. This initial success reflects well on the Watercare team.

I want to also acknowledge Watercare's work and constructive engagement with the requirements to prepare the foundational reporting required by the Charter. Watercare has signalled that it sees interim regulation as an opportunity for continuous improvement, which we welcome.

We are pleased to present this first report on Watercare's performance to the Minister of Local Government, Minister of Commerce and Consumer Affairs and Auckland Council. This report complements the baseline report. It looks at performance through a lens of Watercare's current public facing performance measures and targets in the 2025 financial year (1 July 2024 to 30 June 2025). We also look ahead to the initiatives we expect will drive performance improvements.

The existing key measures and targets that Watercare uses to inform its stakeholders shows it generally meets or exceeds its performance targets.

However, we are concerned about the apparent disconnect between the performance story in the public reporting and the outcomes we are observing. Current measures, many of which pre-date the Charter, do not paint the full picture and this gap must be addressed.

As just one example, the wastewater overflows into the Mahurangi Harbour show a clear disconnect between community and stakeholder expectations and Watercare's performance. In the coming year we expect to work with our co-regulators to ensure investment in reducing overflows delivers the best possible value to consumers and that Watercare demonstrates this in a way that we can all understand.

This report is not a deep dive—it is a starting point. It uses published measures to establish a baseline. Over time, we expect Watercare's reporting to evolve, enabling more detailed analysis and better insights.

We remain focused on outcomes for consumers. That means understanding not just what Watercare reports, but what Aucklanders experience. We will continue to monitor, report and effect change with the long-term interests of consumers at the heart of our work.

Dr John Small  
Chair, Commerce Commission

## Executive summary

- X1 Watercare is New Zealand's largest provider of drinking water and wastewater services. It provides services to 1.7 million people in the Auckland region.
- X2 In 2024, the Government introduced interim economic regulation of Watercare, to support Watercare's financial separation from Auckland Council. The interim regulation includes regulations to control price increases and support growth in Auckland.
- X3 Watercare became financially separate from Auckland Council on 1 July 2025. It can now raise its own debt to help fund its projected investments, and has greater flexibility to spread the recovery of costs from its customers over time.
- X4 The new price-quality path also came into effect on 1 July 2025. Average water and wastewater bills are estimated to increase by 7.0% for the 2026 financial year (**FY26**), substantially lower than projected increases under the previous financial arrangements.

## Purpose of this report

- X5 This report marks our first annual assessment of Watercare's performance, as required under the interim regulatory regime.
- X6 The purpose of this first report is to establish a baseline for future annual performance assessments, to promote transparency and accountability of Watercare's performance, and to identify the factors that will drive performance improvements.

## Our role and the transition to enduring regulation

- X7 The Government saw economic regulation as an important prerequisite for Watercare's financial separation from Auckland Council. In September 2024, the Government introduced interim economic regulation for Watercare, implemented through the Watercare Charter (the **Charter**). The Minister of Local Government appointed the Commerce Commission to act as the Crown monitor to Watercare.
- X8 Our formal role officially began on 1 April 2025 and will continue until the end of interim economic regulation under the Charter in mid-2028. Enduring price-quality regulation will apply after that, alongside information disclosure regulation.
- X9 As Crown monitor, our role is to monitor and report on Watercare's performance and ensure it meets the requirements set out in the Charter. During this interim period, our role does not include scrutinising Watercare's costs or investment decisions. Instead, our focus is on monitoring performance and supporting continuous improvement in key areas that drive better outcomes, such as Watercare's asset management maturity.

- X10 In our experience, targeted regulatory interventions that modify the natural incentives of natural monopoly businesses like Watercare, and that encourage positive behavioural change, are often effective at improving outcomes. In some instances, more direct intervention, as provided for by legislation, may be appropriate.
- X11 **We promote transparency.** Our annual reports help the public and stakeholders understand how Watercare is performing across key areas like service reliability, water quality, pricing and environmental impact.
- X12 **We support performance improvement.** By monitoring and reporting on Watercare's progress, we help drive continuous improvement and ensure Watercare is working in the long-term interests of its customers.
- X13 **We provide independent oversight.** Our role is to observe, assess, and report—not to manage Watercare's operations. We provide independent oversight to support better outcomes for consumers.
- X14 From mid-2028, Watercare will be subject to enduring economic regulation, including full price-quality regulation and information disclosure. Our role will evolve from monitoring performance under the Charter to applying deeper scrutiny to Watercare's costs, investment plans and future expenditure. The work we are doing now—supporting continuous improvements in asset management and organisational capability—will help lay the groundwork for this next phase of regulation.

## **Our assessment period largely pre-dates the Charter**

- X15 This performance assessment covers the 2025 financial year (**FY25**). The Charter was in effect only for the last quarter of this period.
- X16 For this first report, we have relied heavily on pre-existing measures and information to understand Watercare's current performance. We have relied on measures and targets in the Charter where available and measures contained in Watercare's Statement of Intent (**SOI**).
- X17 These are measures that are publicly available at this time, that may assist interested persons to assess how Watercare is performing. However, we do not necessarily consider these existing measures and targets are the best indicators of Watercare's performance, as they were set in a different context and for different purposes.
- X18 Over time we expect performance measurements to get better at assessing Watercare's performance, including as a result of Watercare's reporting obligations under the Charter.



## Key observations on Watercare's performance in 2025

- X19 The Charter is already driving change. Since the Charter began on 1 April 2025, Watercare has put in the mahi to ensure it meets its regulatory obligations. The company has enhanced its transparency through its quarterly delivery and performance reporting. Work is underway on several improvement plans, and Watercare will regularly report on progress. Importantly, it is going beyond narrow compliance with the Charter. Watercare has signalled to us that it sees interim economic regulation as an opportunity for continuous business improvement.
- X20 The scope of this report is to provide our observations on Watercare's performance in FY25 and on what will drive improvements in the future. We have not drilled down into detailed analysis, due to the data limitations noted above. Rather, this report provides a baseline for more detailed analysis in our future reporting.
- X21 Watercare met most of its performance targets in 2025, and all of the regulatory requirements in the Charter including the requirements of the price-quality path.
- X22 Table X.1 (on the next page) summarises Watercare's reported results across the performance areas we have assessed (left-hand column) and the factors we expect to drive improvement over the Charter period (right-hand column).

**Table X.1 Summary of key performance observations**

<b>Customer</b> —Customers’ direct experience of Watercare’s services, and Watercare’s engagement with customers and other stakeholders.		
Charter	Met	Scope for continuous improvement through initiatives such as: <ul style="list-style-type: none"><li>continued commitment to good-practice stakeholder engagement,</li><li>current improvements to developer engagement.</li></ul>
SOI	Generally met	
<b>Drinking water quality</b> —The safety of drinking water Watercare provides.		
Charter	N/A	Scope for improvement arising from changes in Watercare’s capability and capacity as an organisation, and in its governance.
SOI	Generally met	
<b>Network performance</b> —Reliability of water and wastewater infrastructure, including capacity management, wastewater overflows and water losses.		
Charter	Met	Scope for improvement through: <ul style="list-style-type: none"><li>improvements to asset management, and</li><li>use of the economic level of leakage (<b>ELL</b>) to inform investment decisions.</li></ul>
SOI	Generally met	
<b>Environmental performance</b> —Water use, energy consumption, and discharges.		
Charter	N/A	Scope for improvement arising from changes in Watercare’s capability and capacity and in its governance.
SOI	Met	
<b>Investment, funding &amp; financing</b> —Planned investment and ability to fund and finance infrastructure sustainably.		
Charter	Met	Benefits will be driven by: <ul style="list-style-type: none"><li>improvements to investment delivery and asset management</li><li>greater transparency of costs and investment delivery, and</li><li>changes in organisational capability.</li></ul>
SOI	Met	
<b>Pricing</b> —How Watercare’s costs are recovered from existing and new users of Watercare’s services, including affordability and pricing for growth.		
Charter	Met	Improvements will be driven by: <ul style="list-style-type: none"><li>Charter requirements in relation to maximum revenues and infrastructure growth charges, and</li><li>Watercare’s upcoming review of its pricing methodology.</li></ul>
SOI	Met	
<b>Delivery</b> — Watercare’s ability to deliver planned investments and manage risks.		
Charter	N/A	Scope for continuous improvement. Benefits will be driven by: <ul style="list-style-type: none"><li>improvements to investment delivery and asset management, and</li><li>changes in organisational capability.</li></ul>
SOI	Generally met	
<b>Governance, capability and capacity</b> — leadership and ability to drive change, internal systems and processes, and people.		
Charter	N/A	Scope for continuous improvement to improve asset management maturity and delivery. The Charter requirement to develop an infrastructure delivery and asset management improvement plan and report on progress is a catalyst for improvement.
SOI	Generally met	

## Chapter 1 Introduction

- 1.0 This is our first report on Watercare’s performance under Part 4 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (**WSPA Act**).<sup>1</sup>
- 1.1 In this introduction, we set out:
  - 1.1.1 the purpose of this report
  - 1.1.2 an overview of the interim economic regulation of Watercare, the Watercare Charter (the **Charter**), and our role as Crown monitor to Watercare
  - 1.1.3 a summary of the period covered by this performance assessment and our approach
  - 1.1.4 background on Watercare, the regulatory landscape it operates within and the role of mana whenua
  - 1.1.5 our overall observations on how Watercare is responding to interim economic regulation, and
  - 1.1.6 the structure of this report.

### Purpose

- 1.2 Interim economic regulation of Watercare came into effect on 1 April this year. Watercare has been implementing the new requirements, and reporting against them, since the last quarter of the 2025 financial year (**FY25**).<sup>2</sup>
- 1.3 Our purpose with this first annual performance report is to set a baseline for future reporting on Watercare’s performance that:
  - 1.3.1 gives you a picture of Watercare’s performance in FY25 in the key areas that affect outcomes for customers and other stakeholders
  - 1.3.2 comments on Watercare's compliance to date with the price-quality path specified in the Charter, which commenced on 1 July 2025<sup>3</sup>
  - 1.3.3 puts performance in a historical context to make it easier to see how things are changing

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<sup>1</sup> Local Government (Water Services Preliminary Arrangements) Act 2024, section 87, requires us to report on Watercare’s performance in the previous financial year against the minimum service quality standards, performance targets, financial performance objectives and price-quality path contained in the Charter.

<sup>2</sup> FY25 is the 2025 financial year, ie, the 12 months from 1 July 2024 to 30 June 2025.

<sup>3</sup> The Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 implements interim economic regulation of Watercare.

- 1.3.4 identifies what will drive improvements in Watercare’s performance over the Charter period, including initiatives Watercare is currently implementing, and
- 1.3.5 pulls the available information together in an accessible way, to help stakeholders understand how Watercare is performing.
- 1.4 This report is supported by **“Watercare’s performance trends – 2025 edition”**, for stakeholders who want a more detailed understanding of trends and performance over time.

## Interim economic regulation of Watercare

- 1.5 Part 4 of the WSPA Act establishes an interim economic regulatory regime for Watercare, overseen by a Crown monitor.<sup>4</sup> This regime is implemented through the Charter, which sets out detailed performance and compliance requirements for Watercare.<sup>5</sup>

### Why we have interim economic regulation for Watercare

- 1.6 The Government introduced economic regulation for Watercare ahead of the rest of the sector to address several concerns. These included projected increases in customer bills under Watercare’s previous financial arrangements, investment delivery challenges with respect to Watercare’s infrastructure to enable housing growth, ensuring that “growth pays for growth”, operating cost efficiency, and performance outcomes.
- 1.7 The Government saw economic regulation as an important prerequisite for Watercare’s financial separation from Auckland Council, which took effect on 1 July 2025. Financial separation enables Watercare to raise its own debt to help fund its projected investments (see chapter 6 for more on this).
- 1.8 For more detail on concerns that underpinned the Charter, see the Department of Internal Affairs’ (DIA’s) “Initial Baseline Performance Report on Watercare - October 2024”, which is available on the [DIA website](#). One year on, the concerns identified in that baseline report are still relevant for understanding Watercare’s performance and the issues that are addressed through economic regulation under the Charter.

### The Charter and our role as Crown monitor

- 1.9 The Charter came into force in April 2025, implementing detailed performance and reporting obligations for Watercare. These cover:
  - 1.9.1 minimum service quality standards for water and wastewater
  - 1.9.2 financial performance objectives

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<sup>4</sup> Local Government (Water Services Preliminary Arrangements) Act 2024, section 3(2)(e); and Part 4.

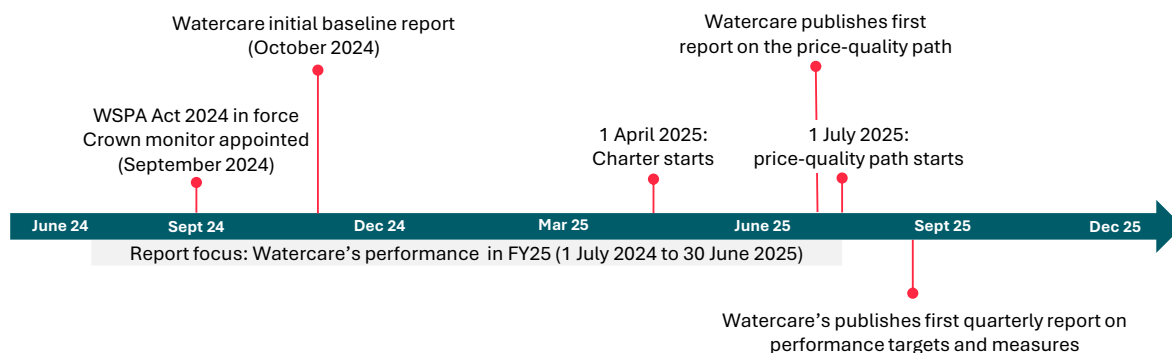
<sup>5</sup> The Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025.

- 1.9.3 a regulated price-quality path, specifying the maximum allowable revenue Watercare can recover from prices and requirements to rebalance Infrastructure Growth Charges (**IGCs**), and
- 1.9.4 planning and reporting requirements to drive improvements, transparency and accountability.
- 1.10 The Charter is expected to apply until 30 June 2028. After that, Watercare will be subject to enduring economic regulation under Part 4 of the Commerce Act, along with other water service providers.
- 1.11 The Government has appointed the Commerce Commission (**Commission**) as Crown monitor to Watercare. Our role is to monitor Watercare, report on its performance, and make sure Watercare is accountable for its obligations under the Charter. More information on our role as Crown monitor is contained in the “Crown monitor—Terms of Reference”, available on the [DIA website](#).

## Our assessment period largely pre-dates the Charter

- 1.12 This annual report assesses Watercare’s performance for the most recent financial year, ie, from 1 July 2024 to 30 June 2025. As the timeline below shows, the Charter was in effect only for the last quarter of this period.

**Figure 1.1 Period covered by this report and early Charter timings**



- 1.13 For this report, we have relied heavily on pre-existing measures to assess Watercare’s performance. We have used measures included in the Charter and measures contained in Watercare’s Statement of Intent (**SOI**). We have supplemented this with information in Watercare’s Business Plan and Annual Reports.
- 1.14 We do not necessarily consider these pre-existing measures and targets are the best indicators of Watercare’s performance, as they were set in a different context and for different purposes. Meeting the existing targets does not on its own demonstrate good performance, just that the targets have been met.

- 1.15 As more information becomes available over the Charter period, and as the regulatory system evolves, our and Watercare’s understanding of how to measure and assess performance will develop. We expect our approach to assessing Watercare’s performance, and the measures we use, to evolve accordingly.

## About Watercare

- 1.16 Watercare is New Zealand’s largest provider of drinking water and wastewater services. It provides services to 1.7 million people in the Auckland region. On a typical day Watercare supplies over 400 million litres of drinking water sourced from 29 locations, via 19 water treatment plants, 100 reservoirs and over 11,000km of water pipes. It collects over 400 million litres of wastewater, which runs through a network of 18 wastewater treatment plants, 561 stations and almost 9,000km of pipes. Watercare owns most of the water supply and wastewater assets in Auckland, with an infrastructure value of \$18.03 billion.<sup>6</sup>
- 1.17 In addition to providing services in the Auckland region, Watercare provides bulk water services to Tūākau and Pōkeno and operates Waikato District’s water, wastewater and stormwater services through a contract with Waikato District Council.
- 1.18 To learn more about Watercare, visit the [“About Us”](#) section of its website. In the [“Reports and Publications”](#) section you can find:
- 1.18.1 Watercare’s business plan, setting out how Watercare plans to respond to external challenges and deliver on its business priorities over the next 10 years
  - 1.18.2 its annual reports for FY25 and past years, and
  - 1.18.3 reports in response to economic regulation.

## Veolia operates Watercare’s network in Papakura

- 1.19 Watercare is the water and wastewater asset owner in the Auckland region, including in the Papakura District. However, Veolia provides water and wastewater services to over 75,000 people across the Papakura District. Veolia does this under a long-term franchise agreement with Watercare.<sup>7</sup>

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<sup>6</sup> Watercare [“Annual Report 2025”](#) (25 September 2025), p. 5.

<sup>7</sup> The franchise agreement started on 1 July 1997 for a 30-year term that ends in June 2027 and has a 20-year right of renewal. Watercare [“Annual Report 2025”](#) (25 September 2025), p. 55.

- 1.20 Veolia’s activities include operating and maintaining water supply and wastewater systems, managing and renewing infrastructure assets, ensuring water quality compliance, environmental management, customer services and support, meter reading, and billing.<sup>8</sup>
- 1.21 Watercare provides Veolia with bulk and transmission services. Developers building in the Papakura District contribute to the cost of growth in Watercare’s bulk water supply and wastewater transmission networks via IGCs collected by Veolia.
- 1.22 We have a statutory duty to monitor Watercare’s performance. Under s 86(2) of the WSPA Act, this includes the performance of any service or network that Watercare manages through a contract with a third-party provider. As such, we must also monitor the performance of the Papakura network that Watercare manages through a contract with Veolia. As part of this duty, we are ensuring transparency of performance improvements.
- 1.23 For the purpose of this report, all measures exclude measures for Papakura. Veolia only reports on a subset of information, and only started reporting information recently in relation to the last quarter of FY25. We will continue to engage with Watercare on Papakura District reporting, and will consider how to incorporate information on Papakura District into our monitoring and reporting. Attachment B provides more information in relation to the Papakura District.

## The role of other regulators

- 1.24 The Charter and our role as Crown monitor are part of the wider regulatory landscape for Watercare. The company’s activities relate to planning, health and the environment, and cross two geographical regions. Watercare operates within a broader regulatory environment that includes Auckland Council, Waikato Regional Council, the Ministry of Health, the Water Services Authority (Taumata Arowai), Worksafe, the DIA and the Environmental Protection Authority (**EPA**).
- 1.25 Auckland Council has a unique role as both a regulator and shareholder. Since 1 July 2025 it has been a *non-financial* shareholder. This means, under the Local Government (Auckland Council) Act 2009:<sup>9</sup>
- 1.25.1 Watercare is not permitted to pay a dividend to Auckland Council, and
- 1.25.2 Auckland Council is not permitted to provide any financial support to Watercare.

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<sup>8</sup> Veolia is a global provider of water, waste and energy management services. See Veolia “[Papakura Customer Information](#)” webpage, to find out more about Veolia’s operations in Papakura.

<sup>9</sup> Local Government (Auckland Council) Act 2009, section 56A, as inserted by section 109 of the WSPA Act.

- 1.26 As a regulator, Auckland Council is responsible for the regulation of land use and resource management. As a non-financial shareholder, it sets the strategic direction for Watercare and monitors the company's performance against its SOI.
- 1.27 In addition to our role as Crown monitor to Watercare, as the economic regulator of water services we are developing information disclosure requirements for all councils and water organisations, including Watercare.<sup>10</sup>

## The role of mana whenua

- 1.28 Water bodies are the moving lifeblood of Papatūānuku, they have mauri and wairua and are intergenerational taonga for iwi, hapū, and Māori landowners.<sup>11</sup> In developing the Charter, the Government took account of Te Tiriti o Waitangi and the importance of ensuring that Māori participation in decision-making regarding water services was not reduced as a result of economic regulation.<sup>12</sup>
- 1.29 You can find out about Watercare's approach to engaging and partnering with mana whenua on Watercare's [website](#).<sup>13</sup>

## Overall observations

- 1.30 The Charter is already driving change. Since it began on 1 April, Watercare has put in the mahi to ensure it meets its regulatory obligations. The company has enhanced its transparency through its quarterly delivery and performance reporting. Work is underway on several improvement plans, and Watercare will regularly report on progress.<sup>14</sup> Importantly, Watercare is going beyond narrow compliance with the Charter and has signalled to us that it sees interim economic regulation as an opportunity for continuous business improvement, which will lead to improved customer outcomes.<sup>15</sup>

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<sup>10</sup> We recently consulted on draft information disclosure requirements and will publish a final determination in early 2026. To see the draft requirements that we consulted on, as well as submitted responses, see Commerce Commission "[Economic Regulation of Water Services – Information Disclosure](#)" webpage.

<sup>11</sup> Ministry for the Environment "[Te Mana o te Wai, Māori Rights and Interests in Freshwater Bodies](#)" (report prepared by Kāhui wai Māori, 4 February 2022).

<sup>12</sup> Department of Internal Affairs "[Regulatory Impact Statement: Watercare Charter](#)" (22 November 2024) paragraphs 47 to 49.

<sup>13</sup> In this context, mana whenua are the iwi recognised by the Crown as having links to Tāmaki Makaurau (Auckland). Their interests are represented by 19 tribal authorities.

<sup>14</sup> These include the Infrastructure delivery and asset management improvement plan (due in the first quarter of 2026); Infrastructure growth charges reform/pricing methodology review plan (due in the first quarter of 2026); and the Operating cost efficiency improvement plan (due in the second quarter of 2026). See Attachment C for details on Watercare's reporting requirements under the Charter.

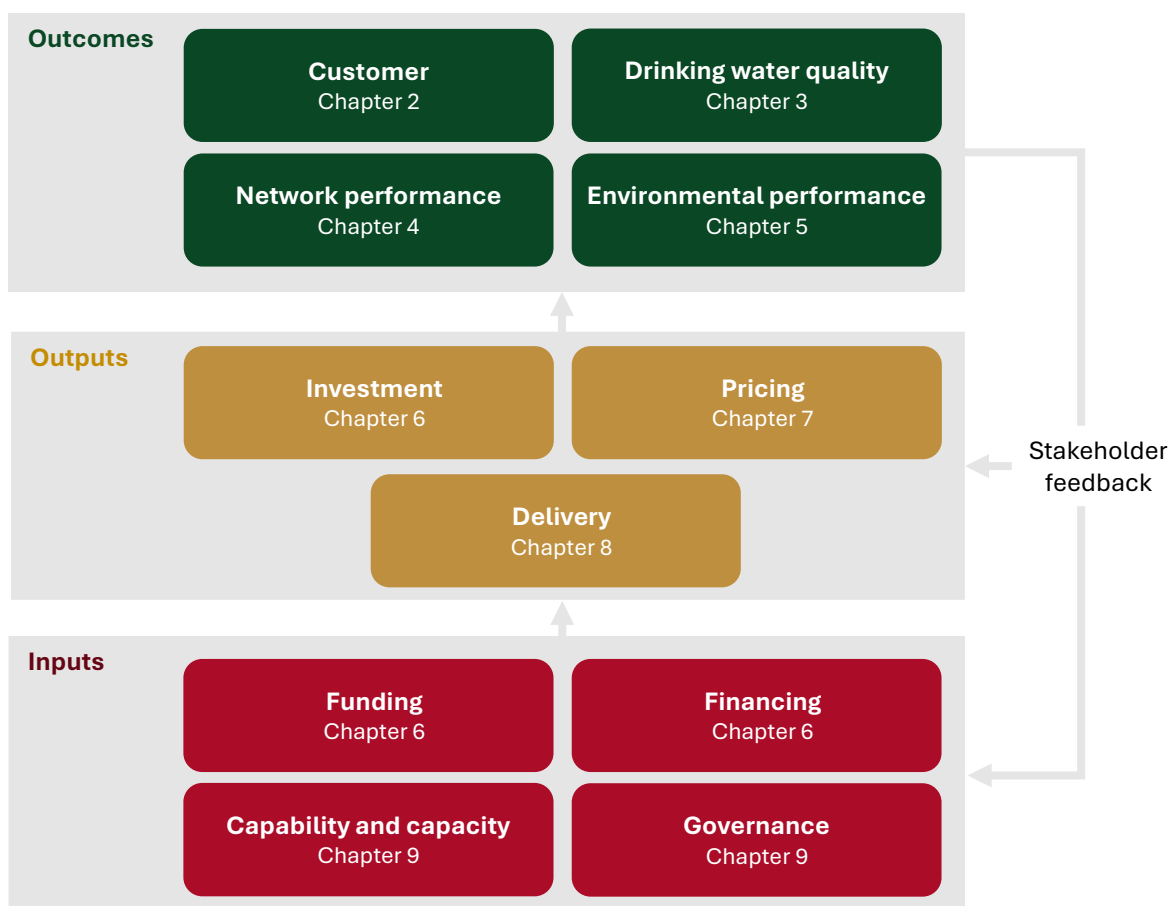
<sup>15</sup> We provide our more detailed observations on Watercare's performance in chapters 2 to 9.



## Structure of this report

- 1.31 We have grouped our assessment by the key inputs, outputs, and outcomes that Watercare delivers. We refer to these for the purpose of this baseline assessment as ‘performance areas’. As we noted above, we expect our approach to assessing Watercare’s performance to evolve over time as the regulatory system evolves.
- 1.32 Chapters 2 to 9 cover Watercare’s performance across the 11 performance areas. In each chapter we:
- 1.32.1 set out what is covered by the performance area (or areas)
  - 1.32.2 describe the key aspects, within each performance area, which most impact results and identify the measures of performance that are currently available to inform an assessment of performance in relation to those aspects, and
  - 1.32.3 provide our observations on Watercare’s performance in FY25 and what will drive improvements in the future.
- 1.33 The figure below provides an overview of the 11 performance areas and where in this report you can find our assessment of Watercare’s performance for each area.

**Figure 1.2 Performance areas: inputs, outputs and outcomes for Watercare**



- 1.34 The attachments provide the following supporting information:
- 1.34.1 Attachment A sets out where to find more detailed information on the performance areas discussed in chapters 2 to 8
  - 1.34.1 Attachment B sets out our approach to monitoring and assessing Watercare's performance, and the scope of this performance assessment
  - 1.34.2 Attachment C summarises Charter reporting requirements and Watercare's compliance so far, and
  - 1.34.3 Attachment D is a glossary of terms used in this report.

## Chapter 2 Customer

### Key observations

- > Overall performance against Watercare's SOI measures for reliability and customer satisfaction was good. Watercare met most of its targets.
- > Watercare did not meet its target response time for attendance to sewerage overflows due to blockages or other faults in FY25 (and since FY22). Watercare attributes this performance shortfall to Auckland traffic and large-scale weather events.
- > Watercare did not meet its community trust score target. It attributes the recent decline to a variety of factors including negative perception of Watercare in the media and uncertainty around consumer bills and charges.
- > Watercare's performance in the customer performance area will be influenced by its commitment to continue engaging with stakeholders to inform the outcomes it aims to deliver.
- > We welcome that Watercare recognises its key role in enabling growth in Auckland and the need to improve its developer engagement with clear processes and more proactive engagement.

*Attachment A sets out where to find more information on performance in this area.*

2.0 The **customer** performance area is about customers' direct experience of Watercare's services, and how Watercare engages with customers and other stakeholders. This includes the following aspects:

- 2.0.1 reliability of water and wastewater services (eg, the experience received in turning the tap on or flushing the toilet)
- 2.0.2 customer satisfaction (eg, with the service they receive and how Watercare responds to enquiries or complaints) and community trust, and
- 2.0.3 longer-term outcomes and the role of developers (ie, the consequences of Watercare's investment choices for current and future customers and other stakeholders).

2.1 The experience that customers receive can be affected by Watercare's performance in a variety of areas. Customers have the right to expect safe drinking water and to have their wastewater removed. They can also expect to be treated with respect and have their feedback and complaints taken seriously.

### Reliability of services

2.2 Service reliability includes:

- 2.2.1 how promptly Watercare attends and resolves service faults or interruptions, and

- 2.2.2 the number of unplanned water supply interruptions.
- 2.3 Watercare sets targets for these measures and publicly reports on its performance in its annual report and quarterly performance reporting.

## **Customers' satisfaction with the service they receive**

### **Complaints by customers and the wider public**

- 2.4 Customer service is about the way that Watercare responds when customers (or other stakeholders) report a fault or a complaint. This includes:
  - 2.4.1 water supply or wastewater system faults, and
  - 2.4.2 complaints about service quality. For drinking water this includes taste, smell, or water pressure. For wastewater it includes odour, faults and blockages.
- 2.5 Watercare aims to provide a level of service such that complaint numbers meet the targets it sets itself for:
  - 2.5.1 total number of complaints received, and
  - 2.5.2 percentage of complaints resolved.

### **Customer satisfaction and community trust**

- 2.6 Watercare measures the opinions of its customers and the wider Auckland community on quality of service and overall levels of trust in the company. The company:
  - 2.6.1 surveys customers, as part of its day-to-day interactions, on how satisfied customers are with Watercare's service, and
  - 2.6.2 surveys a representative sample of Aucklanders each month, to calculate a rolling average score of the level of trust the community has in the company.

## **Longer-term outcomes**

- 2.7 Water and wastewater infrastructure is very long-lived, with many assets providing services for 50 years and longer. Investment choices today—on where to invest, what to build, and how to recover costs—have consequences for today's and tomorrow's customers and other stakeholders.

- 2.8 When providers don't plan over the long term, act inconsistent with their plans, or don't update them as new information comes to light, this can shift costs between current and future customers. For example, today's water customers may end up paying for improved services for tomorrow's customers. They might also have to bear the cost—financially and as reduced quality—of past underinvestment, where renewals or upgrades were delayed.
- 2.9 We do not currently have measures of these longer-term cost-recovery and quality trade-offs. Watercare measures affordability in the short term (ie, now), which we discuss in chapter 7.

## The role of developers

- 2.10 Developers have a critical role in ensuring Auckland consumers' and businesses' needs for housing and business space is met. Watercare has a critical role in ensuring that developer-built infrastructure integrates effectively with its water network so that existing and new customers can enjoy their properties.
- 2.11 We address Watercare's engagement with developers and customers on the challenges of growth below ("Engagement and longer-term outcomes"). Watercare, through its pricing, has to ensure that "growth pays for growth" (see chapters 6 and 7).

## Performance observations in 2025

### Performance against SOI measures and targets

- 2.12 Watercare generally met its SOI performance targets in FY25 within the customer performance area. We identified the shortfalls discussed below.
- 2.13 **Community trust** dipped to 50% in the first part of the financial year, compared to Watercare's annual target of 55%. Watercare partly attributes the drop to negative media headlines.
- 2.14 Watercare's 2025 annual report suggests that it understands what the drivers of customer satisfaction are and can see when certain factors reduce it. In particular, Watercare considers that negative perceptions of underinvestment in infrastructure and uncertainty around consumer bills and charges led to a drop in trust.
- 2.15 The company has focused efforts on trust-building and clearer communication, including communicating progress in infrastructure investment. The score improved to 54% in the second half of the financial year.

- 2.16 Watercare’s **median time to *attend* sewerage overflows** caused by blockages or faults was 2 minutes higher than its target (the fourth consecutive year Watercare has missed this target). The company attributes this to worsening Auckland traffic and large-scale weather events. Watercare’s median time to *resolve* these faults was better than target.<sup>16</sup>

## Engagement and longer-term outcomes

- 2.17 We engaged with Watercare to get further context on its performance within the customer performance area.
- 2.18 We also sought to understand what Watercare is doing to engage with developers on enabling growth. While there is currently no SOI performance measure in relation to enabling growth, during 2025 there has been significant media coverage of Watercare’s development enabling role. In its 2025-2028 SOI, Watercare recognises the importance of catering for growth within its top six key activities for the period.

### Engagement on meeting the challenges of growth

- 2.19 Watercare has a ‘customer listening framework’. It shared a summary of its framework at this year’s Water New Zealand conference, which you can access on the [Water New Zealand website](#).
- 2.20 Watercare is engaging with its communities on strategic issues such as:
- 2.20.1 the next source of water beyond 2040, which you can read about on [Watercare's website](#), and
  - 2.20.2 its metropolitan servicing strategy, a 70-year strategy to support delivery of safe, reliable, and affordable water services for Auckland. You can read about the engagement to inform the strategy on [Watercare's website](#).

### Engagement with developers

- 2.21 Watercare recognises that providing expanded water and wastewater services for a growing city is an ongoing challenge that it is committed to managing, with clearer processes and more proactive engagement.

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<sup>16</sup> For urgent requests (priority 1), median time to attend (47 minutes) was below both the internal target of 60 minutes and the SOI target. While Watercare took longer to *attend* an overflow, the median time to *stop or resolve* sewerage overflows was 3.1 hours, well within the target of 5 hours. This indicates that half of all overflows were resolved in less than 3.1 hours, while the other half took longer. All other faults are priority 2. Watercare told us its internal target time to respond to these is 4 hours. This means that even if Watercare meets its internal priority 2 target, it can be difficult to meet the overall median time target, which is the median of both priority 1 and priority 2.

- 2.23 Watercare is currently undertaking work to improve the developer experience, covering:<sup>17</sup>
- 2.23.1 an end-to-end overview of the developer journey
  - 2.23.2 refined accountability and principles
  - 2.23.3 how it is investing in relationships
  - 2.23.4 planned improvements to Watercare’s tools, both external and internal, including its developer portal, and
  - 2.23.5 enhancements to education and support resources for developers.

### **Engagement to enhance customer experience**

- 2.24 Watercare has a contractual relationship with each customer and has a ‘customer promise’ that you can access on [Watercare's website](#). Watercare also aims to deliver for vulnerable customers.<sup>18</sup>
- 2.25 Watercare has been proactive in seeking to understand the reasons for the decline in the trust perception metric since April 2024 and is seeking to improve in this area. You can find a ‘trust deep dive’ discussed at the August 2025 Watercare board meeting on [Watercare's website](#).
- 2.26 In addition to the SOI measures that we assessed here, Watercare told us it regularly monitors its operational delivery to customers, and customer satisfaction across functions and frontline teams.
- 2.27 It has found that the two key drivers of customer satisfaction are ‘first contact’ resolution and satisfaction with call centre agents and field crews. Watercare is focussing on service quality in these areas, which helps reduce customer effort and any need to contact Watercare multiple times.

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<sup>17</sup> Watercare’s presented on its developer journey at the Water NZ conference, see Water New Zealand “[Watercare’s developer journey in Auckland – lessons we have learnt](#)” webpage. Watercare intends to provides update on its progress at Watercare “[Network capacity in Auckland](#)” webpage.

<sup>18</sup> See Watercare “[Priority assistance](#)” webpage, to find information on Watercare’s priority assistance programme; and Watercare “[Financial hardship](#)” webpage, to find information to support services for financial hardship.

## Looking ahead

- 2.28 Watercare's performance in the customer performance area will be influenced by its commitment to continue engaging with stakeholders to inform the outcomes it aims to deliver. Delivery of those outcomes will improve if Watercare implements the business changes set out in the infrastructure delivery and asset management improvement plan it will publish in early 2026.<sup>19</sup>
- 2.29 Watercare has a customer listening framework and consults Aucklanders on key strategic choices. Ensuring stakeholders understand their options and what they mean for outcomes that matter to them, and using insights from engagement gained to inform investment choices, will continue to be important.
- 2.30 We welcome Watercare's recognition of its role in enabling growth in Auckland by providing expanded water and wastewater services, and of the need for improving its developer engagement with clearer processes and more proactive engagement.

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<sup>19</sup> See Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 24.



## Chapter 3 Drinking water quality

### Key observations

- > Watercare reports on a subset of drinking water quality related measures and targets within its SOI.
- > Watercare did not meet the target for residual disinfection of chlorine. Low residual chlorine levels in the network can be an indicator of contaminant ingress that is being treated by the residual chlorine. Non-compliance may indicate that drinking water quality could be improved. Watercare told us it is confident that not meeting the target did not compromise the safety of drinking water.
- > Looking ahead, noting that regulating drinking water quality is the responsibility of the Water Services Authority, drinking water quality performance is expected to benefit from planned improvements under the Charter, and the changes Watercare implements in response to it.

*Attachment A sets out where to find more information on performance in this area.*

- 3.0 As a water supplier, Watercare has a duty to ensure that the drinking water it supplies is safe.<sup>20</sup> Ensuring that drinking water is of acceptable quality is important to protect the health of water customers and other stakeholders.<sup>21</sup> In this chapter we cover Watercare's performance in relation to the performance measures and targets in its SOI on the safety of the drinking water it provides.
- 3.1 Watercare sets targets in its SOI for 100% compliance with a subset of the Water Services Authority's Drinking Water Quality Assurance Rules and publicly reports against these.

### Performance observations in 2025

- 3.2 Watercare achieved 100% compliance with all but one of its SOI targets relating to the Drinking Water Quality Assurance Rules (**DWQAR**).
- 3.3 The one target Watercare did not meet was for residual disinfection (chlorine) compliance. The target was for 100% compliance with the DWQAR D3 network target of chlorine of at least 0.2mg/L in 85% of samples and that all samples were above 0.1mg/L chlorine.

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<sup>20</sup> Water Services Act 2021, section 21.

<sup>21</sup> See Water Services (Drinking Water Standards for New Zealand) Regulations 2022.

- 3.4 Watercare did not meet the compliant levels for chlorine residuals in some of the samples taken at some of its distribution zones. In FY25, it achieved an average monthly performance of 97% compliance with its SOI target across all of its distribution zones. The 97% reflects the fact that some samples did not meet the targets in some zones. In the fourth quarter of FY25 non-compliance occurred in the Wellsford/Te Hana zone.
- 3.5 This is the third consecutive year in which Watercare has not achieved 100% compliance on this measure. As the Quality Assurance Rules came into force in 2022, this means Watercare has yet to achieve its target for this measure since the rules came into effect.
- 3.6 Watercare reported that it is confident that at no time was the water unsafe to drink.<sup>22</sup> Low residual chlorine levels in the network can be an indicator of contaminant ingress that is being treated by the residual chlorine. Non-compliance may also indicate that drinking water quality could be improved.

- 3.7 We asked Watercare to clarify this result and what it has done in response:

*Watercare did not meet the target for residual disinfection of chlorine, however this did not compromise the safety of drinking water as all other water quality parameters remained compliant. In addition, immediate action was taken to improve residual disinfection each time a low chlorine result was detected.*

*Watercare has developed a residual chlorine management strategy which is continuously improving results at the extremity of its network. When a low result is detected the immediate response is either a flushing programme or rechlorination at an effected reservoir. Management of water age is a key mitigation against low residual chlorine and the operational changes made since the introduction of this measure in the Quality Assurance Rules have seen improvements.*

## Looking ahead

- 3.8 Looking ahead, noting that regulating drinking water quality is the responsibility of the Water Services Authority, drinking water quality performance is expected to benefit from planned improvements under the Charter, and the changes Watercare implements in response to it.
- 3.9 Watercare's infrastructure delivery and asset management improvement plan (to be published in 2026) will set out initiatives such as improving its understanding of linkages between investments and outcomes, investment prioritisation and delivery. This will support improvements in drinking water quality performance.
- 3.10 Watercare's public quarterly reporting on performance targets and measures, which has been enhanced under the Charter, provides transparency for stakeholders on performance in this area, and supports Watercare's accountability.

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<sup>22</sup> Watercare "[Annual Report 2025](#)" (25 September 2025), p. 92.

## Chapter 4 Network performance

### Key observations

- > Recent events have highlighted that there is room for improvement in Watercare's network performance.
- > Watercare currently measures performance based on its wastewater overflows and water loss measures.
- > Watercare's network generally met the Charter requirements and the SOI targets that it measured for FY25.
- > Watercare reports against two water leakage targets. Watercare met the Charter target for drinking water leakage (no more than 140 litres per connection per day). The SOI also includes another leakage target (98.2 litres per connection per day +/-5%) that reflects the economic level of leakage (**ELL**). Watercare uses the ELL as a management tool to guide its investment decisions rather than as a target.
- > Looking ahead, performance within this area is expected to benefit from planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it.

*Attachment A sets out where to find more information on performance in this area.*

4.0 To provide water and wastewater services, Watercare operates a network of treatment plants, reservoirs, pumps, and pipes and collects, conveys and treats wastewater. Watercare measures its network performance outcomes to monitor whether its infrastructure is performing effectively enough to support its broader goals of ensuring reliable water supply, preventing environmental pollution, and protecting public health.

4.1 In this chapter we focus on performance in the following aspects of the **network performance** area:

4.1.1 wastewater overflows, and

4.1.2 water loss.

### Wastewater overflows

4.2 A wastewater overflow happens when wastewater spills out from gully traps, manholes, engineered overflow points or at pump stations. When untreated wastewater enters the wider environment, it can pollute property, waterways and beaches. The primary causes of overflows are blockages, in dry weather, and stormwater overloading the network, in wet weather.

- 4.3 Watercare manages wastewater, and Auckland Council manages stormwater and groundwater. In most areas of Auckland, the wastewater and stormwater networks are separate. However, in some older parts of central Auckland, the network is combined and wastewater and stormwater are carried in the same pipes.
- 4.4 Combined networks are designed to carry both wastewater and stormwater. During heavy rain, stormwater flows can exceed the system design capacity. To prevent flooding, these systems have engineered overflow points where excess flow is discharged—sometimes releasing untreated wastewater into the environment. Unplanned overflows can also occur at random locations, such as manholes or private property, when the network is overloaded or blocked.
- 4.5 Separated networks carry only wastewater. Overflows occur due to blockages, limited capacity, or extra water entering during wet weather through infiltration (groundwater through cracks or joints) and inflow (stormwater via defects or cross-connections). These networks also have engineered overflow points for protection during extreme events, but unplanned overflows can happen when the system is overloaded.
- 4.6 Unplanned overflows pose extra risks because they are uncontrolled. Watercare monitors capacity and educates property owners to reduce inflow and blockages.
- 4.7 The capacity management measures cover:
  - 4.7.1 how many wastewater overflows occur in dry weather
  - 4.7.2 how many wastewater overflows occur in wet weather, and
  - 4.7.3 the number of wastewater overflows overall.

## Water loss

- 4.8 Water can leak out of the water supply system when pipes are corroded or damaged, whether caused from the condition of the pipes, points of higher pressure, or one-off events.
- 4.9 To minimise water loss Watercare follows an asset management and investment plan, responds to all notifications of leakage, proactively uses an acoustic leak detection technology to find and repair unreported leaks, and uses water meter data to monitor and manage annual water losses.
- 4.10 The measures for water loss cover:
  - 4.10.1 leakage performance, and
  - 4.10.2 the percentage and volume of real water loss.

## Performance observations in 2025

- 4.11 Watercare met all but one of its targets for network performance in 2025.<sup>23</sup>
- 4.12 Watercare reports against two water leakage targets in its SOI. Watercare's leakage in FY25 was 119.2 litres per connection per day. Watercare met the Charter target for drinking water leakage (no more than 140 litres per connection per day).
- 4.13 The SOI also includes another leakage target, based on the ELL, of 98.2 litres per connection per day +/-5%. Watercare did not meet this target in FY25. The ELL is the point at which the cost of producing water is equivalent to the cost of the efforts to sustain leakage at the desired rate. Watercare's quarterly performance report for the quarter ended 30 June 2025 clarifies that it uses the ELL as a management tool to guide its investment decisions, rather than as a target.<sup>24</sup>
- 4.14 In August 2025 Watercare announced its roll out of 5000 smart sensors across Auckland's wastewater network, giving it real time insights into what is happening in the pipes for the first time. The installation is occurring between August 2025 to August 2026 and should allow Watercare to be more proactive in addressing blockages and storm water entry points before they escalate into overflows.
- 4.15 In September 2025 Watercare reported that within days of installation a smart sensor had prevented an overflow from Ōtara's wastewater network. The sensor successfully enabled Watercare to prevent an overflow instead of responding to an overflow.
- 4.16 Additionally, there are projects planned or underway to separate the wastewater and stormwater networks. Some are being carried out by Watercare, and some are being carried out by Auckland Council. For example, the Central Interceptor is a significant project, providing increased capacity for wastewater transportation from central Auckland to the Māngere Wastewater Treatment Plant.

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<sup>23</sup> Watercare's overflow measures only include overflows from any part of the wastewater network that enter a waterway.

<sup>24</sup> Watercare "[Quarterly performance report – For the quarter ended 30 June 2025](#)" (30 June 2025), p. 7.

## Looking ahead

- 4.17 Looking ahead, Watercare's performance within the network performance area will be influenced by planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it. Watercare's infrastructure delivery and asset management improvement plan (to be published in the first quarter of 2026) will set out initiatives such as improving its understanding of linkages between investments and outcomes, investment prioritisation and delivery.
- 4.18 The Charter enhances transparency for stakeholders by requiring quarterly reporting on performance targets and measures.

## Chapter 5 Environmental performance

### Key observations

- > Watercare met all of its targets for environmental performance in FY25 and has done so consistently since FY20.
- > While Watercare met its environmental performance targets in FY25, recent events highlight that customers' and other stakeholders' expectations differ from the service Watercare is currently able to provide. This is an area that requires further work.
- > Looking ahead, environmental performance is expected to benefit from planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it.

*Attachment A sets out where to find more information on performance in this area.*

- 5.0 In this chapter we cover Watercare's performance in the area of **environmental performance**. Watercare provides Auckland with drinking water and wastewater networks, which affects the environment through water use, energy consumption and discharges:
- 5.0.1 Watercare draws water from fresh water sources which can alter ecological flows and affect Te Mana o te Wai—the natural balance and life supporting capacity of water.
  - 5.0.2 Watercare discharges untreated or partially treated discharge into land, fresh water and coastal marine areas during wastewater overflows. These discharges can introduce contaminants into waterways, impacting water quality and biodiversity.
  - 5.0.3 Additionally, Watercare's treatment and distribution of water and wastewater is energy-intensive and contributes to greenhouse gas emissions and resource use.
- 5.1 While water service networks will always cause some environmental pressure, poor network performance, such as additional overflows or excessive water loss, adds additional environmental pressure. As all actions have trade-offs, understanding the level of quality customers and other stakeholders demand is foundational to environmental performance.
- 5.2 The aspects covered in this performance area include:
- 5.2.1 climate impact
  - 5.2.2 drinking water consumption, and

- 5.2.3 discharges from Watercare's wastewater system.
- 5.3 Watercare has a focus on sustainability and community. Its aim is that the people of Auckland have access to clean and healthy water now and in the future. It recognises the need to look after the environment, respond to climate change and support the local people and communities as part of this aim.
- 5.4 Watercare has taken actions to achieve its aims, including by establishing a climate change policy and a water efficiency plan, tracking its greenhouse gas emissions, tracking water consumption, and educating stakeholders on how they can help to make sure Auckland's water system is sustainable for the future.
- 5.5 The company also tracks and reports on aspects of its wastewater discharge to its environmental regulators: Auckland Council, Waikato Regional Council, the Ministry of Health, the Water Services Authority and the EPA.
- 5.6 Watercare obtains resource consents to enable it to release discharges into the environment. Resource consent conditions are designed to ensure wastewater is treated and disposed of in a way that protects the environment and public health. Conditions include the minimisation of wastewater discharges, the minimisation of the effects of wastewater discharges, the recreational, public health, and ecological effects of wastewater discharges, and the management of inflow and infiltration.
- 5.7 Watercare reports on the following environmental performance measures:
- 5.7.1 operational greenhouse gas performance
  - 5.7.2 the average consumption (litres) of drinking water per day per resident,<sup>25</sup> and
  - 5.7.3 compliance with resource consents for discharge from its sewerage system. Specifically measured by the number of abatement notices, the number of infringement notices, the number of enforcement orders, and the number of convictions in relation to those resource consents.

## Performance observations in 2025

- 5.8 Watercare has met all of its targets for environmental performance in FY25 and has done so consistently since FY20.
- 5.9 While Watercare met its environmental performance targets in FY25, recent events highlight that customers' and other stakeholders' expectations differ from the service Watercare is currently able to provide. This is an area that requires further work. The overflow of wastewater into the Mahurangi Harbour is one example of this.

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<sup>25</sup> This measure reflects gross per capita consumption. The calculation is based on bulk water supply divided by connected population, which includes both residential and commercial consumption.



- 5.10 As we noted in chapter 1, water bodies, as the lifeblood of Papatūānuku, have special significance for Māori. Wastewater overflows into streams and harbours thus raise particular concerns for mana whenua.

## Looking ahead

- 5.11 We are working with Watercare, and with other regulators, to encourage Watercare to shift from a “compliance with minimum standards” mentality, towards a better understanding of what its customers, and the communities it operates within, want and can pay for. This understanding can then inform its response and clarify whether that response is in line with the expectation in the Act: that Watercare provides water services at a quality that reflects customers’, and other stakeholders’, demands.
- 5.12 We will continue our focus on seeking improvements in Watercare’s performance in this area and expect Watercare to better its understanding of the quality of services its customers and other stakeholders demand, and the expectations of the communities it operates within. Under the Local Government (Auckland Council) Act 2009, Watercare is required to manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels consistent with the effective conduct of its business and the long-term integrity of its assets.
- 5.13 Environmental performance will benefit from planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it. Watercare’s infrastructure delivery and asset management improvement plan (to be published in early 2026) will set out initiatives such as improving its understanding of linkages between investments and outcomes, investment prioritisation and delivery.
- 5.14 The Charter enhances transparency for stakeholders by requiring quarterly reporting on performance targets and measures.

## Chapter 6 Investment, funding and financing

### Key observations

- > Watercare is financially sustainable. Watercare achieved several significant funding and financing milestones this year. The following were prerequisites for financial separation from Auckland Council on 1 July 2025. Watercare:
  - > achieved an investment grade credit rating from Moody's
  - > raised \$3.4 billion of bank debt, and
  - > agreed to terms for paying back \$4 billion owed to Auckland Council over the next five years.
- > Watercare met all of its FY25 SOI and Charter targets in relation to investment, funding and financing. Delivery is separately covered in chapter 8.
- > Looking ahead, we expect performance in these areas to improve as a result of changes in Watercare's operational effectiveness and efficiency. This will, in turn, improve its asset management maturity and delivery performance.

*Attachment A sets out where to find more information on performance in relation to investment, funding and financing.*

- 6.0 Watercare ensures it has funding and financing to enable it to meet its investment needs. Aucklanders pay for water services costs over time through customer bills and upfront through infrastructure growth charges (paid for by developers).
- 6.1 To be financially sustainable, Watercare must bring in enough money (such as through customer bills, borrowing, or other sources of funds) to keep investing in its infrastructure and services over the long-term.
- 6.2 To ensure it remains financial sustainable, Watercare needs a clear understanding of long-term infrastructure needs, informed by robust asset management practices, and sound decision-making about how those needs will be funded.
- 6.3 Watercare must balance affordability, service quality and regulatory compliance while maintaining the financial capacity to invest over time.
- 6.4 In this chapter we cover Watercare's performance in the areas of **investment** performance, **funding** performance, and **financing** performance.
- 6.5 Monetary values in the figures in this chapter are in dollars of the day (**nominal**).

# Investment

## What it is

- 6.6 Investment includes the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- 6.7 Watercare aims to ensure that investment in growth, levels of service and renewals is sufficient to deliver water services that meet the expectations of its customers and other stakeholders now and in the future.
- 6.8 Watercare's business plan provides further information on its planned investments and how it has ensured that its plans are financially sustainable.

## Why it matters

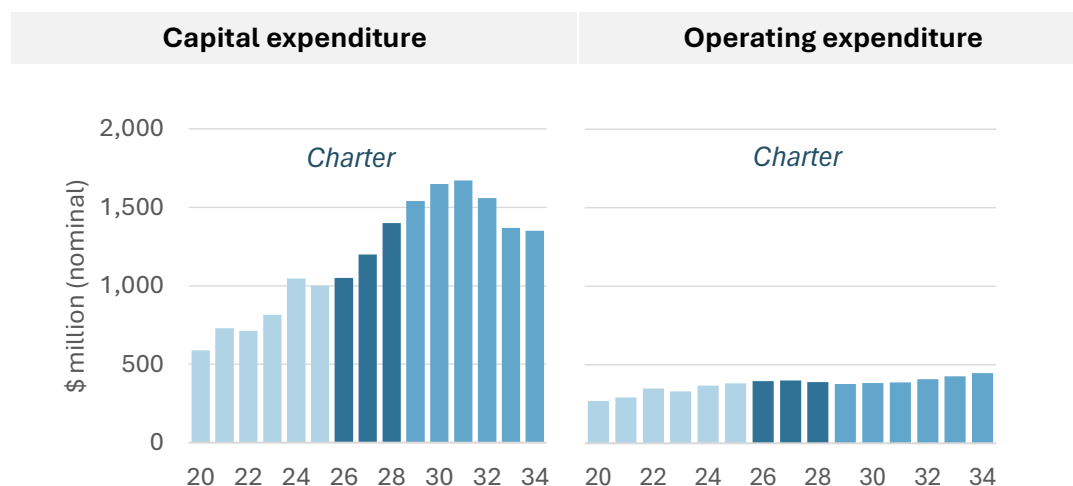
- 6.9 Watercare needs to spend money on many things to deliver regulated services that meet consumer expectations while also meeting regulatory requirements.
- 6.10 Watercare identifies three main drivers of expenditure: supporting growth, maintaining acceptable levels of service, and replacing existing assets (ie, renewals):
  - 6.10.1 Investment in growth to enable water and wastewater networks to meet future demands as Auckland's population grows.
  - 6.10.2 Level of service refers to the performance standards that Watercare aims to meet in delivering water and wastewater services. This involves maintaining or improving the quality, reliability and compliance of service and typically includes regulatory and legislative compliance. This includes water quality standards, environmental obligations, operational efficiency improvements (reducing costs or improving resilience), and customer experience enhancements (better pressure, fewer outages, improved wastewater treatment).
  - 6.10.3 Renewals in Watercare's operations refers to the replacement or rehabilitation of ageing infrastructure - primarily water and wastewater pipes and treatment assets, to maintain service reliability and reduce failures. Well-planned renewals ensure infrastructure is maintained at optimal cost over its lifecycle.

## What we found

### Continuing high levels of investment

- 6.11 Watercare’s annual capital expenditure almost doubled between FY20 and FY25 from \$588 million to \$1 billion (see figure 6.1). Watercare’s operating expenditure over the last five years has increased by about 40% from FY20 to FY25 (from \$269 million to \$381 million). This reflects cost increases during the COVID-19 pandemic, and increases in maintenance costs and asset operating costs.

**Figure 6.1 Historical and forecast expenditure**

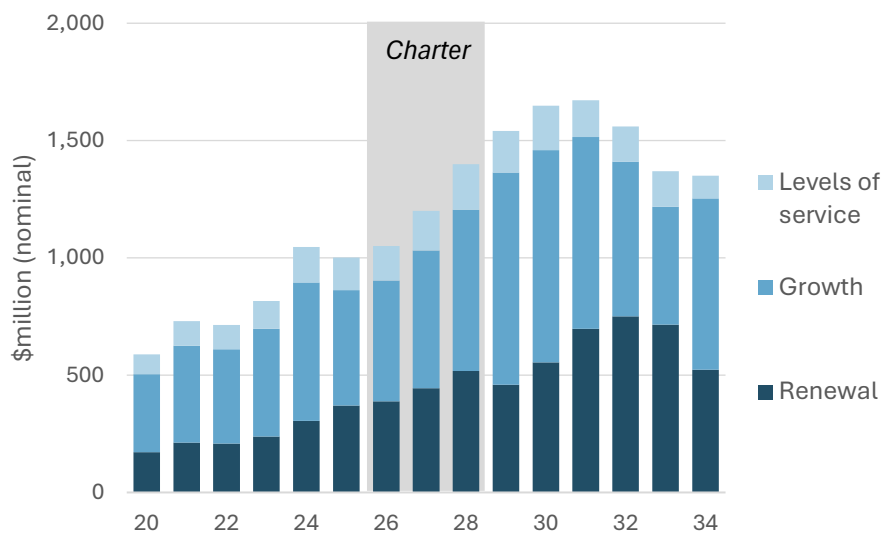


Source: FY20-FY24: (Public) Initial Baseline Performance Report released by the DIA,  
 FY25: (Public) Quarterly performance report for quarter ended 30 June 2025,  
 FY26-FY34: Information provided by Watercare.

- 6.12 The increase in capital expenditure over the last five years is attributed largely to the cost of the Central Interceptor, which will be completed in 2026.<sup>26</sup>
- 6.13 Figure 6.2 shows Watercare’s actual and planned investment from FY20 to FY34, broken down by the main purpose of the investment: level of service, growth, and renewals.

<sup>26</sup> The Central Interceptor provides increased capacity for wastewater transportation from central Auckland to the Māngere Wastewater Treatment Plant.

**Figure 6.2 Capital expenditure composition**



Source: FY20-F24: (Public) Initial Baseline Performance Report released by the DIA, FY25: (Public) Quarterly performance report for quarter ended 30 June 2025 and Commission estimate of composition, FY26-FY34: Information on total capital expenditure provided by Watercare, and Commission estimate of composition based on Watercare information.

### Enabling growth in Auckland

- 6.14 Watercare provides services to 1.7 million people in the Auckland region. Auckland is one of the growth areas in New Zealand. The national policy statement for urban development categorises Auckland as a tier 1 urban environment and Auckland Council as a tier 1 local authority.<sup>27</sup>
- 6.15 Watercare plays a critical role in enabling this growth. Since 2020, the growth in the number of connections served by Watercare has been about 1.5% per year, ranging from a minimum of 1.3% (about 6,000 connections) in FY23, to a maximum of 1.6% (almost 8,000 connections) in FY22 and FY25. Connections are projected to grow by about 1.2% or 6,000 connections per year to 2034.<sup>28</sup>

### Looking ahead

- 6.16 Watercare has a critical role in enabling growth, while ensuring it meets the need to invest to renew and to meet expectations regarding levels of service. This requires effective prioritisation, including with input from stakeholders.

<sup>27</sup> New Zealand Government “[National Policy Statement on Urban Development 2020](#)” (11 May 2022).

<sup>28</sup> See sources listed underneath Figure 6.2.

- 6.17 Performance in these areas is expected to benefit from planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it.

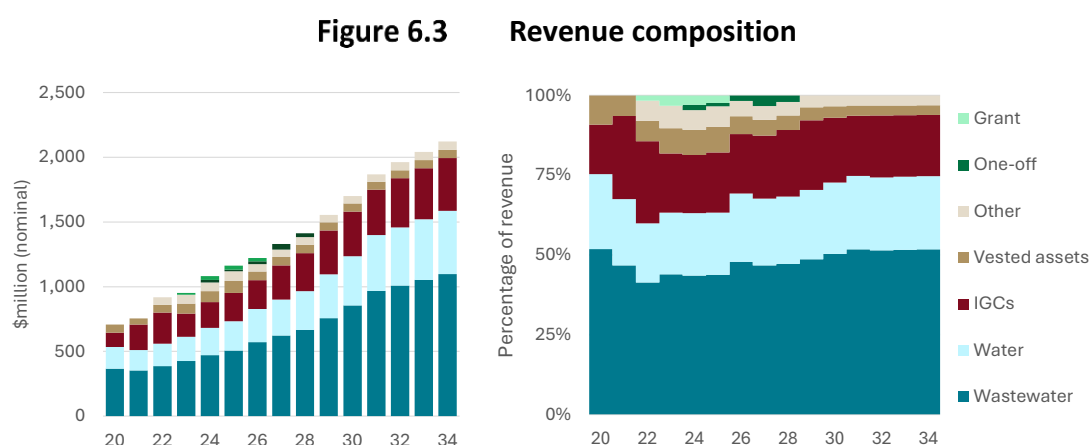
## Funding

### What it is and why it matters

- 6.18 Funding refers to money the organisation received including financing and other funding, such as revenue from customer bills or other income. Funding is usually used to pay for the costs of providing water services. Funding is a key indicator of financial sustainability, showing whether a supplier can fund operations, maintain infrastructure and invest in future needs.

### What we found

- 6.19 Watercare's funding comes from water and wastewater bills, IGCs paid by developers, connection fees, other service charges, other income (eg, grants, vested assets, asset sales, penalties). Watercare's income can also come from Infrastructure Funding and Financing capital receipts, although it currently does not have any projects funded in this way.<sup>29</sup>
- 6.20 Figure 6.3 provides an overview of funding for Watercare. Figure 6.3 shows that the main source of funding is revenue from water and wastewater tariffs, IGCs, and vested assets.<sup>30</sup>



Source: FY20-F24: Public - Initial Baseline Performance Report released by the DIA, FY25: Public – FY25 Annual Report, FY26 – 34: Public - Business Plan 2025-2034.

<sup>29</sup> Infrastructure funding and financing in relation to the Infrastructure Funding and Financing Act 2020.

<sup>30</sup> Note: 'Other' includes: late payment penalty revenue, new connections and development charges, tank-to-supply service charges, charges for discretionary services provided to customers and other stakeholders on request, laboratory revenue, administration fees, insurance entitlement proceeds, and charges collected by a receiver under section 60A of the Local Government (Auckland Council) Act 2009.

## **Funding the cost of growth**

- 6.21 The Charter identifies that IGCs have not kept pace with the cost of development. Watercare began increasing the annual IGC rate by 14.4% from 1 July 2024. The Charter has prescribed that IGC rates must increase at a minimum rate, 15.5% for FY26.

## **Looking ahead**

- 6.22 Watercare has committed to implementing a new pricing methodology. Through this process we expect Watercare to develop a robust approach for assessing the costs it expects to incur, and actually incurs, in relation to growth. We also expect Watercare to develop its tariffs and infrastructure growth charges so that pricing appropriately allocates the cost of growth between developers, new customers and existing customers. Appropriate engagement on the changes and ongoing transparency will be critical to support this change.

## **Financing**

### **What it is**

- 6.23 Financing refers to how Watercare raises capital to invest in infrastructure, typically through borrowing in debt and other financial instruments, and then uses revenue and other income to pay off the debt (and interest costs) over time.

### **Why it matters**

- 6.24 The ability for Watercare to raise enough finance is also a key part of financial sustainability.
- 6.25 Financing ensures that Watercare can meet both short-term operational needs and long-term infrastructure investment requirements. Water infrastructure is capital-intensive and long-lived. Financing enables suppliers to invest now and spread costs over time, benefiting both current and future customers.
- 6.26 Efficient financing strategies, eg, borrowing at low interest rates, can reduce the need for sharp increases in customer charges.

### **What we found**

- 6.27 On 1 July 2025 Watercare became financially independent from Auckland Council. This means Watercare can borrow money directly from the market. Previously, its ability to borrow was more constrained by Auckland Council's overall balance sheet and debt ratios.
- 6.28 Notwithstanding the flexibility of financial separation from Auckland Council, it remains paramount that Watercare makes investment decisions by balancing the need for investment against its sources of income and lenders' willingness to lend it the money for the investment.

- 6.29 Clause 13 of the Charter requires Watercare to ensure its credit rating, on a stand-alone basis, is at least investment grade. On 1 April 2025, Watercare achieved an investment grade credit rating from Moody's and in September 2025 this rating was reaffirmed. This enables Watercare to raise debt on favourable terms to fund its investment programme. The company has secured \$3.4 billion of committed bank debt facilities.
- 6.30 This increased debt will allow the cost to customers and other stakeholders to remain lower, spreading the repayment over a longer period of time.
- 6.31 The funds from operations (**FFO**) to total debt ratio is a key financial metric used to assess a company's ability to service its debt using its operating cash flow. A higher ratio indicates stronger debt-servicing capacity and low financial risk. A lower ratio suggests higher leverage and potential difficulty in meeting debt obligations.
- 6.32 The projected FFO to total debt ratio is expected to remain within the range of 10.5% to 11.5% throughout the financial years FY26 to FY34.

## Looking ahead

- 6.33 Access to financing is a key input to allow Watercare to invest, and to deliver outcomes in the long-term interest of consumers. Watercare's performance in the areas of investment, funding and financing is a direct result of Watercare's governance, capability and capacity. We describe the factors that are driving improvements in these areas in chapter 9.



## Chapter 7 Pricing

### Key observations

- > Average annual bills increased by 7.2% in FY25 and are expected to increase by 7.0% in FY26. The estimated increases for FY26, the first year of the Charter, are somewhat below that allowed under the Charter (7.2%).
- > Watercare increased its infrastructure growth charges for FY26 in line with the minimum required in the Charter. IGCs have not kept pace with the cost of growth over recent years. Investment to meet demand for network growth has been increasingly paid for by existing customers and through borrowing.
- > Looking ahead, Watercare is reviewing its approach to pricing, including the way it sets IGCs.

*Attachment A sets out where to find more information on Watercare's pricing.*

- 7.0 The majority of Watercare's costs are funded through prices for water and wastewater services, as well as IGCs. Pricing determines how costs are recovered from different customers—essentially, who pays.
- 7.1 Prices are important for customers because they influence the affordability of Watercare's services. Prices also influence how customers and developers use the network, affecting outcomes more generally.
- 7.2 This chapter highlights two key aspects of **pricing**:
- 7.2.1 average bills and affordability for customers, and
  - 7.2.2 pricing for growth.

### Average bills and affordability

- 7.3 We discussed the longer-term outcomes from how costs are shared between current, past and future customers, in chapter 2. Here, our focus is on the extent to which current water and wastewater service prices are manageable for customers within their existing financial circumstances. Available measures of this are:
- 7.3.1 annual price increases. the Charter imposes a maximum level of revenue Watercare may earn from prices for each year of the Charter, to limit price increases to customers,<sup>31</sup> and

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<sup>31</sup> 'Maximum allowable revenues' for each year were calculated to keep average price increases to 7.2% in the first year of regulation (1 July 2025 to 30 June 2026), 7.2% in the second year, and 5.5% in the third year. See Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 3.

- 7.3.2 household expenditure on water supply as a percentage of the average household income. Watercare sets a target in its SOI to keep this below 1.5%.

## Pricing for growth

- 7.4 This aspect is about who pays for increased network capacity to meet growth. Growth puts increased pressure on bulk water and wastewater services, eg, new water sources, treatment plants, and bulk transmission for drinking water and wastewater.
- 7.5 IGCs are intended to recover a share of the costs of treatment and bulk transmission that is attributable to growth. The Charter identifies that IGCs have not kept pace with increases in these costs.
- 7.6 As we noted in the previous chapter, we expect Watercare to develop its future tariffs and IGCs so that pricing appropriately allocates the cost of growth between developers, new customers and existing customers.

## Performance observations in 2025

### Bill increases

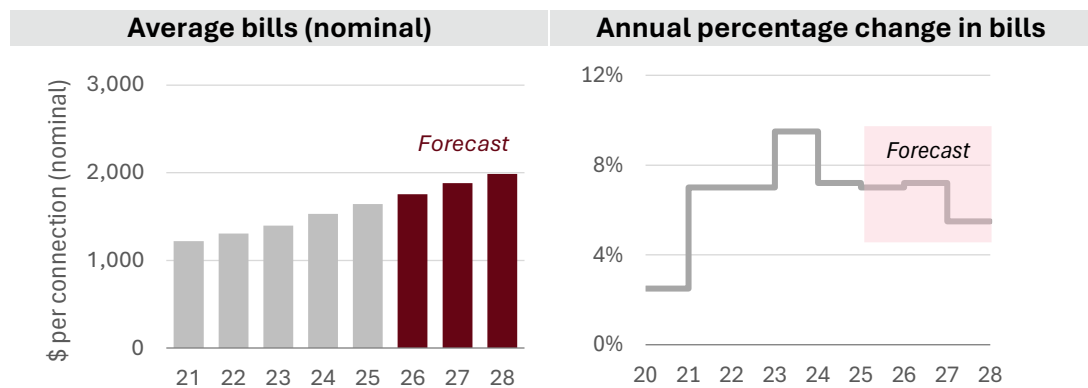
- 7.7 For metered connections, annual bills for water and wastewater increased on average by 7.2% for FY25 (the period from 1 July 2024 to 30 June 2025). Watercare estimates that, on average, bills will increase by 7.0% in the first year of the Charter (FY26).<sup>32</sup> Prior to the Charter taking effect, Auckland Council's draft 2024-34 long-term plan had proposed significantly larger price increases of 25.8% for FY25, and 14.6% for FY26.<sup>33</sup>
- 7.8 These moderated price increases are the result of:
- 7.8.1 Watercare's financial separation from Auckland Council, which allows it to independently borrow to finance investment and spread the costs of investments over a longer period (as discussed in the previous chapter), and
  - 7.8.2 the impact of the Charter price paths (a cap on the maximum amount of revenue Watercare can recover through water and wastewater tariffs, and a requirement for minimum annual increases in average infrastructure growth charges), which came into effect on 1 July 2025.
- 7.9 Figure 7.1 below shows the trend in actual and forecast average water and wastewater bills.

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<sup>32</sup> Watercare's maximum allowable revenue for FY26 under the Charter reflects a 7.2% increase across Watercare's prices, multiplied by forecast volumes. Watercare is now forecasting that water consumption per average billed monthly connection will reduce from 496,400 litres in FY25 to 495,100 litres in FY26, based on assumptions about prevailing weather over FY26. If this expected reduction in volume occurs, the average water and wastewater bill will increase by 7.0%. For more on this, see Watercare "[Report on the price-quality path: forecast stage – financial year 2026](#)" (30 June 2025).

<sup>33</sup> Beehive.govt.nz "[Reining in water price increases for Aucklanders](#)" webpage.

**Figure 7.1 Average water and wastewater bills (nominal)**



- 7.10 The figures show what the nominal increases are, ie, in dollars of the day (the increase customers see in the dollar value of their bills from year to year).
- 7.11 Bills have increased over the past five years and are expected to increase further through to FY28. This recent and projected increase reflects the need for increased capital expenditure we discussed in the previous chapter—for asset renewals, to maintain levels of services and to meet the demands of growth.

## Pricing for growth

- 7.12 From 1 July 2025, Watercare began rebalancing its revenue, so that those requesting new connections bear more of the costs arising from that demand for growth. For the current year, Watercare increased IGCs by 15.5%, in line with the Charter minimum increase requirement.

## Looking ahead

- 7.13 Watercare is reviewing its approach to cost-recovery and pricing, taking account of the distribution of costs and prices across existing customers and new development. This work will include engagement with customers and other stakeholders, and consideration of how to transition to the new pricing regime.
- 7.14 Watercare will publish its pricing review plan by 25 March 2026, and intends to start implementing any of the revisions to its pricing from 1 July 2027.<sup>34</sup>
- 7.15 Watercare has started public quarterly reporting of actual operating and capital expenditure.<sup>35</sup> These quarterly delivery reports provide transparency around the actual costs of growth for both drinking water and wastewater.
- 7.16 We expect these two activities—Watercare’s review of its pricing methodology and greater transparency on the cost of providing for growth—to:

<sup>34</sup> Watercare “[Business Plan 2025 — 2034](#)” (26 March 2025), p. 31.

<sup>35</sup> See Watercare “[Operating and capital expenditure quarterly report](#)” (30 September 2025). We detail this report in Attachment C.

- 7.16.1 provide more transparency on who is paying for the costs of growth, and
  - 7.16.2 reduce the extent to which the cost of network growth falls on existing customers.
- 7.17 This will be supported by the Government's work on development levies for other councils around New Zealand. We expect Watercare to incorporate learnings from this work into its pricing approach, where relevant.

## Chapter 8 Delivery

### Key observations

- > In FY25, Watercare's capital expenditure was substantially lower than planned at \$1.0 billion compared to the planned \$1.2 billion. Watercare recognises there is room for improvement, including the accuracy and robustness of its cost estimates.
- > Watercare delivered 23km of water pipeline renewals. It did not meet its SOI target of 26km (+/- 5%) of water and wastewater pipeline renewals.
- > Looking ahead, performance within this area is expected to benefit from planned improvements and increased transparency under the Charter, and the changes Watercare implements in response to it, which will improve its delivery performance. Improvements will also be encouraged by increased transparency through quarterly delivery reporting.

*Attachment A sets out where to find more information on delivery.*

- 8.0 Watercare's 10-year business plan lays out how it intends to spend \$13.8 billion on repairing, upgrading, replacing and increasing infrastructure. In this context, Watercare's ability to deliver is critical.
- 8.1 Investment delivery and asset management includes the functions of planning, delivering on investments and expected benefits, operation of assets over their lifetimes, measurement of outcomes and review. This chapter focuses on the **delivery** component, specifically on Watercare's ability to:
- 8.1.1 deliver planned outcomes, and
  - 8.1.2 manage risks to delivery.

### Delivery of planned outcomes

- 8.2 Delivery of planned outcomes is about how well Watercare delivered on its planned capital investment and operational expenditure, up to and including FY25. This is not just about whether Watercare delivered to budget. Delivery is also about:
- 8.2.1 whether the intended benefits of a project are realised, and
  - 8.2.2 how transparent Watercare's reasons are for variances from planned budgets, timings or outcomes.

## Management of risks to delivery

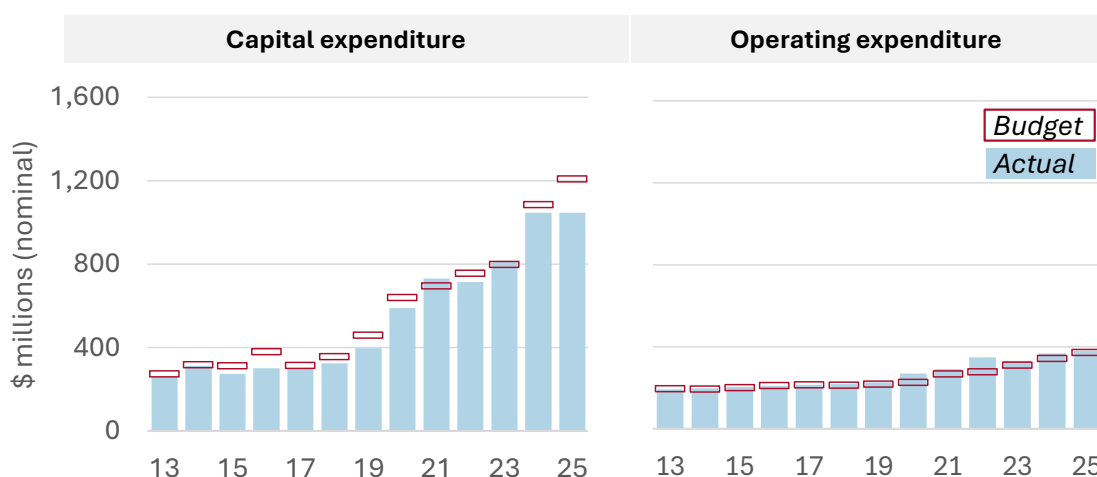
- 8.3 Delivery of large investment programmes involves a range of risks, including forecasting and budgeting risks, inflation and supply chain risks, unforeseen events (eg, weather events) that impact construction, and more.
- 8.4 The ability to identify and proactively manage such risks is an important dimension of performance for any large infrastructure business.

## Performance observations in 2025

### Delivery of planned outcomes

- 8.5 Watercare has been inconsistent in its ability to deliver to budget, in particular for planned capital expenditure. The data show overspends in FY21 and FY23 and a significant underspend, relative to budget, in FY25 (see figure 8.1).
- 8.6 Figure 8.1 shows delivery of capital expenditure on the left-hand side, and operational expenditure delivery on the right-hand side. The values in the figure are nominal, ie, are in dollars of the day.
- 8.7 In FY25, Watercare's capital expenditure was substantially lower than planned at \$1.0 billion compared to the planned \$1.2 billion.

**Figure 8.1 Actual versus budget FY13 to FY25**



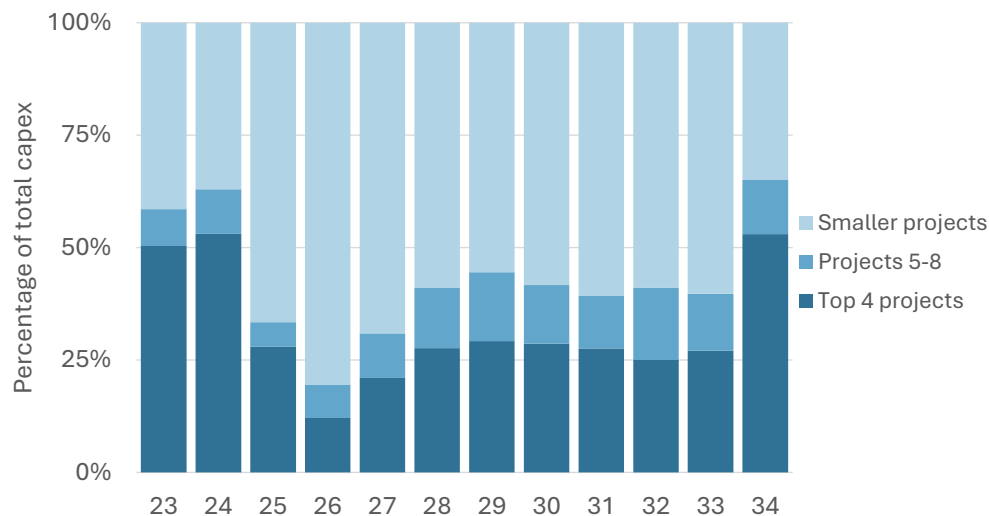
- 8.8 Assessment of actual costs against budget is only part of the delivery story. Setting aside unforeseen events, a reported overspend could mean that:
- 8.8.1 the planned scope was delivered but at a higher cost,
  - 8.8.2 more than the planned scope was delivered with correspondingly higher costs, or

- 8.8.3 the planned scope was not delivered, but costs were nonetheless higher than planned.
- 8.9 Similarly, the recent underspend could mean the company was able to make significant savings compared to estimated costs, or that it failed to deliver on planned work for the year. Care is generally needed when interpreting the under or overspend in any particular period in a water context where projects often get delivered over several years. Timing changes can impact overall spend. Watercare's improved reporting on delivery of outcomes against plan as required by the Charter will provide better understanding of the success of Watercare's infrastructure delivery.
- 8.10 Watercare has acknowledged that there is scope to improve the accuracy and robustness of its cost estimates. To date, there is little publicly available information on other reasons behind the under and overspending shown in figure 8.1. This is changing under the Charter, with the introduction of quarterly public reporting on the delivery of Watercare's operational and capital expenditure plan. We discuss this further in the next section.

## Management of delivery risk

- 8.11 In recent years, Watercare's capital investment programme has been dominated by the Central Interceptor project. We estimate this project accounted for around 30% of Watercare's total capital investment programme over the past six years. Completion of the Central Interceptor in 2026 means a shift in the composition of Watercare's investment programme, to a larger number of smaller projects.
- 8.12 Figure 8.2 shows the changing profile of Watercare's investment programme. The proportion of total capital expenditure spent on the top four projects is tailing off in FY25 and FY26, as the Central Interceptor is completed, and planned to increase again in FY34. Between FY26 to FY33, smaller projects account for the majority of capital expenditure.
- 8.13 More projects means the task of delivery will be more complex, and carry more risk, than in the past. Effective delivery and governance of Watercare's capital programme is a high priority in this context.

**Figure 8.2 The changing profile of Watercare’s investment programme**



## Looking ahead

- 8.14 The Charter is already driving changes in Watercare’s approach to delivery. Taken together, we expect the initiatives summarised below to substantially improve Watercare’s performance in relation to delivery of investment outcomes, over the Charter period and beyond.

### Increased transparency of delivery through delivery reporting

- 8.15 The Charter is already having an impact on Watercare’s approach to forecasting and delivery. Watercare has completed its Operating and Capital Expenditure Plan for the Charter period.<sup>36</sup> In doing so, it adjusted forecasts, compared to its business plan, to:

- 8.15.1 adopt a programme-based approach to investment, to manage the increase in complexity and allow for a more dynamic process of review and adjustment to support delivery at the programme level
- 8.15.2 adjust delivery expectations to reduce ‘optimism bias’<sup>37</sup> and reflect current actual delivery status of projects, and
- 8.15.3 reprofile the delivery of major programmes to support efficient procurement and delivery.

- 8.16 The Operating and Capital Expenditure Plan provides a new baseline that we can assess Watercare’s delivery performance against going forward.

<sup>36</sup> Watercare was required to prepare this plan to us under clause 26 of the Charter.

<sup>37</sup> This refers to a tendency to underestimate the costs, timelines and risks of a project.



8.17 Watercare has already started public quarterly reporting of its performance in delivering operational and capital expenditure. Its quarterly reporting provides transparency as to how Watercare is delivering on its investment programmes for water supply and for wastewater, in relation to:

8.17.1 growth, levels of service, and renewal investment overall

8.17.2 each of Watercare's 22 work programmes, and

8.17.3 its most significant projects.

### **Infrastructure delivery and asset management improvements**

8.18 Delivery and governance of its capital programme is also one of the key theme areas Watercare is focussing on in developing its infrastructure delivery and asset management improvement plan.<sup>38</sup> Watercare has already identified a number of opportunities for improvement in this area.

8.19 This plan will be published by 23 February 2026. The company will publicly report on its progress in implementing its planned improvements to infrastructure delivery over the next three years. Watercare will publish the first progress report by 30 September 2026.

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<sup>38</sup> Watercare is developing this plan in accordance with clause 24 of the Charter.

## Chapter 9 Governance, capability and capacity

### Key observations

- > Watercare is the steward for public water infrastructure in Auckland. Its ability to deliver outcomes that are in the long-term interest of Aucklanders depends on its asset management maturity. This maturity in turn depends on its systems, processes and people. Watercare recognises that it has significant scope for improving its maturity and that there is need for improvement.
- > Watercare has signalled that it sees the Charter requirement to develop an investment delivery and asset management improvement plan (for publication in the first quarter of 2026) and to report on progress (from the third quarter of 2026) as a catalyst for business change to improve its maturity.
- > Looking ahead, performance within this area will benefit from the increased focus on planning and reporting as encouraged by the Charter price path, and from the changes Watercare implements in response. This will be critical to enabling improvements in other performance areas.

9.0 An organisation's effectiveness is driven by its **governance**, and by the **capability and capacity** of its people and of the systems and processes used in running the organisation. It includes but is not limited to:

9.0.1 reflecting on outcomes and external feedback, and

9.0.2 taking actions to change outcomes, eg, making appropriate changes to inputs, systems and/or processes.

9.1 Watercare is implementing initiatives now and in the future that should help drive improvements in this area.

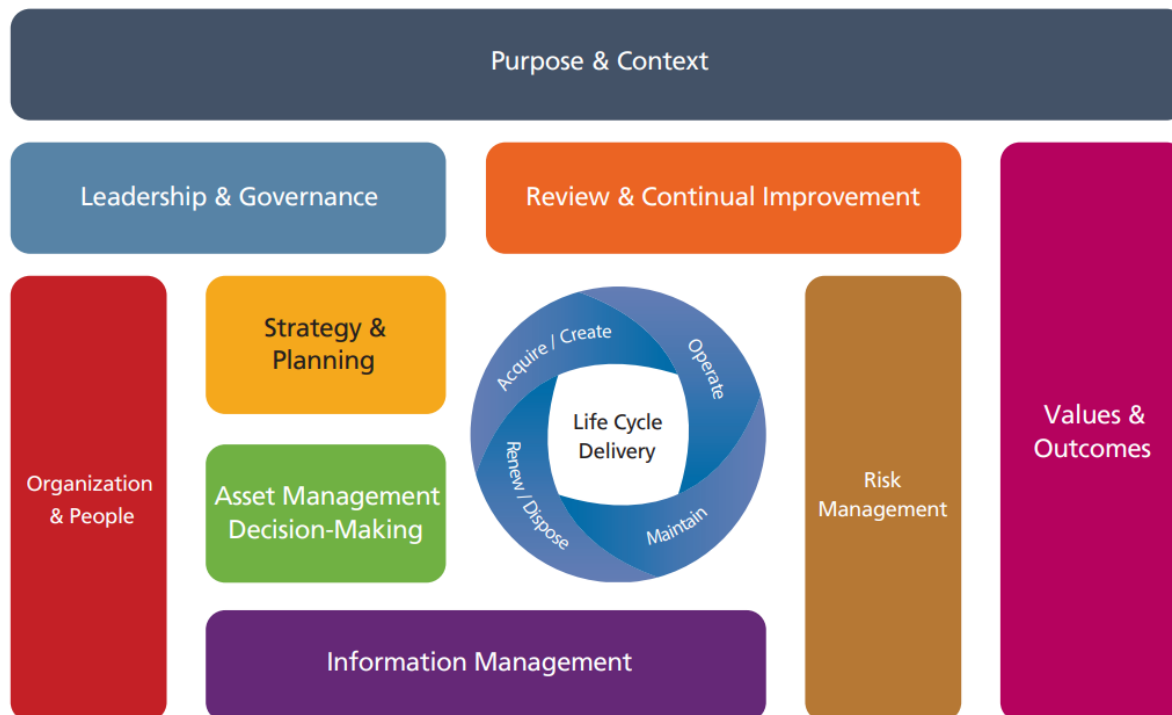
### Drivers of organisational capability

9.2 High performing organisations depend on people and processes to be effective and efficient. Figure 9.1 below is an example of a conceptual model of the systems and processes that support an effective asset management organisation.<sup>39</sup> Different aspects of the framework are more important than others, depending on where an organisation is in its asset management journey.

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<sup>39</sup> The Institute of Asset Management "[Asset Management – an anatomy - Version 4](#)" (July 2024), p. 28.

**Figure 9.1 The Institute of Asset Management's 10 box capabilities model**



Source: The Institute of Asset Management, [Asset Management – an anatomy](#), Version 4, July 2024.

- 9.3 Watercare's core business of providing water services is represented by the 'Lifecycle delivery'. How it carries out this core business is informed by other activities and processes, such as 'Strategy and planning' and 'Risk Management'. Some of the inputs and outputs shown in this diagram are measured by the performance targets outlined in this report.
- 9.4 The diagram shows that there are a significant number of inputs that can influence the Lifecycle Delivery of, in Watercare's case, water services. Sometimes, improvements in these inputs may be intangible or not easily seen. Improvements in organisational culture for instance, are not easily measured but may go a long way to increasing the effectiveness and efficiency of an organisation. Further, governance plays an important role in determining the strategic direction of an organisation. We, as the Crown monitor, cannot direct how Watercare is governed, but we can comment on it (where appropriate).
- 9.5 Watercare's capacity is, generally speaking, the sum of the parts in this diagram. As Watercare matures as an organisation, we would expect improvements in these systems and processes, leading to demonstrable and measurable improvements in performance.

## Performance observations in 2025

- 9.6 As Watercare has begun its process of maturing as an organisation, we have observed that it already has some ability to adapt, plan and deliver on projects. These include:
- 9.6.1 becoming an independent council-controlled organisation (**CCO**) that is financially separate from Auckland Council
  - 9.6.2 securing \$3.4 bn in debt from bank debt facilities
  - 9.6.3 engaging constructively with us and with the requirements placed upon it by the Charter, and
  - 9.6.4 adapting its internal processes, such as adjusting its performance reporting based on requirements in the Charter.
- 9.7 Watercare's focus has shifted towards organisational effectiveness and efficiency. We consider this is driven by a range of factors including:
- 9.7.1 reputational incentives created by the need for greater transparency under the Charter
  - 9.7.2 an increased focus on planning and reporting as encouraged by the Charter price path, and
  - 9.7.3 the discipline of the financial requirements placed on Watercare through the Charter and financial separation from Auckland Council.
- 9.8 Watercare is still early in its maturity as a financially separate CCO. Despite this, its 2025 achievements, as well as other improvements, provide a level of confidence that it understands how it can become an effective organisation in the future.

## Looking ahead

- 9.9 We welcome Watercare's approach to embracing the regulatory requirements as an opportunity for business change to improve its maturity.
- 9.10 Looking ahead, performance within this area will benefit from Watercare's implementation of planned improvements, which will be critical to enabling improvements in other performance areas. Watercare's infrastructure delivery and asset management improvement plan (to be published in early 2026) will set out initiatives such as improving its understanding of linkages between investments and outcomes, investment prioritisation and delivery. These are aimed at lifting its overall asset management maturity.
- 9.11 We expect that Watercare's operational efficiency improvement plan, which is also due for publication in 2026, to identify specific initiatives and expected timings for achieving efficiency improvement.

## Attachment A Where to find more information

A1 The table below sets out where you can find more detailed information on Watercare's performance, for each chapter of this report.

**Table A1 Sources of information for this report**

What the document is	Who wrote it	Where to find it
<b>Chapter 2: Customer</b>		
<b>Watercare's performance trends – 2025 edition.</b> This document provides further detail on the areas of Watercare's performance discussed in this report, between the years 2020-2025.	Commerce Commission	Commerce Commission website
<b>Quarterly performance report for the quarter ended 30 June 2025</b>	Watercare	Watercare's <a href="#">website</a>
<b>Annual Report 2024/25</b>	Watercare	Watercare's <a href="#">website</a>
<b>Customer Promise document.</b> This sets out what customers and other stakeholders can expect in Watercare's service delivery.	Watercare	Watercare's <a href="#">website</a>
<b>SOI for 2025 to 2028.</b> The Appendices set out Watercare's targets across a range of performance measures.	Watercare	Watercare's <a href="#">website</a>
<b>Non-Financial Performance Measures Rules 2024</b>	Department of Internal Affairs	DIA's <a href="#">website</a>
<b>Chapter 3: Drinking water quality</b>		
<b>Watercare's performance trends – 2025 edition.</b> This document provides further detail on the areas of Watercare's performance discussed in this report, between the years 2020-2025.	Commerce Commission	Commerce Commission website
<b>Quarterly performance report for the quarter ended 30 June 2025</b>	Watercare	Watercare's <a href="#">website</a>
<b>Annual Report 2024/25</b>	Watercare	Watercare's <a href="#">website</a>
<b>What we do – Drinking Water webpage.</b> Provides information on Watercare's processes for providing drinking water.	Watercare	Watercare's <a href="#">website</a>
<b>Drinking Water Quality Assurance Rules.</b> Sets out how drinking water suppliers must comply with the Drinking Water Standards and the Water Services Act 2021.	Water Services Authority	Water Services Authority <a href="#">website</a>
<b>Chapter 4: Network performance</b>		
<b>Watercare's performance trends – 2025 edition.</b> This document provides further detail on the areas of Watercare's performance discussed in this report, between the years 2020-2025.	Commerce Commission	Commerce Commission website
<b>Quarterly performance report for the quarter ended 30 June 2025</b>	Watercare	Watercare's <a href="#">website</a>

What the document is	Who wrote it	Where to find it
<b>Annual Report 2024/25</b>	Watercare	Watercare's <a href="#">website</a>
<b>Watercare's wastewater network smartens up with rollout of 5000 sensors.</b> This report details an example of Watercare investing to limit dry weather wastewater overflows.	Watercare	Watercare's <a href="#">website</a>
<b>Watercare's smart sensors prevent wastewater overflow in Ōtara.</b> This report identifies an example of Watercare's investment successfully limiting an overflow.	Watercare	Watercare's <a href="#">website</a>
<b>Chapter 5: Environmental performance</b>		
<b>Watercare's performance trends – 2025 edition.</b> This document provides further detail on the areas of Watercare's performance discussed in this report, between the years 2020-2025.	Commerce Commission	Commerce Commission website
<b>Quarterly performance report for the quarter ended 30 June 2025</b>	Watercare	Watercare's <a href="#">website</a>
<b>Annual Report 2024/25</b>	Watercare	Watercare's <a href="#">website</a>
<b>About us – Sustainability and community webpage.</b> Provides information on Watercare's sustainability aim and approach and its community initiatives.	Watercare	Watercare's <a href="#">website</a>
<b>Auckland Water Efficiency Plan 2021 to 2025.</b> Sets out Watercare's commitment to reducing Auckland's gross per capita consumption by 15% by 2025 (from 2004 levels).	Watercare	Watercare's <a href="#">website</a>
<b>Climate Change Policy.</b> Sets out Watercare's objectives, targets, and actions to mitigate the impacts of climate change.	Watercare	Watercare's <a href="#">website</a>
<b>Watercare's Auckland-wide Network Discharge Consent 2023-2024 Annual Performance Report.</b> This report is a requirement of the Network Discharge Consent (NDC) and summarises the performance of Watercare's wastewater network, based on overflows. The NDC requires Watercare to provide a wastewater network performance report annually.	Watercare	Watercare's <a href="#">website</a>
<b>Chapter 6: Investment, funding and financing</b>		
<b>Watercare's performance trends – 2025 edition.</b> This document provides further detail on the areas of Watercare's performance discussed in this report, between the years 2020-2025.	Commerce Commission	Commerce Commission website
<b>Annual Report 2024/25</b>	Watercare	Watercare's <a href="#">website</a>
<b>Business Plan 2025 – 2034.</b> This Business Plan outlines Watercare's service commitments, including regulatory requirements, business priorities, and how it measures its performance.	Watercare	Watercare's <a href="#">website</a>
<b>Projects around Auckland – Central Interceptor webpage.</b> Provides information about the project and construction updates	Watercare	Watercare's <a href="#">website</a>

What the document is	Who wrote it	Where to find it
<b>Chapter 7: Pricing</b>		
<b>Price-Quality Path Report (forecast for the financial year 2025-2026)</b>	Watercare	Watercare's <a href="#">website</a>
<b>Press release: Reining in water price increases for Aucklanders.</b> 20 March 2025 press release announcing the Watercare Charter.	NZ Government	Beehive's <a href="#">website</a>
<b>SOI for 2025 to 2028.</b> The Appendices set out Watercare's SOI targets across a range of performance measure.	Watercare	Watercare's <a href="#">website</a>
<b>Watercare pricing methodology review plan</b> (also referred to as <b>IGC reform plan</b> ) <i>Watercare will publish this on its website by 25 March 2026</i>	Watercare	Watercare's website
<b>Quarterly report on operating and capital expenditure (Q4 financial year 25)</b>	Watercare	Watercare's <a href="#">website</a>
<b>Chapter 8: Delivery</b>		
<b>Business Plan 2025 – 2034.</b> This Business Plan outlines Watercare's service commitments, including regulatory requirements, business priorities, and how it measures its performance.	Watercare	Watercare's <a href="#">website</a>
<b>Quarterly report on operating and capital expenditure (Q4 financial year 25)</b>	Watercare	Watercare's <a href="#">website</a>
Infrastructure delivery and asset management improvement plan <i>Watercare will publish this on its website by 23 February 2026</i>	Watercare	Watercare's website

## Attachment B Our approach to performance assessment

B1 This attachment sets out the scope of this performance assessment and our approach to monitoring and assessing Watercare’s performance.

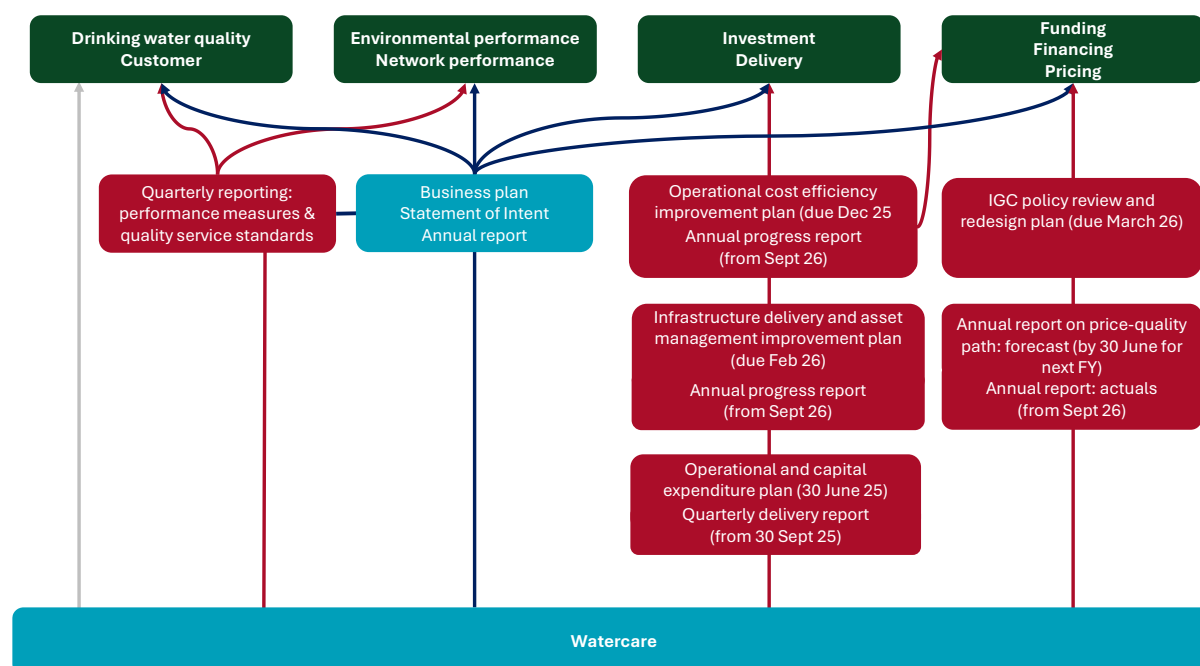
### Scope of our performance assessment

B2 Our focus in this report is on Watercare and its performance, and how we expect performance to change under the Charter.

B3 The scope of our assessment is firstly informed by the purpose statement in Part 4 of the WSPA Act.<sup>40</sup> We have assessed the company’s performance across the key inputs, outputs and outcomes that will drive improvement in long-term benefits for Watercare’s customers.

B4 Figure B1 shows the areas and information covered by our assessment. As the figure shows, the scope of our assessment aligns with the focus of interim economic regulation, supplemented with a review of performance against Watercare’s own performance targets.<sup>41</sup>

**Figure B1 Scope of our performance assessment**



The green boxes at the top of the diagram are key outcome areas for Watercare. Red boxes show Charter planning and disclosure requirements. The light blue box shows reports Watercare produces for its shareholder (Auckland Council) that we have drawn on in our assessment.

<sup>40</sup> Local Government (Water Services Preliminary Arrangements) Act 2024, Section 70(1)(a)-(b).

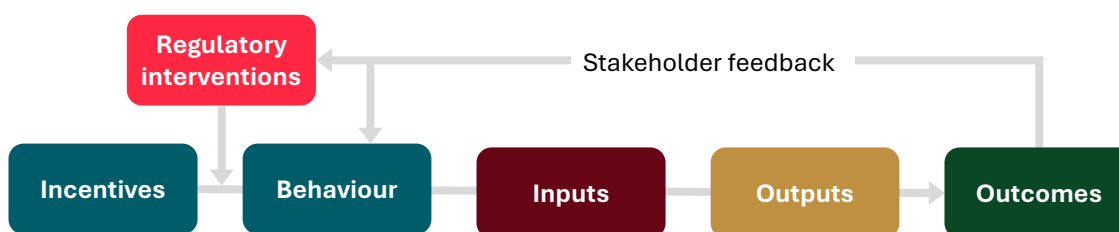
<sup>41</sup> Watercare’s business plan and SOI set out priorities and targets for the business. Its annual reports set out performance against these targets.



## Regulation drives change in behaviours to change outcomes

- B5 Regulation drives changes in the outcomes Watercare delivers. As figure B2 illustrates, regulation changes Watercare’s incentives, leading to changes in behaviour, affecting changes in:<sup>42</sup>
- B5.1 inputs (eg, funding, financing, organisational capability and capacity to deliver), and
  - B5.2 outputs (eg, investment, delivery performance, and pricing).
- B6 Improved performance in relation to inputs and outputs leads to better outcomes for customers, such as the service they receive.

**Figure B2 The impact of regulation on behaviour and outcomes**



- B7 Feedback from stakeholders provides accountability, influencing Watercare’s behaviour and informing decisions by regulators, including us as Crown monitor to Watercare. In our experience, targeted regulatory interventions that modify the natural incentives of monopoly businesses like Watercare, and that encourage positive behavioural change are often effective at improving outcomes. In some instances more direct intervention may be appropriate.
- B8 Our annual assessments of Watercare’s performance support this feedback loop of transparency and accountability, reinforcing behaviour changes that improve outcomes for customers.

## Our assessment is by performance area

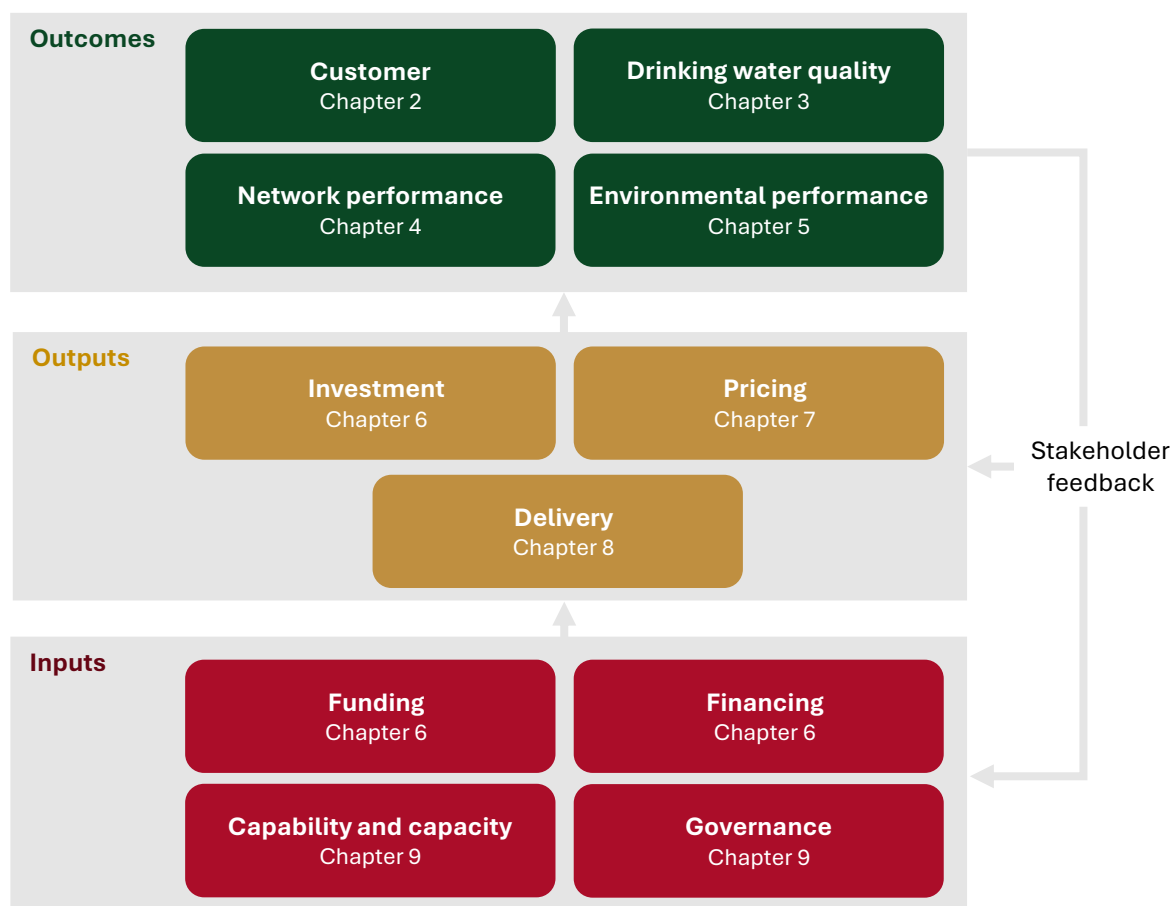
- B9 We have grouped our assessment by the key inputs, outputs, and outcomes that Watercare delivers. We refer to these as ‘performance areas’.
- B10 Figure B3 provides an overview of the areas we have assessed for this baseline report and where in this report you can find our assessment of Watercare’s performance for each area.

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<sup>42</sup> We define ‘inputs’, ‘outputs’, and ‘outcomes’ in the Glossary in Attachment D.

B11 The performance areas we use in this report are for the purpose of assessing Watercare’s performance in 2025. Our approach may evolve over time as the Charter matures, as Watercare provides more information over the first year of the Charter’s operation and as we implement enduring regulation for all water services providers.

**Figure B3 Performance areas: inputs, outputs and outcomes for Watercare**



B12 As figure B3 indicates, these areas are inter-related. For instance, how Watercare invests, sets prices and impacts the environment all affect the quality of service customers receive. Similarly, Watercare’s effectiveness in delivering infrastructure to support growth depends on its overall governance and on the capability and capacity of the organisation, along with funding, financing and investment.

### **The role of governance and organisational capability and capacity**

B13 We include an assessment of the areas of capability and capacity, and governance. These areas guide changes across the business and are thus key drivers of performance across all areas of a provider’s performance.

B14 In a mature regulatory environment, with established and consistent performance measures, we may put less emphasis on these areas. Providers’ governance, and organisational capability and capacity, would be reflected in measures of performance across the other areas.

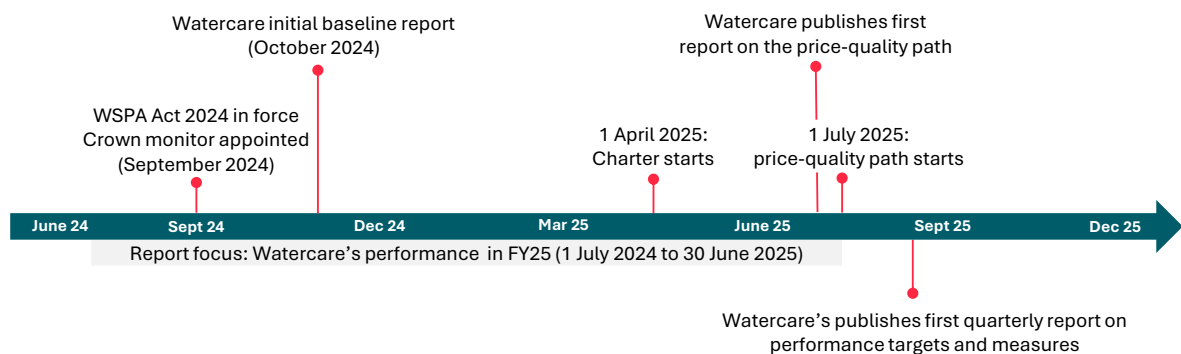
B15 We have included an assessment of Watercare’s capability and capacity and its governance in this report. Chapter 9 describes initiatives that Watercare is implementing to improve performance in these areas. We expect these to drive improvements across all performance areas discussed in chapters 2 to 8.

## Time period covered by this report

B16 This annual report assesses Watercare’s performance for the most recent financial year, ie, from 1 July 2024 to 30 June 2025.

B17 As the timeline below shows, the Charter was in effect only for the last quarter of this period. The price-quality path in the Charter began on 1 July 2025, after the period covered by this report.

**Figure B4 Period covered by this report and Charter timings**



## Measures we have used to assess performance

B18 The Charter imposes a range of reporting and disclosure requirements on Watercare, which will inform our performance assessments in future years. As figure B4 shows, most of the period covered by this performance assessment pre-dates the Charter—Watercare’s quarterly reporting under the Charter requirements covers only the last quarter of FY25.

B19 For this report, we relied heavily on pre-existing measures to assess Watercare’s performance. We have used measures included in the Charter where available and measures contained in Watercare’s SOI, which Watercare must also report on under the Charter.

B20 We have supplemented this with information in Watercare’s Business Plan and Annual Reports.

B21 Watercare’s SOI includes targets for 38 measures of performance, across six areas. These targets were agreed with Auckland Council, or set by Auckland Council to align with its own plans and strategies.

- B22 The SOI measures include reporting against:
- B22.1 compliance with Drinking Water Quality Assurance Rules, set by the Water Services Authority
  - B22.2 targets for performance measures set by the DIA, and
  - B22.3 targets included in Watercare’s Network Discharge Consent.
- B23 Watercare publicly reports performance across these targets each year in its annual report and, since the Charter came into effect, in its quarterly reporting on performance measures and quality service standards. Our observations on Watercare’s performance are informed by this reporting.
- B24 We do not necessarily consider these existing measures and targets are the best indicators of Watercare’s performance, as they were set in a different context and for different purposes. Meeting the existing targets does not on its own demonstrate good performance, just that the targets have been met.
- B25 As more information becomes available over the Charter period, and as the regulatory system evolves, we will gain greater insights into performance including how Watercare is improving over time. We expect our approach to assessing Watercare’s performance, and the measures we use, to evolve accordingly.

## Approach for Papakura District

- B26 Our approach in this annual report is to focus on Watercare’s performance overall in areas other than the Papakura District. Veolia provides water and wastewater services to over 75,000 people across the Papakura District. Veolia does this under a long-term franchise agreement.
- B27 Veolia agreed to Watercare’s request to publish information on the delivery of water and wastewater services to the Papakura community and has published its first report on performance targets and service standards for the Papakura District. Veolia explains:<sup>43</sup>

*Veolia does not report against financial performance measures. The Franchise Agreement under which Veolia provides water and wastewater services to our Customers in the Papakura District contains controls to limit charges to customers and ensure cost efficiency. This includes ensuring that our Papakura District customers on average pay no more for their water and wastewater services than Watercare customers in other parts of Auckland*

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<sup>43</sup> Veolia “[Papakura District - Performance targets and service standards reporting 1 July 2024 to 30 June 2025](#)” (August 2025) , p.3.

- B28 We have a statutory duty to monitor Watercare's performance. Under section 86(2) of the WSPA Act, this includes the performance of any service or network that Watercare manages through a contract with a third-party provider. As such, we must also monitor the performance of the Papakura network that Watercare manages through a contract with Veolia. As part of this duty, we are ensuring transparency of performance improvements.
- B29 We value the work Watercare and Veolia have done so far to increase transparency for customers in the Papakura District. Our current preference is that for this report Watercare's information excludes Papakura District information. For the purpose of this report, all measures exclude measures for Papakura. Veolia only reports on a subset of information, and only started reporting information recently in relation to the last quarter of FY25. We will continue to engage with Watercare on Papakura District reporting, and will consider how to incorporate information on Papakura District into our monitoring and reporting. For information in relation to the Papakura District refer to Veolia's [website](#).

## Attachment C Charter reporting requirements and compliance so far

- C1 Watercare is required to comply with the Charter requirements. This includes providing draft documents to the Crown monitor for its feedback, demonstrating compliance with its price path, and publishing quarterly reporting on performance and delivery. Watercare has complied with all its requirements since the Charter started on 1 April 2025. Below we provide a summary of requirements and timing.

**Table C1 Summary of Watercare's obligations and compliance under the Charter**

Requirement	Charter clause	Date due	Compliance with requirement
Draft infrastructure delivery and asset management plan is provided to the Crown monitor for feedback	24(3)(a)	31 August 2025	Complied
Infrastructure delivery and asset management plan incorporates the Crown monitor's feedback and is published on Watercare's website	24(3)(b)(i) 24(3)(b)(ii)	Within 60 working days of receiving feedback from the Commission	Upcoming in the first quarter of 2026
Annual reporting on progress against infrastructure delivery and asset management improvement is published on Watercare's website	25(3)	30 September following the end of the financial year to which a report relates (each year starting FY26)	Upcoming from 2026
Operating and capital expenditure plan is provided to the Crown monitor and the draft template for the quarterly delivery report (operating and capital expenditure) is provided to the Crown monitor for feedback	26(3)(a) 26(3)(b)	1 July 2025	Complied
Quarterly delivery report (operating and capital expenditure) is published on Watercare's website	27(5) 27(6)	By the end of the end of the third month following the end of the quarter to which each quarterly report relates. The first report is for the quarter ending 30 June 2025 due by 30 September 2025 (each quarter)	Complied. First report for the quarter ended 30 June 2025 is published on Watercare's <a href="#">website</a>
Report on price-quality path forecast is published on Watercare's website	22(4)	30 June before the start of the financial year to which the report relates (each year)	Complied for FY26 Report for the quarter ended 30 June 2025 is published on Watercare's <a href="#">website</a>

Requirement	Charter clause	Date due	Compliance with requirement
Report on price-quality path earnings stage is published on Watercare's website	23(3)	30 September following the end of the financial year to which the report relates	Upcoming in the third quarter of 26
Quarterly performance targets and measures report is published	28(3) 28(4) 29(3)(a) 29(4)(a)	By the end of the end of the second month following the end of the quarter to which each quarterly report relates. The first report is for the quarter ending 30 June 2025 due by 31 August 2025 (each quarter)	Complied. First report for the quarter ended 30 June 2025 is published on Watercare's <a href="#">website</a>
Quarterly minimum quality service standards report (for clause 11 – volume of real water loss) is provided to the Crown monitor	29(3)(b) 29(4)(b)	The end of the fifth month following the end of the quarter to which the report relates. The first report is for the quarter ending on 30 June 2025 due by 30 November 2025	Upcoming
Watercare provides draft IGC reform plan to Crown monitor for feedback	19(4)(b)	30 September 2025	Complied
Watercare incorporates the feedback on draft IGC reform plan publishes plan on its website	19(4)(c)(i) 19(4)(c)(ii)	Within 60 working days of receiving feedback from the Commission	Plan publication upcoming in the first quarter of 2026
Draft operating cost efficiency improvement plan is provided to the Crown monitor for feedback	20	31 December 2025	Upcoming
Watercare incorporates the feedback on operating cost efficiency improvement plan and publishes plan on its website	20(4)(b)(ii) 20(4)(b)(iii) 20(4)(b)(iv)	Within 60 working days of receiving feedback from the Commission	Upcoming in the second quarter of 2026
Annual report on efficiency progress is published on Watercare's website	21(3)(a) 21(3)(b) 21(3)(c)	30 September (each year starting in FY26)	Upcoming
Report on credit rating is provided to the Crown monitor as required	30(3)(b)	If Watercare identifies an event or a change in circumstances that could change its credit rating	Conditional

## Attachment D Glossary

Term	Definition
<b>CCO</b>	Council-controlled organisation
<b>Charter</b>	<a href="#">Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025</a>
<b>Commission</b>	New Zealand Commerce Commission
<b>Customer</b>	A person who consumes, uses, or is provided with water services
<b>DIA</b>	Department of Internal Affairs
<b>DWQAR</b>	Drinking Water Quality Assurance Rules 2022
<b>Economic regulation</b>	Refers to a way of influencing suppliers' behaviour in certain sectors important to people's lives. Without regulatory intervention in these sectors, outcomes such as the price and quality of products and services supplied are not expected to be in the long-term interest of customers
<b>ELL</b>	Economic level of water leakage
<b>Enduring ID</b>	Longer term form of information disclosure proposed under the WSPA Act, which may apply to all water service providers
<b>EPA</b>	Environmental Protection Authority
<b>FFO</b>	Funds from operations
<b>FY</b>	Financial year. For example, 'FY25' means the 2025 financial year, ie, the 12 months ending on 30 June 2025
<b>IGCs</b>	Infrastructure Growth Charges
<b>Inputs</b>	Inputs are the resources that a company uses to carry out its activities or to drive outputs (eg, money, technology, staff and the knowledge and skills of the staff)
<b>LG(WS) Act</b>	<a href="#">Local Government (Water Services) Act 2025</a>
<b>NDC</b>	Network Discharge Consent
<b>Nominal</b>	When referring to monetary values means the value shown in dollars of the day.
<b>Outcomes</b>	Outcomes result from outputs and are specific measures that reflect what customer, other stakeholders and society really value, (eg, volume of water loss, timeliness of responses to call-outs, compliance with water quality regulations, levels of emissions released)
<b>Outputs</b>	Outputs are the activities that the entity is in control of and needs to deliver to achieve the outcomes that customer and other stakeholders and society value (eg, investment in infrastructure and operations, pricing and billing, delivering on projects)
<b>Q1, Q2, Q3, Q4</b>	Quarter. Q1 is the first quarter of a financial year (1 July to 30 September). Q2 is the second quarter of a financial year (1 October to 31 December). Q3 is the third quarter of a financial year (1 January to 31 March). Q4 is the last quarter of a financial year (1 April to 30 June).
<b>SOI</b>	Statement of Intent



<b>Water services</b>	Services provided to customers by water service providers including drinking water, stormwater and wastewater services as defined under the WSPA Act and the LG(WS) Act
<b>Water organisation</b>	An entity to which foundational ID could apply under section 39 of the WSPA Act or as defined in s 4 of the <a href="#">Local Government (Water Services) Act 2025</a>
<b>Watercare</b>	Watercare Services Limited
<b>WSPA Act</b>	<a href="#">Local Government (Water Services Preliminary Arrangements) Act 2024</a>