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COMMERCE COMMISSION NEW ZEALAND
*Te Komihana Tauhokohoko*

# Information Disclosure for Water Services – Ring-Fencing and Reporting Templates

## Draft decision consultation paper

17 November 2026



# Associated documents

| Publication date | Reference | Title |
|---|---|---|
| 20 February 2026 | ISSN 1178-2560 | Water Services Information Disclosure Determination 2026 [2026] NZCC 3 |
| 24 February 2026 | ISBN 978-1-991414-63-2 | Information Disclosure for Water Services Regulatory Framework Paper |
| 24 February 2026 | ISBN 978-1-991414-64-9 | Information Disclosure for Water Services Final Decision Summary Paper |
| 22 April 2026 | ISBN 978-1-991414-04-5 | Ring-fencing revenue for regulated water services – Discussion paper: monitoring and enforcement of the ring-fencing principle |
| 20 August 2026 | ISBN 978-1-997321-73-6 | Which tool when – Our approach to applying our regulatory toolkit for water services |
| 20 August 2026 | ISBN 978-1-997321-74-3 | Statutory criteria and processes for our regulation of water services |

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# Executive Summary

## Whakapopotonga Matua

X1 The Commerce Commission is the economic regulator for water services. We have a specific role in monitoring and enforcing the financial ring-fencing principle for regulated water services under Part 4 of the Commerce Act 1986 (the **Commerce Act**). Currently, regulated water services (**regulated services**) are water supply and wastewater services supplied by decision-making local government water service suppliers (**regulated suppliers**). Part 4 of the Commerce Act provides for extending regulation to other water services (eg, stormwater services), and to other suppliers of water services.

X2 Information disclosure (**ID**) is the "ground floor" of our regulatory framework for water services. Through transparency, ID helps consumers, regulated suppliers, regulators, and other stakeholders understand how regulated suppliers are performing and how that performance changes over time.

X3 The ring-fencing principle, set out in the Local Government (Water Services) Act 2025 (**LGWS Act**), requires revenue received from, and funding received for, water services to be spent on the water services provided. Transparency over how funds are received, transferred, accumulated, and applied can assist interested persons to assess whether regulated suppliers are acting consistently with the principle and whether the purpose of the Commerce Act is being promoted.

X4 In April 2026, we published a discussion paper seeking feedback on how we should monitor and enforce the ring-fencing principle. We received 23 submissions from regulated suppliers, local authorities, industry bodies and other interested persons. Submitters generally supported a proportionate, risk-based approach that prioritises transparency and makes use of existing reporting frameworks where possible.

X5 Having considered submissions and applied our risk-based approach, we propose to use Funding Impact Statements already required under the LGWS Act as the foundation of our ring-fencing monitoring framework, supplemented by targeted ID requirements. These requirements focus on fund movements that we consider may present the greatest risk of undermining the ring-fencing principle.

X6 We identified that transparency may be particularly important where funds move between regulated services and stormwater services, between regulated services and non-water services, or where fund movements could negatively impact the supply of regulated services.

X7 Applying the ID regulatory framework, our proposed requirements are intended to improve visibility of fund movements and funding arrangements relevant to the ring-fencing principle, while minimising compliance costs where possible.

X8 At this stage, we are not proposing to enforce the ring-fencing principle by setting rules restricting fund movements or fixing settlement periods, or other more intrusive interventions through a ring-fencing determination. Instead, we consider enhanced transparency through targeted ID requirements will support monitoring of the principle by both us and interested persons, and help inform any future consideration of additional regulatory tools if concerns emerge over time.

X9 Although monitoring dividend arrangements was not a focus of our discussion paper, the LGWS Act also includes specific provisions relating to dividend payments by council-owned water organisations. Despite the ring-fencing principle, a water organisation may pay dividends to its council shareholders, but not to such an extent that the organisation's ability to sustainably provide water services is compromised.

X10 We consider that payments of dividends to council owners require monitoring but do not propose any additional dividend disclosures. This is because detailed dividend disclosures are required under the generally accepted accounting practice (**GAAP**)-based annual reporting for water organisations. In addition, our existing ID requirements already require water organisations to disclose their dividend policies.

X11 We invite feedback on the proposed additional ID requirements relating to ring-fencing, including on whether they appropriately target material fund movements and risks, and whether they will provide meaningful transparency regarding compliance with the ring-fencing principle.

X12 In addition to setting additional ID requirements relating to ring-fencing, we are also consulting on requiring regulated suppliers to use our issued reporting templates for all ID disclosures. We consider standardised templates will support the effective operation of the ID regime by improving consistency, comparability and transparency across the sector.

X13 We will use submissions received in response to this draft decision consultation package to inform our final decision, which we expect to publish in March 2027.

# Chapter 1 Introduction

## Kōrero Whakataki

### Purpose of this paper

Te pūtake o tēnei pepa

1.1 This paper sets out our draft decision on additional information disclosure (**ID**) requirements to support monitoring of the financial ring-fencing principle (the **principle**) for regulated water services, being water supply services and wastewater services (**regulated services**), supplied by decision-making local government water service suppliers (**regulated suppliers**).

1.2 It builds on the discussion paper we published in April 2026, which asked for stakeholder views on how we should monitor and enforce the principle in relation to water services regulated under the Commerce Act 1986 (the **Commerce Act**).

1.3 We are consulting on proposed additional ID requirements relating to ring-fencing. We set out:

- why we are proposing additional ID requirements for monitoring compliance with the principle, and not yet proposing any requirements to enforce compliance with the principle (such as restricting the flow or use of funds)
- our decision-making framework to setting additional ID requirements, and
- the proposed additional ID requirements and reasons.

1.4 We are also consulting on requiring regulated suppliers to use our reporting templates for all ID disclosures. We consider standardised templates will support the effective operation of the ID regime by improving consistency, comparability and transparency across the sector.

## This paper is part of a package of documents

## Ko tēnei pepa he wāhanga o tētahi mōkī tuhinga

1.5 Alongside this paper, we have also published the following documents:

- **Draft amendment determination**—a draft of the legal document that sets out our proposed additional ID requirements for ring-fencing and reflects our proposal to make the use of ID templates compulsory.
- **Draft ID reporting templates**—forms part of the draft amendment determination that sets out the proposed format and information that regulated suppliers must use when reporting, including the proposed additional information relating to ring-fencing, across the five schedules (Schedules F-J) included in the package.
- **Factsheet**—summarises the key elements of our proposal and the changes we are consulting on.

## How to have your say

## Te ara māu hei tuku kōrero mai

1.6 We invite submissions on the proposals set out in this draft decision consultation paper, the accompanying ID amendment determination, and the ID reporting templates, as part of a four-week consultation process.

1.7 We are particularly interested in your views on:

- whether our proposed additional ID requirements relating to ring-fencing will provide meaningful transparency of regulated suppliers' compliance with the principle, and
- whether requiring the use of reporting templates for all ID disclosures would improve the quality, consistency and usability of disclosed information.

1.8 Submissions are due by 5pm on 15 December 2026. Attachment B explains how to make a submission, including how to send your submission and how we handle confidential information.

## Next steps

### Ngā mahi ā muri atu

1.9 Following consultation, we will consider all submissions received before making a final decision on the proposed ID requirements. We expect to publish a final decision in March 2027.

1.10 As part of our ongoing monitoring of regulated services, we will continue to assess whether ID provides sufficient transparency regarding compliance with the principle and whether any additional regulatory response may be warranted in future.

1.11 The key next steps following publication of this draft decision are set out below.

**Table 1.1 Key next steps**

| Step | Timing |
|---|---|
| Draft consultation closes | 15 December 2026 |
| Final decision for additional ID requirements and reporting templates | March 2027 |
| Regulated suppliers publicly disclose information | Annually, on or before 30 November, beginning in 2027 |

## Structure of this paper

### Te hanga o tēnei pepa

1.12 The remainder of this paper is organised as follows:

- **Chapter 2** explains the context for our ring-fencing draft decision, including the ring-fencing principle, our statutory role and the purpose of ID.
- **Chapter 3** summarises the submissions we received on our discussion paper on ring-fencing revenue for regulated services.
- **Chapter 4** sets out our decision-making approach to ring-fencing.
- **Chapter 5** sets out our proposed additional ring-fencing ID requirements and supporting reasons.
- **Chapter 6** sets out the proposed implementation settings of the additional ring-fencing ID requirements to support the effective operation of the ID regime.
- **Chapter 7** sets out our proposal to require regulated suppliers to use our issued reporting templates and supporting rationale.

# Chapter 2 Context

## Horopaki

### What is ring-fencing?

### He aha te tikanga o te mahi tāpui?

2.1 The principle is one of the financial principles in the LGWS Act. It requires that a water service provider (that could include regulated suppliers):

> must spend the revenue it receives from, and funding it receives for, providing water services on the water services it provides (including on maintenance, improvements, infrastructure renewal, servicing debt relating to the services it provides, and providing for growth).[1]

2.2 The principle is intended to ensure that revenue from, and funding for, providing water services is spent on activities that water service providers undertake to provide water services, and not on unrelated activities. The principle applies to all water services.[2]

2.3 The principle has several associated principles, including the other three financial principles set out in section 18(1)(b)-(d) of the LGWS Act. Section 18(3) of the LGWS Act is notable as it provides a carve-out from the ring-fencing principle in respect of the payment of dividends (the **dividends requirement**).[3] Effectively, the dividends requirement means that dividend amounts may be paid to shareholders, but not to such an extent that a water service provider's ability to sustainably provide water services is compromised.

2.4 Water service providers must demonstrate compliance with all the financial principles in section 18(1)(a)-(d) of the LGWS Act in their financial policies and operations, and in their planning and reporting documents prepared under Part 4 of the LGWS Act. Additionally, water service providers must demonstrate compliance in any transfer agreement or documents relating to a proposal to establish a new water organisation. Local authorities must demonstrate compliance in their financial strategies.[4]

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[1] LGWS Act, s 18(1)(a).
[2] Commerce Commission "Ring-Fencing Revenue for Regulated Water Services Discussion paper: Monitoring and Enforcement of the Ring-Fencing Principle" (22 April 2026), para 1.10.
[3] The LGWS Act dividends requirement in s 18(3) applies for a water organisation authorised by its shareholders to pay a dividend where the payment does not compromise the organisation's ability to act in accordance with s 18(1)(b). Section 18(1)(b) requires that a water service provider must ensure that the revenue and funding it applies to providing water services is sufficient to sustain the provider's long-term investment in its water services, while meeting all regulatory requirements.
[4] LGWS Act, s 18(2).

## Why does ring-fencing matter?

## He aha ia e whaitake ai?

2.5 Ring-fencing matters because consumers might reasonably expect that revenue collected from them for receiving water services will be spent by water service providers on activities to provide those services, and not on unrelated activities. Similarly, third parties that provide funds to water service providers for water services will expect those funds to be used for the intended purpose.

2.6 In addition, inappropriate transfers or applications of funds intended for water services may reduce the resources available for investment and service delivery, create cross-subsidisation between activities, weaken financial discipline, or undermine the long-term sustainability of water services.

## What is our role?

## He aha te wāhi ki a mātou?

2.7 As the economic regulator for water services, we have several regulatory tools available to us to promote the overall purpose of the regulatory regime. [5] This purpose is set out in Part 4, section 52A(1) of the Commerce Act:

> The purpose of this Part is to promote the long-term benefit of consumers in [regulated markets] by promoting outcomes that are consistent with outcomes produced in competitive markets such that suppliers of regulated goods or services—
>
> (a) have incentives to innovate and to invest, including in replacement, upgraded, and new assets; and
>
> (b) have incentives to improve efficiency and provide services at a quality that reflects consumer demands; and
>
> (c) share with consumers the benefits of efficiency gains in the supply of the regulated goods or services, including through lower prices; and
>
> (d) are limited in their ability to extract excessive profits.

[5] Commerce Commission "Which tool when - our approach to applying our regulatory toolkit for water services" (20 August 2026).

2.8 Under the Commerce Act, we also have a specific role in monitoring and enforcing the ring-fencing principle in the LGWS Act, but solely for regulated services. Currently, regulated services are water supply and wastewater services supplied by a regulated supplier. [6] However, the Commerce Act provides for extending regulation to other water services, notably stormwater services, which are currently unregulated.

2.9 In addition to being able to monitor the ring-fencing principle in respect of revenue and other funding received for the provision of regulated services in aggregate, we may also set enforcement requirements to ensure regulated suppliers act in accordance with the ring-fencing principle and the dividends requirement, including:

2.9.1 setting limits on dividends where necessary to ensure sustainable long-term investment in those services, and

2.9.2 requiring that a regulated supplier ensure a portion of the revenue it receives is invested in a particular type of regulated service, asset, expense category, project or programme, or held in reserve.

## ID regulation

2.10 ID regulation is the "ground floor" of our regulatory regime for water services.[7] It is our usual starting point when considering how to address performance concerns. Through transparency, ID regulation also supports the overall purpose of Part 4 of the Commerce Act. By enabling interested persons to assess regulated supplier performance and helping us monitor whether the purpose is being promoted, regulated suppliers are encouraged to improve their performance over time for the long-term benefit of consumers.[8]

2.11 ID regulation can also support compliance with the ring-fencing principle. By requiring disclosure of information about funds, including how they are applied or accumulated, ID can help interested persons understand whether revenue and funding received for water services is being used for those services, as well as influence how funds are used.

2.12 In February 2026, we set ID requirements including disclosure of a statement on the extent to which regulated suppliers' spending of revenue and funding received for providing regulated services is consistent with section 18(1)(a) of the LGWS Act, as well as the disclosure of dividend policies.[9]

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[6] The ring-fencing principle applies to all water service providers and water services under the LGWS Act. Currently the Commission only regulates water supply and wastewater services under s 57D(1) and (2) of the Commerce Act. In future, stormwater services may become regulated if regulation is imposed by Order in Council under s 57L of the Commerce Act.

[7] The purpose of ID regulation, and what it may include in relation to water services, are set out in section 53A; Part 4, subpart 3; Part 4A, subpart 2; and Schedule 7, Part 2 of the Commerce Act.

[8] Commerce Commission "Information Disclosure for Water Services Regulatory Framework Paper" (24 February 2026), para 14.

[9] Water Services Information Disclosure Determination 2026 [2026] NZCC 3, cl 5.29.

## Ring-fencing regulation

2.13 Part 4 of the Commerce Act contains a number of specific 'ring-fencing of revenue' provisions (**ring-fencing regulation**). Ring-fencing regulation has its own statutory purpose in addition to the overall Part 4 purpose. The ring-fencing purpose is to ensure regulated suppliers act in accordance with both:

2.13.1 the financial ring-fencing principle in section 18(1)(a) of the LGWS Act, and

2.13.2 the requirements relating to dividend payments in section 18(3) of the LGWS Act (ie, the dividends requirement). [10]

2.14 Where promoting the ring-fencing purpose supports the financial sustainability of regulated suppliers, it also helps to promote the overall Part 4 purpose, given it requires that suppliers have incentives to invest.

2.15 Ring-fencing regulation provides us with tools for enforcing the principle and the dividends requirement. For example, if necessary, we may set rules restricting fund movements, fixing settlement periods or limiting the payment of dividends.

2.16 Similar to provisions under performance requirement regulation, ring-fencing regulation also provides for requiring revenues to be invested in specified outputs. This can include investment in particular assets, expense categories, projects or programmes.[11]

2.17 Any such enforcement requirements would be set out in a ring-fencing determination.

# Which suppliers and services are covered?

## Ko ēhea kaituku, ratonga hoki e pōtaea ana?

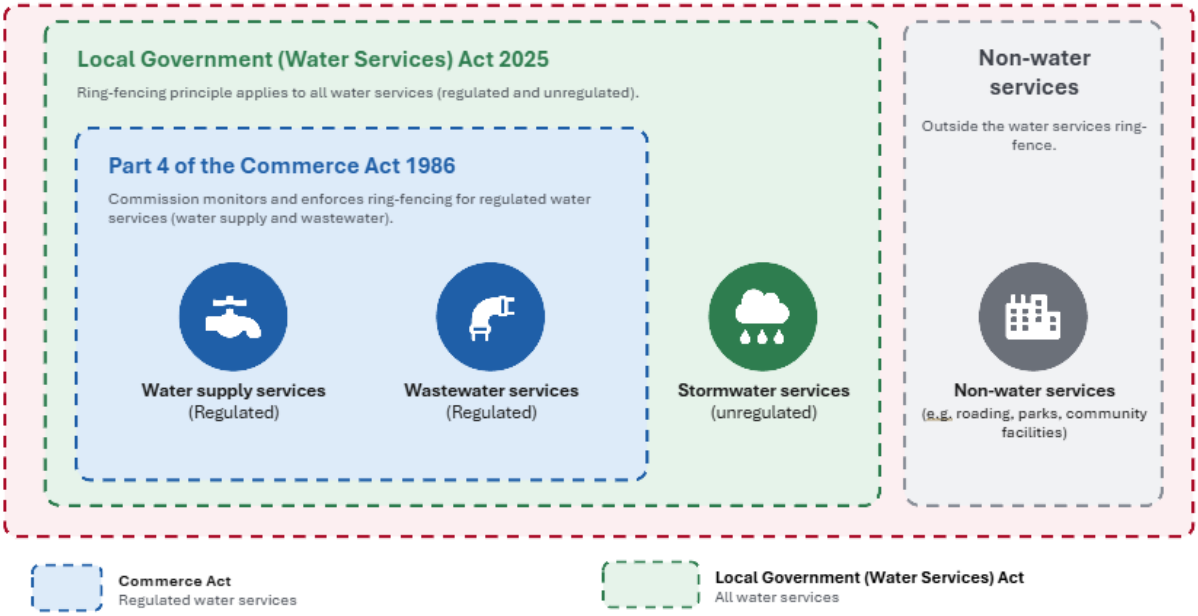
2.18 As noted above, we may only monitor and enforce the ring-fencing principle for regulated services provided by regulated suppliers.

2.19 Regulated suppliers could include:

- territorial authorities (for example, local district, unitary or city councils)
- water organisations, owned by one council (for example, Watercare), or by multiple councils (for example, Tiaki Wai), and
- regional councils (if they provide any water services).

[10] Schedule 7, Part 1 of the Commerce Act sets out the purpose of ring-fencing regulation and what ring-fencing of revenue requirements may include.
[11] Commerce Commission "Which tool when - our approach to applying our regulatory toolkit for water services" (20 August 2026), para 2.24.

**Figure 2.1 Main service boundaries relevant to the ring-fencing principle**




2.20 Figure 2.1 shows the ring-fencing boundaries relating to local government supply of water and other services.

2.21 Because regulated services currently do not include stormwater services, we must apply our monitoring of the ring-fencing principle on the same basis.

2.22 While stormwater services are currently unregulated under our regime, the Commerce Act provides a mechanism for this to change. As described in our statutory criteria and processes for our regulation of water services paper, any recommendation to regulate stormwater services would follow a statutory process, including consultation with interested persons before we provide a recommendation to the Minister.[12]

2.23 In practice, monitoring and enforcement of the dividends requirement only apply to water organisations. That is because only water organisations (with the exception of Watercare) potentially pay dividends to their shareholders.

[12] Commerce Commission "Statutory criteria and processes for our regulation of water services" (20 August 2026), paras 2.11-2.16.

# Chapter 3 Summary of submissions on our ring-fencing discussion paper

## Hei whakarāpopoto i ngā tāpaetanga ki tā mātou pepa

3.1 In April 2026, we published our ring-fencing discussion paper to seek stakeholder views on specific issues relating to the ring-fencing principle. This chapter provides a summary of submissions we received on this paper.

## We received 23 submissions

### E 23 ngā tāpaetanga i tukua mai

3.2 The focus of our ring-fencing discussion paper was on our role in monitoring and enforcing the ring-fencing principle at a service level over time, and not on the application of the principle at a more disaggregated level (eg, a project), or on when dividend restrictions might be applied.

3.3 We received 23 submissions in response to the discussion paper from a range of stakeholders, including:

- 16 regulated suppliers and owner councils
- 5 sector groups and industry bodies, and
- 2 individual submissions.

## Summary of submissions

### Hei whakarāpopoto i ngā tāpaetanga

3.4 Submissions covered a wide range of issues, reflecting the diversity of perspectives across local government, consumers and other stakeholders:

- **Scope of the ring-fence**—Consistent with our view, submitters generally agreed that movements of funds between different regulated services, non-regulated services and between water services and non-water services should be permissible, provided such movements are transparent and reconciled over time.
- **Targeted treatment of specific categories of revenue or expenditure—** Many submitters felt that transparency and existing statutory restrictions on purpose-specific categories of revenue (such as Infrastructure Funding and Financing funding or infrastructure growth charges) are sufficient and would not require separate ring-fencing or different treatment.

- **Funding Impact Statements as the foundation of the monitoring framework**—There was broad support for the use of the Funding Impact Statement (FIS) under the LGWS Act as a starting point for monitoring the principle with targeted disclosures for material inter-service transfers.

- **Higher risk movements**—Submitters considered the risks of non-compliance across fund movements are not uniform and monitoring should be focused on movements of funds that represent the greatest risks. Higher risk movements that submitters emphasised included transfers between water and non-water services, movements relating to internal shared charges, and the application of accumulated funds.

- **Stormwater**—Although stormwater is not currently a regulated service, multiple submitters noted that investment in stormwater is often linked to water supply and wastewater services through shared funding arrangements and operational or investment planning. Submitters considered it important to maintain visibility of the fund movements between stormwater and regulated services.

- **Tailoring approach**—Submitters had a view that regulatory settings should be proportionate to risk and reflect the differing scale, complexity, and service delivery models of regulated suppliers.

- **No prescriptive rules—**Submitters supported maintaining flexibility in funding flows to accommodate liquidity management and the timing of investment, as opposed to imposing fixed criteria or limits that could constrain efficient funding decisions.

- **Other matters—**Among other things, submitters raised matters relating to water services charges, differential geographic pricing, and geographical restrictions such as ensuring revenue or funds collected in a specific area is only spent within that area. While these matters may be relevant to how water services are funded and charged, they are distinct from the principle which is concerned with ensuring funding and revenue for regulated water services is used for those services.

3.5 We considered this feedback when designing our regulatory approach to ring-fencing, as set out in the following chapters.

# Chapter 4 Our decision-making approach to ring-fencing

## Tā mātou tukanga hei whakatau tikanga mō te mahi tāpui

4.1 This chapter summarises our decision-making approach to ring-fencing and sets out:

- why we propose to monitor compliance with the ring-fencing principle before considering enforcement, and
- how we propose to monitor the principle by setting additional ID requirements.

## Why we propose to monitor compliance with the ring-fencing principle before considering enforcement

### Ko te take kia aroturukingia te ū ki te mātāpono mahi tāpui i mua i te whakauruhi

4.2 The Commerce Act provides us with several types of regulation that may assist in promoting the purpose of Part 4, as well as in supporting the ring-fencing purpose. As is outlined in Chapter 2, the ring-fencing purpose is about ensuring compliance with the ring-fencing principle and with the dividends requirement, in respect of regulated services.

4.3 The ring-fencing purpose therefore relates to two performance areas we, and stakeholders, are interested in:

- **ring-fenced revenues**: whether revenue and funding received from providing water services is spent on water services, and
- **dividends**: whether dividends paid to shareholders compromise financial sustainability.[13]

4.4 Consistent with our broader approach to regulation, we generally begin with the least intrusive regulatory response that is capable of addressing identified risks.

4.5 The main risk we are concerned with is the risk that the ring-fencing purpose is not being promoted as effectively as it could be, given the current regulatory tool in force.

[13] Commerce Commission "Which tool when - our approach to applying our regulatory toolkit for water services" (20 August 2026), refer Attachment A on the performance areas we monitor.

4.6 As noted above, we have already set some ID requirements relating to ring-fencing of revenue and to dividends. If we consider the ring-fencing purpose is not being promoted as effectively as it could be, we may set additional requirements under ID regulation and/or set new requirements under ring-fencing regulation.

4.7 Consistent with feedback from submissions about promoting transparency, rather than immediately introducing restrictions on fund movements or use, we are proposing to monitor the ring-fencing principle through targeted additional ID requirements. In the case of the dividends requirement, we are not proposing to introduce any new provisions at this time, because our existing ID requirements already require the disclosure of dividend policies, and detailed dividend disclosures are required under generally accepted accounting practice (GAAP)-based reporting for water organisations.

4.8 If monitoring indicates that transparency alone is not sufficient to ensure that one or more regulated suppliers act in accordance with the ring-fencing principle or the dividends requirement, we may in the future consider enforcing the principle or the requirement with more directive tools through a ring-fencing determination. This could involve setting rules restricting fund movements, fixing settlement periods or limiting the payment of dividends.

4.9 The need for enforcement provisions would be determined by our assessment of the likelihood that ring-fencing or dividend-related performance concerns might materialise, continue or worsen without additional regulation from us. Such concerns could include:

- deferral of investment or reduction of services due to the misapplication of cash funding
- cross-subsidisation of services
- pricing that is not directly cost-reflective or does not reflect true opportunity cost because of an absence of internal borrowing charges for inter-service lending
- cash-flow constraints because funds applied elsewhere, albeit temporarily, are not readily recoverable, and
- a relaxation of financial discipline around forecasting and managing cashflows that leads to detrimental outcomes for consumers.

## How we propose to monitor the principle by setting additional ID requirements

Ngā tikanga hei aroturuki i te mātāpono mā te whakarite herenga ID tāpiripiri

### Our proposed approach to setting ID requirements

4.10 To develop our proposed ID requirements, we applied the decision-making framework set out in our ID Regulatory Framework Paper.[14]

4.11 We are proposing a monitoring regime that:

- uses the Funding Impact Statement (FIS) required by the LGWS Act to provide the foundation for monitoring
- uses targeted additional disclosures to supplement information already available through the FIS
- focuses targeted disclosures on the fund movements with the greatest risks to compliance with the principle, or to promoting the Part 4 purpose, and
- applies to all regulated suppliers.

### Funding impact statements provide the foundation for monitoring

4.12 We propose to use FIS already prepared under the LGWS Act as the foundation for monitoring compliance with the ring-fencing principle.

4.13 Under the LGWS Act, water service providers must prepare a FIS that documents the sources of funding and application of funds.[15] The FIS must be prepared for each group of water services activities comprising water supply, wastewater and stormwater activities.

4.14 These statements provide a useful starting point for improving the transparency of fund movements across the regulated services boundaries and facilitate monitoring of fund movements on an annual basis and over time.

[14] Para 57 of the ID Regulatory Framework Paper

[15] The Funding Impact Statement (FIS) is prescribed in Schedule 2, Form 2 of the Local Government (Water Services) (Form of Funding Impact Statements) Regulations 2026.

## Targeted additional disclosures to supplement the funding impact statements

4.15 While the FIS provides an important starting point, it does not provide sufficient detail to understand the nature, purpose or cumulative effect of funding movements that may be relevant to the ring-fencing principle.

4.16 Accordingly, we propose targeted additional ID requirements to address information gaps in FIS reporting. These requirements are intended to provide greater visibility over the applications of funds relevant to the ring-fencing principle.

4.17 Implementing additional disclosure requirements to supplement the existing LGWS Act FIS reporting will help minimise duplication and compliance costs.

## Focuses targeted disclosures on the fund movements with the greatest risks

4.18 Our approach focuses on the fund movements that present the greatest risks to compliance with the ring-fencing principle, or to promoting the Part 4 purpose. We consider that these would provide the biggest benefit for understanding the performance of regulated suppliers.

4.19 We assessed the:

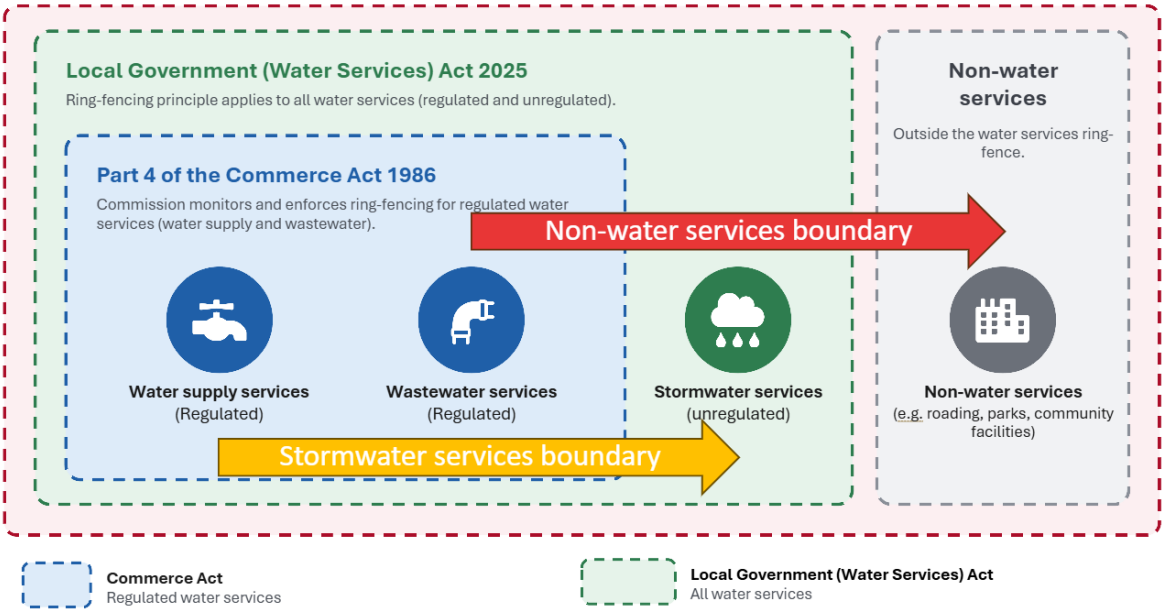
- movement of funds across service boundaries
- funds collected for regulated services from lump sum contributions and grants, and
- dividends paid to owners.

**Outward movement of funds across service boundaries**

4.20 Consistent with how the ring-fencing principle is expressed, we are particularly concerned with the outward fund movements across the:

- non-water services boundary (between regulated services and non-water services), and
- stormwater services boundary (between regulated services and stormwater services).

**Figure 4.1 Outward fund movements across the regulated services boundary**




### The non-water services boundary (between regulated services and non-water services)

4.21 We consider movements across the non-water services boundary particularly important to monitor. This is because these funds may be used to support activities that do not contribute to the delivery of regulated services, and could potentially compromise sustainable long-term investment in those services.

4.22 Transparency over movements across this boundary is most important to help interested persons understand the nature and extent of these movements and assess their implications on the supply of regulated services.

### Stormwater services boundary (between regulated services and stormwater services)

4.23 While stormwater services are currently unregulated, the Commerce Act provides a mechanism for this to change, and the ring-fencing principle first and foremost applies under the LGWS Act at an aggregate water service level.

4.24 Planning and funding arrangements may be undertaken across all water services and investment in stormwater is often linked to water supply and wastewater. For instance, stormwater investment could reduce the likelihood or severity of wastewater overflows.

4.25 Therefore, funding movements across this boundary may generally be appropriate and provide benefits to customers of regulated services.

4.26 We consider transparency remains important to help interested persons assess whether fund movements from regulated services to stormwater services are justified.

**Inward fund movements including lump sum contributions and grants**

4.27 Inward fund movements are also relevant to compliance with the principle. This is because they may include funding that is earmarked for a particular purpose which should be held until that purpose is achieved. Transparency of movements of inward funds may also help to identify and reconcile repayments of transfers or loans from unregulated services.

4.28 More generally, regulated suppliers are usually not restricted from using funds or revenue generated from the provision of unregulated services to fund regulated services. Similarly, except in the case of Auckland Council and Watercare Services Limited, parent councils are not restricted from providing funds to their water organisations.

4.29 Funds intended for water services may also be received from other sources, such as lump sum contributions, or grants that are earmarked for a specific regulated service purpose.

4.30 If funds received by the regulated supplier are intended to be used for water services, those funds are therefore also captured by the principle. Transparency over these funds is important because it may help interested persons understand whether amounts earmarked for water services have been applied to those services as intended.

**Dividends paid to owners**

4.31 In addition to monitoring compliance with the principle by ensuring transparency of fund movements across service boundaries, we may also monitor the dividends requirement.

4.32 Water organisations (except for Watercare) may pay dividends to their shareholders as long as the payment does not compromise the organisation's ability to sustain long-term investment in its water services, while meeting all regulatory requirements.

4.33 We consider payments of dividends to council owners require monitoring, but do not propose additional dividend disclosures. This is because detailed dividend disclosures are required under GAAP-based annual reporting for water organisations and the disclosure of dividend policies is required under our existing ID requirements.

## Our proposed ID requirements apply to all regulated suppliers

4.34 We propose that the additional ID requirements apply to all regulated suppliers.

4.35 Submissions noted that the risks associated with fund movements can differ depending on the size, scale and complexity of regulated suppliers.

4.36 We agree that the nature and level of risk may vary across different operating models. For example, regulated suppliers operating within a council through an in-house

business unit may have greater scope for fund movements between regulated services and other council activities, including non-water services. By contrast, water organisations generally operate within a broader water services or regulated services boundary, reducing the risks associated with movements to non-water activities.

4.37 With the exception of Watercare, a water organisation may be allowed to distribute dividends to shareholder councils, creating a risk that if the level of dividends distributed to shareholders is too high, there may be insufficient funds retained for service delivery, renewals, and investment. This does not apply to councils delivering water services in-house as they do not pay dividends.

4.38 While we identified differences in risk between regulated suppliers, supporting two tiers of disclosure reporting, we concluded that the benefits of reduced reporting requirements for lower risk providers would not justify the additional complexity and cost of administering a differential disclosure approach. This is due to the low number of total additional requirements, meaning there would be only a small step change in the disclosure burden between the two tiers.

4.39 If in future, ring-fencing or dividend-related performance concerns were to arise for one regulated supplier, or a small subset of regulated suppliers, we would be able to consider whether targeted additional ID requirements (and/or ring-fencing enforcement requirements) might be appropriate.

# Chapter 5 Proposed additional ring-fencing information disclosure requirements

## Ngā herenga whakapuakanga mahi tāpui tāpiri ka whakakaupapahia

### Overview of our proposal

Tirohanga whānui

5.1 Our proposed additional ID requirements apply at the single-service level for each of water supply and wastewater services. This is consistent with the FIS, which are prepared for each group of water services activities comprising water supply, wastewater and stormwater activities.

5.2 In developing our proposed requirements, we have relied on relevant definitions established under the Local Government Act 2002. Using the existing definitions promotes consistency with the broader reporting regime and avoids duplicating definitions.

5.3 Our proposed requirements relate to specific line items in the FIS. They do not require regulated suppliers to re-report information already provided in the FIS. Instead, regulated suppliers would provide the additional information that supplements the FIS they are already required to prepare.

5.4 You can find a summary table of our proposed requirements in Table C.1 in Attachment C.

### Line items in the FIS where additional disclosures are proposed

Ngā rārangi kōrero i te FIS e takoto ai he whakapuakanga tāpiripiri

5.5 In developing our ID requirements, we mapped higher risk fund movements to line items within the FIS. We identified a number of funding applications and FIS line items where we considered additional transparency would improve the ability of interested persons to assess whether the ring-fencing purpose is being met.

5.6 For selected line items, we first considered the outward applications of funds from regulated services.

5.7 We also considered inward fund movements. Disclosure of these movements will help to identify funds that are earmarked for a particular purpose and should be held until that purpose is achieved. It may also help to identify and reconcile repayments of transfers or loans from unregulated services.

5.8 The line items we identified in the FIS requiring additional transparency include:

- transfers out to other water services
- transfers in from other water services
- lump sum contributions
- increase (decrease) in working capital
- loans advanced to non-water services
- internal charges and overheads recovered, and
- other operating funding applications.

## The proposed ID requirements

## Ngā herenga ID ka whakakaupapahia

5.9 The proposed requirements relating to the FIS line items identified in the previous section are set out in detail below.

### Transfers out to other water services

**Requirement**

5.10 In relation to the FIS line item 'transfers out to other water services', for each transfer to stormwater services:

- the amount, and
- the purpose.

5.11 Except that, if the transfer is a loan to stormwater services:

- the amount of the loan
- the purpose of the loan
- the terms and conditions of the lending, including the effective interest rate and maturity, and
- the cumulative balance of loans to stormwater services.

**Reasons**

5.12 The purpose of this requirement is to make transparent the circumstances and reasons for transfers to stormwater services that could be inconsistent with the ring-fencing principle as it applies to currently regulated services.

5.13 If the transfer is a loan, the disclosure requirement is intended to provide transparency regarding the terms and conditions of the loan and the balance of cumulative lending so that an assessment can be made of whether the stormwater services are appropriately bearing the borrowing costs of the funds advanced and there is no cross-subsidisation between regulated and unregulated services.

5.14 Any repayments of the lending will be reflected by a reduction in the cumulative loans balance and a corresponding amount in the 'transfers in from other water services line' item, so that the level of outstanding borrowing can be monitored.

## Transfers in from other water services

**Requirement**

5.15 In relation to the FIS line item 'transfers in from other water services', for each transfer in from stormwater services:

- the amount, and
- the purpose.

**Reasons**

5.16 This requirement is intended to make transparent the reasons for transfers of funds including loan repayments from stormwater services. The FIS does not provide a separate line item for loan repayments from stormwater services.

5.17 Any loan repayments should be reflected in the cumulative balance of loans to stormwater services disclosed under this requirement.

## Lump sum contributions

**Requirement**

5.18 In relation to the FIS line item, '*lump sum contributions*', for each lump sum contribution:

- the amount received
- the source of the funds
- the purpose of the funds, and

- any repayment conditions if the lump sum contribution is not used for the specified purpose.

**Reasons**

5.19 Lump sum contributions collected for regulated services may be earmarked for a particular purpose. The application of lump sum contributions to other purposes including temporary transfers to unregulated services could lead to cash flow constraints impacting investment or service delivery.

## Increase (decrease) in working capital

**Requirement**

5.20 In relation to the FIS line item, increase (decrease) in working capital:

- the value of earmarked funds carried forward
- the purpose of any earmarked funds carried forward
- the reason expenditure of earmarked funds has not yet occurred
- how the earmarked funds continue to relate to planned water service activities, and
- the cumulative year-end working capital balance.

**Reasons**

5.21 Working capital balances include funds retained or accumulated to meet future expenditure associated with the provision of regulated services.

5.22 Excessive accumulation or inappropriate retention of working capital balances may occur where funds are retained beyond their intended date of use or are no longer required for their original purpose. This could result in unnecessary borrowing or the deferral of expenditure on regulated services that could impact service quality.

5.23 Funds retained for the delivery of specific regulated services could be used to pay dividends which, if sufficiently large, could compromise the supplier's ability to deliver those services and maintain service quality.

## Loans advanced to non-water services

**Requirement**

5.24 In relation to the FIS line item, 'loans advanced to non-water services', for each loan advanced to non-water services:

- a description of the non-water service to which the loan has been made
- the purpose of the loan
- the terms and conditions of the loan, including the effective interest rate and maturity, and
- the closing balance of loans advanced to non-water services.

**Reasons**

5.25 Loans to non-water services could reduce the funding available for regulated services investment and service delivery and if not documented, it may be unclear whether the transfer of funds breaches the ring-fencing principle.

5.26 Loans may be made on terms that do not appropriately compensate the regulated services for the cost of borrowing. This could result in regulated services cross subsidising non-water services, if prices to customers of regulated services are inappropriately high.

5.27 These requirements will help to make transparent whether loans are documented and whether cross-subsidisation is more likely to be occurring because the terms and conditions of lending are not consistent with market terms and conditions.

## Internal charges and overheads recovered

**Requirement**

5.28 In relation to the FIS line item, 'Internal charges and overheads recovered', for each type of internal charge or overhead, disclosure of:

- the amount, and
- if relevant, an explanation of how the charges/recoveries under shared service arrangements are calculated and allocated, with reference to relevant cost and revenue and funding allocation information.[16]

[16] Cost and revenue and funding allocation information could include policies or information disclosed under clauses 5.24(3) and 5.25 of the Water Services Information Disclosure Determination 2026

**Reasons**

5.29 Regulated services may incur internal charges and overheads for any shared or corporate services also provided to unregulated services or non-water services.

5.30 Where internal charges and overheads are not calculated and/or allocated on a causal basis or a reasonable proxy allocation basis, this may result in cross subsidisation, with higher prices being charged to customers of regulated services.

5.31 Transparency in relation to internal charges and overheads will assist interested persons to understand whether the cash flows reflect costs for the services provided.

## Other operating funding applications

**Requirement**

5.32 In relation to the FIS line item, 'other operating funding applications', for each type of funding application, disclosure of:

- the amount, and
- a description of the activity to which the funding has been applied.

**Reasons**

5.33 Applications of operating funding to non-water services or stormwater services could be obscured within the 'other operating funding applications' line item.

5.34 Transparency in relation to other applications of operating funding will help interested persons understand whether the cash flows have been applied to regulated services.

# Chapter 6 Implementation settings relating to additional ring-fencing information disclosures

## Ngā whakaritenga e pā ana ki ngā whakapuakanga tāpiri mō te mahi tāpui

6.1 This chapter sets out the proposed implementation settings of the additional ring-fencing ID requirements to support the effective operation of the requirements.

## Timing of disclosures

### Ngā wā whakapuakanga

6.2 We propose to require the first disclosure of our additional requirements on or before 30 November 2027 for the disclosure year ending 30 June 2027, in line with the timing for the annual disclosure of actual information under the ID determination.

6.3 Because the FIS provide the basis for our proposed additional ID requirements and are first required for the financial year ending 30 June 2027, it makes sense to align our reporting requirements with that year. This means water organisations should not need to introduce significant new systems or processes, and our monitoring and trend analysis can begin as early as practicable. [17]

6.4 This also means the additional ring-fencing disclosures would align with the first ring-fencing compliance statement disclosures under the existing ID determination for the same year.

[17] The FIS must be included in a water services annual report that must be adopted no later than three months for a water organisation, and fourth months for a territorial authority, after the end of a financial year. Therefore, FIS information would already be prepared and available by September each year.

## Director certification

### Whakatiwhiketetanga kaitohu

6.5 The FIS that form the basis of our proposed ID requirements are subject to audit under the LGWS Act.[18] We consider that director certification of our proposed additional disclosures, which provide information on the underlying detail, is sufficient for assurance purposes. This is because we have proposed requirements for the breakdown of line item amounts (with the exception of the breakdown of transfers to and from stormwater services) to reconcile to the audited line item amounts. Requiring director certification only will help to minimise audit costs.

6.6 Consistent with our existing ID requirements, the proposed directors' certification must be signed by either:

- two directors, or
- one director, and the Chief Executive of the local authority.

6.7 This is a certificate that confirms, to the best of the directors' knowledge after making reasonable enquiries, that the disclosed information:

- complies with regulatory requirements
- in respect of historical information, is properly extracted from the entity's accounting and other records, and
- sufficient appropriate records have been retained.

## Templates

### Ngā tātauira

6.8 We propose that regulated suppliers must disclose the additional information using the reporting template that is required under the draft amendment determination in respect of that information.

6.9 This requirement is intended to minimise the need for regulated suppliers to develop bespoke reporting formats while ensuring the additional information is presented in a clear and accessible manner.

6.10 The reporting template for the disclosure of ring-fencing information is set out in schedule F9 and forms part of our draft decision consultation package.

[18] Under clause 5(1) of Schedule 4 of the LGWS Act, a water services annual report must include an audited Funding Impact Statement.

## Monitoring and future regulatory responses

## Te aroturuki me ngā urupare waeture anamata

6.11 As we discussed in Chapter 5, the additional ID requirements proposed are intended to strengthen transparency regarding fund movements, and accumulated balances relevant to the ring-fencing principle.

6.12 At this stage, we consider that enhanced transparency is the most proportionate response to the risks we have identified. The proposed requirements are focused on providing visibility of potentially material funding movements rather than restricting those movements.

6.13 We will continue to monitor disclosed information, including information provided through the FIS and the additional disclosures proposed in this paper, alongside other relevant information available to us.

6.14 We will use this information to assess:

- whether regulated suppliers are acting consistently with the ring-fencing principle
- whether there are persistent patterns of concern
- whether the existing disclosure framework provides sufficient transparency, and
- whether additional regulatory intervention may be justified.

6.15 If future monitoring identifies significant concerns that cannot be adequately addressed through transparency alone, we may consider whether further regulatory measures are warranted. This could include additional ID requirements or, where appropriate, consideration of requirements restricting the movement and use of funds in a ring-fencing determination under the Commerce Act.

6.16 Any future regulatory intervention would be subject to the relevant statutory processes and would be informed by the evidence available at the time.

# Chapter 7 Our proposal to require compulsory use of ID reporting templates

## Tā mātou hei whakature i te whakamahia o ngā tātauira pūrongo ID

### Consultation on making all ID reporting templates compulsory

### Te kimi whakaaro mō te whakature i ngā tātauira pūrongo ID

7.1 In addition to the proposed additional ring-fencing ID requirements, we are also consulting on requiring regulated suppliers to use our reporting templates for disclosures under ID.

7.2 Using a standard reporting template creates consistency for the information submitted. This helps us process information more efficiently, compare data across regulated suppliers, and undertake analysis to provide back to the sector in a timelier manner. Reporting templates may also help us and other stakeholders interrogate the data.

7.3 Regulated suppliers have said they prefer templates where possible. This was clear in responses to both our consultation for the ID determination and in webinars this year. We understand that they add clarity to how the information is provided and that it may save time for the regulated supplier. For the August 2026 disclosures on charges and Infrastructure Funding and Financing levies, 80% of regulated suppliers voluntarily used the standard reporting template.

7.4 Making reporting templates compulsory does not prevent regulated suppliers from also presenting the same information in another format in addition to the prescribed template. For example, a regulated supplier may choose to publish a more consumer-friendly document alongside the template.

7.5 While the proposal would require regulated suppliers to use standard reporting templates, it would not change the information that is required to be disclosed under the ID determination. Rather, it would standardise the format in which that information is reported, using a consistent structure such as Excel-based templates.

7.6 When we designed the reporting templates, we aimed to make them clear and easy to use. The reporting templates we propose to make compulsory can be found on our information disclosure webpage under the timeline entry 17 November 2026 – Water Services – Information Disclosure – Amendments – Draft Decision.

7.7 We propose to keep the stakeholder reference table in the templates voluntary. This table is included in the reporting templates to provide a centralised index of the information disclosed by a regulated supplier. Rather than requiring regulated suppliers to provide additional information, the table simply identifies where required information can be found within a regulated supplier's disclosure.

7.8 However, an alternative approach would be to require all regulated suppliers to complete this table. We consider it to be a useful feature of the templates for stakeholders and is a very low-cost requirement for the providers. We welcome your feedback on this alternative, including any benefits, costs, or practical implementation issues we should consider.

7.9 In addition to using the proposed mandatory reporting templates, Tiaki Wai is required to disaggregate its network operating expenditure information by shareholding council.[19] This information may be disclosed in a separate document of its choosing or voluntarily using the template we developed.

7.10 Tiaki Wai is also required to disclose network length. As this is a relatively minor requirement and applies only to Tiaki Wai, we propose that it continues to be allowed to choose the form of template, which could include using our template.

[19] Commerce Commission, "Economic regulation for Tiaki Wai – final decision summary on additional information disclosure requirements" (12 August 2026).

# Attachment A Glossary

## Kupu taka

| Term/Abbreviation | Definition |
|---|---|
| **Borrowing** | has the same meaning as in section 112 of the Local Government Act 2002 |
| **Commerce Act** | Commerce Act 1986 |
| **ID determination** | Water Services Information Disclosure Determination 2026 [2026] NZCC 3 |
| **Director** | Means a person who, in the case of a company, is a director of that company; in the case of a local authority, a member of its governing body; and in the case of any other body, a person who occupies a position in the body that is comparable with that of a director of a company |
| **Draft amendment determination** | means the [Draft] Water Services Information Disclosure (Ring-Fencing and Reporting Templates) Amendment Determination 2026 |
| **Earmarked funds** | Funds that are held for a specific purpose |
| **Effective interest rate** | Has the same meaning defined by generally accepted accounting practice |
| **FIS** | The funding impact statement for water services annual report required to be prepared for each group of water service activities relating to water supply services and wastewater services under clause 5 of Schedule 4 of the LGWS Act in the format set out in form 2 of Schedule 2 of Local Government (Water Services) (Form of Funding Impact Statements) Regulations 2026 |
| **GAAP** | Generally accepted accounting practice |
| **ID** | Information disclosure |
| **LGWS Act** | Local Government (Water Services) Act 2025 |
| **Loan** | has the same meaning as in section 112 of the Local Government Act 2002 |
| **Lump sum contribution** | has the meaning as in section 117A of the Local Government Act 2002 |
| **Network** | Means the infrastructure and processes used to provide the regulated services |
| **Regulated services** | Water supply and wastewater services that ID regulation applies to, consistent with section 57D of the Commerce Act 1986 |
| **Regulated suppliers** | Decision-making local government water service suppliers that ID regulation applies to, consistent with section 57D of the Commerce Act 1986 |

| | |
|---|---|
| **Water services** | Services provided to consumers by water service providers including drinking water, stormwater and wastewater services as defined under section 4 of the LGWS Act |

# Attachment B Submission process

## Tukanga tāpaetanga

## How to have your say

### Mō te tuku kōrero mai

B.1 Submissions on our draft decision are due at 5pm on 15 December 2026. Please email wai@comcom.govt.nz with 'Submission: Information Disclosure for Water Services – Ring-fencing and reporting templates' in the subject line.

B.2 We require submissions in both a format suitable for word processing (such as a Microsoft Word document, an Excel for the disclosure template), as well as a 'locked' format such as PDF for publication on our website. Please ensure that any submitted documents are not password protected.

B.3 Please clearly state in your email that you consent to your submission being made public or if not – why not (see the section below).

## Confidential submissions

### Tāpaetanga matatapu

B.4 We intend to publish your feedback on our website to ensure our process is transparent. However, it is important not to publish information that is confidential information which could be commercially sensitive or personal. We understand that publishing confidential information could cause harm to the provider of the information or a third party.

B.5 If your feedback includes confidential information, we request that you provide us with a confidential and a public version. We propose publishing the public versions of your feedback on our website.

B.6 We note that responsibility for excluding confidential information from the public version rests on the party providing the feedback.

B.7 Where confidential information is included in feedback:

B.7.1 the information should be clearly marked and highlighted in yellow, and

B.7.2 both confidential and public versions of feedback should be provided by the due date.

B.8 All information we receive is subject to the principle of availability under the Official Information Act 1982 (OIA). There are several reasons that we may withhold information requested under the OIA from disclosure. This could be in the event that:

B.8.1 release would unreasonably prejudice the commercial position of the regulated supplier or subject of the information

B.8.2 withholding the information is necessary to protect the privacy of natural persons, and

B.8.3 we received the information under an obligation of confidence, and if we were to make that information available it would prejudice the supply of similar information to us (by any person) where it is in the public interest that such information continues to be supplied to us.

B.9 We will not disclose any confidential or commercially sensitive information in a media statement, public report, or in response to a request, unless there is a countervailing public interest in doing so in a particular case. Such cases are likely to be rare and would be discussed with you in advance of any publication.

# Attachment C Summary of proposed information disclosure requirements

## Whakarāpopotonga o ngā herenga whakapuakanga mōhiohio

**Table C.1 Summary table of proposed requirements**

| Line item from the LGWS FIS | Proposed additional information disclosure requirement | Draft amendment determination reference |
|---|---|---|
| *Transfers out to other water services* | For each transfer to stormwater services:<br>• the amount, and<br>• the purpose.<br><br>Except that, if the transfer is a loan to stormwater services:<br>• the amount of the loan<br>• the purpose of the loan<br>• the terms and conditions of the lending, including the effective interest rate and maturity, and<br>• the cumulative balance of loans to stormwater services. | Clause 5 (a) |
| *Transfers in from other water services* | For each transfer in from stormwater services:<br>• the amount, and<br>• the purpose. | Clause 5 (b) |
| *Lump sum contributions* | For each lump sum contribution:<br>• the amount received<br>• the source of the funds<br>• the purpose of the funds, and<br>• any repayment conditions if the lump sum contribution is not used for the specified purpose. | Clause 5 (c) |

| Line item from the LGWS FIS | Proposed additional information disclosure requirement | Draft amendment determination reference |
|---|---|---|
| *Increase (decrease) in working capital* | In relation to the FIS line item, increase (decrease) in working capital:<br>• the value of earmarked funds carried forward<br>• the purpose of any earmarked funds carried forward<br>• the reason expenditure of earmarked funds has not yet occurred<br>• how the earmarked funds continue to relate to planned water service activities, and<br>• the cumulative year-end working capital balance. | Clause 5 (d) |
| *Loans advanced to non-water services* | For each loan advanced to non-water services:<br>• a description of the non-water service to which the loan has been made<br>• the purpose of the loan<br>• the terms and conditions of the loans including the effective interest rate and maturity, and<br>• the closing balance of loans advanced to non-water services. | Clause 5 (e) |
| *Internal charges and overheads recovered* | For each type of internal charge or overhead:<br>• the amount, and<br>• if relevant, an explanation of how the charges/recoveries under shared service arrangements are calculated and allocated, with reference to relevant cost and revenue and funding allocation information. | Clause 5 (f) |
| *Other operating funding applications* | For each type of funding application:<br>• the amount, and<br>• a description of the activity to which the funding has been applied. | Clause 5 (g) |