Watercare Services Limited

Submission to the Commerce Commission on

Information Disclosure for Water Services – Draft Determination

20 October 2025

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1. EXECUTIVE SUMMARY

Watercare supports and recognises the benefits of a robust economic regulatory regime for the New Zealand water sector. Under the Local Water Done Well ("**LWDW**") - Auckland solution, Watercare already has interim economic regulation through the Watercare Charter from 2025-2028, which includes information disclosure and price-quality requirements. In addition, under the Local Government (Water Services) Act ("**LGWSA**"), Watercare will have price-quality regulation after the Charter period ends.

Watercare welcomes the approach taken by the Commerce Commission (**"Commission"**) as Crown monitor for Watercare as it learns about the water sector, our issues, and challenges. We also believe it is important to have wide engagement with the water sector via these discussion documents that will shape information disclosure ("**ID**") under the enduring economic regulation regime.

Watercare recognises that an effective ID regime can create transparency and incentivise performance by regulated suppliers that promotes the long-term benefit of consumers. We acknowledge the Commission's commitment to support water sector stakeholders to develop a shared understanding of the water sector and welcome the opportunity to provide feedback on the Draft Water Services ID Determination 2026 ("**Draft Determination**").

Watercare and Auckland Council have provided separate but complementary and aligned submissions on the Draft Determination.

Watercare supports the Commission's commitment to adopting a **proportionate and staged approach** and agree that ID requirements should evolve in an incremental manner, meaning the performance, systems, and processes of each regulated supplier can similarly improve and mature over time.

Watercare has carefully reviewed the Draft Determination, together with the supporting information. Much of the information to be disclosed under the proposed Draft Determination is readily available and already being provided under the Watercare Charter. While we understand the intention behind many of the requirements and the benefits they can deliver to consumers, some disclosure requirements are particularly onerous and would be challenging and costly to comply with within the time provided. In more limited cases, it is not clear that the information would be of value to the Commission and consumers. Watercare notes that some of the information required by the Draft Determination may be confidential and / or commercially sensitive. Watercare understands that a regulated supplier may reasonably assert confidentiality over information provided to the Commission, however it would be useful for the Determination to expressly acknowledge this.

The sector faces a significant reform work programme over the coming years. Our concern is that the cumulative impact of regulatory change, entity establishment activities, and an extensive ID regime, places undue strain on the formative sector.

Removing, deferring, or paring back some of the proposed requirements would better align with sector circumstances and obligations and still provide the transparency that the ID regime seeks, to meet the purpose of Part 4.[1]

In summary, Watercare's view is that this initial ID determination should:

(a) **Establish a robust baseline for ID that the entire sector can achieve.** Watercare agrees with the overarching goal of information disclosure and that, over time, much of the information required would be useful for business purposes. However, even though Watercare is an established CCO, as with other water services providers, we will still need to prioritise our scarce resources to implement ID. Given this, focusing

[1] S 52A, Commerce Act.

to the greatest extent possible on disclosure of the information that we (and other water services providers) already have, in an existing format, and at a reasonable frequency, would be the preferred starting point. Prioritisation is paramount, otherwise the sector will be overwhelmed, which is not in the interests of either the sector or consumers. There also needs to be careful consideration given to whether certain information, although potentially useful to Watercare for internal purposes, needs to be disclosed to the Commission or the public at the level of granularity and frequency proposed. The level of robustness and internal resource required for director-certified public disclosures will differ to what is required for internal use.

(b) **Adopt a pragmatic and flexible approach to regulatory implementation and reporting timelines to be achievable.** Watercare recognises that the Commission's current process to establish the first ID requirements is driven by statutory deadlines. This compressed timeframe in the legislation for ID implementation, alongside the many other compliance and transition processes already in flight through the LGWS Act (e.g. new land-access rules and other legal obligations), underscores the need for a pragmatic and flexible approach to the implementation of ID. In practice, this would mean less granular or prescriptive disclosure requirements, with shorter disclosure forecast time periods, more time to make certain disclosures, and greater flexibility in how the information is disclosed.

(c) **Focus on core asset management and capital delivery information to support effective service delivery to customers, and transparent financial accountability.** Watercare acknowledges that a key area of focus, for the sector as a whole, should be asset management and capital delivery. The initial ID requirements should therefore target these areas and build on these fundamental requirements over time. As discussed below, in a number of respects, the level of detail required by the Draft Determination is too onerous at this foundational stage, and the long-term benefit of consumers can be better promoted with a more proportionate (and less resource intensive) approach.

(d) **Align with Watercare's obligations under the Watercare Charter to the extent appropriate and practicable.** Watercare already has existing obligations to comply with interim economic regulation established under the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 ("**Watercare Charter**"), which remains in force until 30 June 2028. We encourage the Commission to ensure that the first iteration of ID is aligned, as much as possible, with the existing requirements and reporting under the Watercare Charter. If additional or different disclosure is required by the Commission, then we propose that: a) this should be phased in over time, as Watercare's capability and the sector matures (i.e. post 1 July 2028), or b) the Commission should be able to clearly demonstrate that such different disclosure is necessary to meet the purpose of information disclosure under Part 4.2

Below we highlight particular examples of information requirements that could be reduced, deferred, or removed. Please refer to the attached mark-up of the Draft Determination for further detail of Watercare's proposals (Appendix: Draft Determination with our suggested mark-ups).

[2] Furthermore, Watercare consultation on the enduring price-quality regime, which is planned to commence after the Charter concludes is imminent and Watercare has significant work to ensure a high quality price-quality submission. This work should take precedence over further information disclosure. While Watercare may have a standing start in complying with economic regulation compared to other water service providers, there must be good reasons for any additional disclosures imposed on Watercare and not the rest of the sector.

Please note that in recommending that a requirement is deferred, we are not saying that it should not feature in due course. We simply mean that in our view it should not be included in the first phase of ID and should instead be considered later, when the sector has matured.

2. ASSET MANAGEMENT DISCLOSURES SHOULD BE LESS PRESCRIPTIVE AND STAGED

Asset management requirements should be pared back, at least in the short-term

Watercare acknowledges that it would be helpful in the long-term for its asset management process to be modelled against many of the current information disclosure requirements in Schedule C. However, the specific requirements do not reflect Watercare's current approach, and complying with the Determination will involve a significant restructure of how we prepare our AMP and record our information. We are unclear of the incremental benefit this investment will provide to consumers and believe a flexible and staged approach is appropriate.

While asset management disclosure may not be due until mid-2027 under the current proposal, in practice, this information will need to be finalised well before the end of 2026 to be included in the Water Services Strategy ("**WSS**") and to meet consultation obligations and statutory timeframes under the LGWS Act. In Watercare's case, we expect both our SAMP and AMP will need Board approval before the end of 2026 to accommodate the requirement to have a draft to Auckland Council by 1 March 2027, and for the WSS to be then publicly consulted on and adopted by 1 July 2027. Given this already compressed timeline, we are therefore concerned that there is not sufficient time to deliver on all of the requirements as prescribed in the Determination.

We include some examples below of why the proposed requirements are challenging to meet in the time available. However, these are not exhaustive, and our overarching submission remains that the Determination is better to adopt a more flexible approach to disclosure which permits Watercare to disclose information using its existing approach. If the Commission seeks greater prescription, this could be introduced over time.

Examples of disclosures that can be pared back and made less prescriptive

Critical assets

The requirement under clause C8 to list all critical assets and capacity and performance information in respect of each critical asset in each AMP is particularly detailed. This clause requires the provision of information that is in excess of what we will be required to provide in the WSS.

To provide helpful context, Watercare views all of its bulk transmission assets, treatment plants and certain local reticulation assets (i.e. those connecting hospitals and retirement villages) as critical assets. Watercare suggests that a more proportionate approach could be to instead require statistics on the condition of assets (e.g. 20% of assets will need to be replaced in the next 5-10 years), which would provide a useful view on the state of the network but at lower cost. Alternatively, these requirements could be amended to allow regulated suppliers to classify assets into categories currently used internally at the regulated supplier. We understand that in Victoria, Australia, water utilities are not required to list individual critical assets. The Victorian Government's Asset Management Accountability Framework[3] is a flexible and non-prescriptive set of requirements. Watercare considers this flexible approach to asset management information disclosure requirements is both practical and useful.

[3] Asset management accountability framework | dtf.vic.gov.au

Asset enhancements and improvements

C11 requires the AMP to specify asset-level information on current and future utilisation, capacity, and demand. We note that Watercare has tens of thousands of assets, and a suite of complex dynamic models, which are used to assess capacity and plan for the future. This clause would require the supply of information on all these assets, the models, and their results. In addition, in the context of Watercare, we manage a large number of improvements at any one time, so to comply with the requirements proposed, a significant review of existing business cases would be required to extract the relevant information. Watercare suggests that the same outcome and objective can be achieved with a more flexible requirement that allows regulated suppliers to describe their approach to a level of detail that a) they are capable of; and b) they consider would be useful for interested persons. We also suggest that improvement information be provided at a programme rather than asset level.

AMP performance indicators and performance assessment

C10 requires performance indicators to be specified in the AMP for a period of 10 years, and C21 requires the annual delivery report to include a comprehensive assessment of performance against the performance indicators specified in the AMP. It is not clear to *Watercare* what several of these performance indicators would require (for example, asset management practices and efficiencies) and we expect this would require a material workstream, given Watercare does not currently assess performance measures to this prescriptive level. Our preference would therefore be to disclose existing performance indicators. These performance measures would, in any event, feature in the WSS and we would prefer to only disclose these in the one place (the WSS) and for disclosure to relate to three years (Watercare's current approach) rather than 10 (as proposed in the Draft Determination).

Asset classes

Similarly, the requirement to provide information on each network asset class as specified in clause B4 is very detailed and prescriptive. If this requirement were removed, and there was greater flexibility to disclose information consistent with Watercare's existing asset information, it is our assessment that this would materially reduce the burden but not compromise the value to stakeholders.

Best practice compliance

Watercare notes the approach to Capability and Planning Improvements in the Explanatory Paper referencing a standardised assessment framework for assessing asset management and maturity (i.e. ISO standards) (with reference to clauses C5, C15 and C23). Watercare acknowledges the importance of adopting "best practice", and it aspires to align closely with recognised standards. Watercare's asset management improvement plan under the Watercare Charter is focused on this aim. However, this remains an ongoing process and takes time. Compliance with ISO requirements in the short-term would be extremely challenging.

Investment and delivery plan – forecast investment

Clause C18 requires that the investment and delivery plan specify how opex forecasts have been developed and how they take account of the lifecycle costs of current and new assets. Watercare is undertaking a significant project to build new models to support this level of reporting. However, to complete this work would be challenging within the required timeframe to feed into the first WSS and indeed the AMP and SAMP. We recommend this aspect of the IDP be deferred until the second cycle of asset management planning documents.

3. CERTAIN REQUIREMENTS ARE TOO ONEROUS AND SHOULD BE DE-PRIORITISED

As noted above, Watercare sees value in many of the proposals in the Determination. There are, however, some examples of disclosure requirements that do not clearly support the purpose statement and should therefore be deferred until there is a clear case for their inclusion.

Unit cost of replacement

In clause 6.21, there is a requirement to specify the estimated unit cost of replacing 1 metre of—

(a) 100mm diameter underground water pipe (in respect of water supply services); and

(b) 150mm diameter underground wastewater pipe (in respect of wastewater services).

For context, there are variable inputs which lead to the cost per unit replacement cost for any water organisation. Replacement costs vary by, for example, location (e.g. a busy urban road requiring traffic management costs vs a quiet rural side street), geology (e.g. clay vs rock), contractor costs (e.g. health and safety cost variables for the site), and construction methodology (trenching vs trenchless). Given there are so many variables that make up the cost of installing a meter of pipe, it is not clear how the information would be useful to interested persons. Watercare suggests it is removed from the Determination.

Asset values

The disclosures set out in Part 5 require information in respect of asset values to be provided in water services annual reports (or disclosed to the Commission). Specifically, the Commission is proposing that regulated suppliers disclose asset value roll-forward information for specified network asset classes. While Watercare can see the potential value of this categorisation, this would require additional work, as the 13 classes specified do not align with Watercare's current accounting structure. Similarly, Watercare currently does not have the ability to categorise WIP assets based on the specified asset classes. Watercare also suggests it is important not to pre-empt the use of specific Input Methodologies (IMs) with these annual report requirements. Progress towards robust asset valuation should be approached in a logical sequence, recognising that it cannot be achieved all at once, particularly when the future application of IMs remains uncertain. Part 5 (amended to align with GAAP) should therefore be removed.

Investment indicators

Watercare could not currently specify the information required in cl 6.29 without undertaking a significant mapping exercise and building sufficiently robust replacement values. In particular, Watercare does not see the benefit for interested persons of providing asset consumption ratios for each network asset class as defined, and how this is necessary to meet the purpose statement.

4. THE DETERMINATION SHOULD ALLOW FOR GREATER FLEXIBILITY IN DISCLOSURE

To accommodate the various types of water organisations that will exist across the motu, many of which will only have just been formed, and the different approaches and levels of capability that are likely to exist within these organisations, Watercare's recommendation is to introduce greater flexibility into disclosure requirements. Initially this may be at the expense of uniformity. However, as the water sector is only just commencing its economic regulation journey, Watercare considers there is benefit in focusing on specific disclosures for a core and manageable set of attributes. For other information that is considered valuable and therefore should be disclosed in some form sooner rather than later, regulated

suppliers should be given flexibility to disclose it in a manner that is efficient and makes sense for them based on existing process and resources.

Some examples are provided below.

Capex and opex categories

The Draft Determination is proposing capex amounts to be categorised as either growth, levels of service or renewals expenditure. This is consistent with the level of disclosure required under the Charter. However, the Draft Determination goes further and requires this expenditure to be further categorised (see B4(2), (4) and (6)). For example, there are four sub-categories for growth, six sub-categories for levels of service and 13 sub-categories for renewals. Watercare does not currently hold information consistent with the sub-categories proposed and queries whether Watercare should prioritise aligning its systems with these categories. Watercare proposes that these sub-category requirements be removed, or alternatively, only retained as a guide.

For example, Watercare could currently provide information based on the following sub-categories for renewals: water – treatment / bulk transmission / reticulation; and wastewater – treatment / bulk transmission / reticulation. This information, provided in this form, would also provide a more informative picture of water production, water distribution and the extent to which we are supporting growth in local networks, as compared to the proposed sub-categories. Put in real terms, building a pump station could involve a rising main (pipelines) and storage, but we would not see value in splitting out this project.

Watercare suggests simplifying the categorisation of renewal assets into six broad sub-categories for the purposes of asset management disclosures in this first determination, as above (including for clauses 6.16, C8, and C18). Alternatively, Watercare could today report on four sub-categories by combining treatment and transmission into one "bulk" sub-category (e.g. water – bulk (treatment and transmission) / reticulation; and wastewater – bulk (treatment and transmission) / reticulation.

Watercare has a similar comment in relation to the network opex categories in B1. It is Watercare's view that regulated suppliers should be permitted to disclose opex based on their existing approach. For Watercare, we recommend the initial form of disclosure align with the Watercare Charter, which is a split between water supply and wastewater. In time, and as ID matures and evolves, we can work towards single service level reporting for all opex costs, mindful that non direct costs would require a somewhat arbitrary allocation.

Watercare also notes that the Draft Determination requires capex relating to more than one expenditure category to be allocated across different categories. Watercare does not see the benefit for the additional work that this would involve. Watercare recommends that the regulated supplier be given the option to either allocate across multiple categories, or allocate the entire amount to the category that is the primary reason for the expenditure.

Allocated to regulated services

Under section 46 of the LGWSA, Watercare or other water organisations that are CCOs must only provide water services or services related to or necessary for providing water services. Accordingly, the vast majority of Watercare's revenue is clearly derived from regulated services. Any "non-regulated" services for the purposes of regulation under Part 4 would be at the margins of Watercare's operations.

Watercare does have commercial arrangements with third parties, such as the Waikato District Council ("**WDC**") to deliver bulk supply and for operations, maintenance, and asset management services. We also have contracts with third parties for laboratory services.

Under the draft determination, Watercare will be required to assess how the relevant definitions of regulated and non-regulated services apply to services such as the WDC bulk supply contract, the inhouse provision of laboratory services for Watercare, the WDC maintenance contract, laboratory services to third parties and the license of software to third parties. Not all such services are clearly included in or excluded from the definition of regulated services. The existence of these services introduces a complexity to Watercare's disclosures given the current Draft Determination would require allocating values to regulated activities and therefore having to carve out "non-regulated activities". This allocation requirement appears to be targeted at council water services providers that clearly do a mix of regulated and non-regulated services. In that context, it makes more sense to separate revenue / funding and assets / liabilities between the provision of the regulated service and other activities. It appears to be less relevant for water organisations that are specifically established for the purpose of providing regulated water services.

Watercare therefore requests that either a materiality threshold be adopted for the allocation requirement to apply, or for the allocation requirements (between regulated and non-regulated services), including clauses 6.24 and 6.25, to not apply to water organisations. If the Commission is inclined to include an allocation requirement, we recommend this be delayed until FY29 so the sector can undertake the relevant assessment of services provided and prepare their reporting systems.

Residential / non-residential split

The information required by clause 4.9 prescribes that information on charges specifies whether the charge is "residential" or "non-residential" or a combination of residential and non-residential.

Whilst Watercare does record revenue as “residential’ and “non-residential”, it is worth highlighting that there are some complexities in the categorisations and definitions. For instance, an apartment building with a single bulk meter connection is treated the same as one where the ground floor contains a café or other non-residential activity. Similarly, retirement villages and gated communities with bulk meters at the boundary are handled in the same way. While the Commission may consider it useful to distinguish these categories for revenue disclosure purposes, there will be variability in the way water organisations define these matters in their systems. Watercare suggests it would be beneficial to allow for greater flexibility in these requirements.

We would be happy to work with the Commission to help define these terms on behalf of the sector.

Financing and revenue and funding indicators

Cl 6.33 requires disclosure of financing indicators. This clause is very prescriptive, particularly considering it deals with sensitive financial information, and it would require significant work to prepare these disclosures at the combined and single service (as well as entity) levels as required. It also does not fully recognise that Watercare’s approach to funding differs from the rest of the sector. This clause should be deferred, or at least be made optional, particularly where sensitivity around financial information is a concern. The following points should also be considered:

(a) Watercare is different to Councils and other water organisations as we cannot borrow from LGFA and do not have a council-backed guarantee. Accordingly, rating agencies look at Watercare as a utility, not as a local authority for financing metrics.

(b) There are financial risks to consider, particularly regarding financial ratios. It is important not to assume that the gap between Funds From Operations (FFO) and a borrowing limit represents available funds—appropriate risk allowances must be made, taking into account other balance sheet demands.

(c) In Watercare's context, limits should be defined by reference to the credit opinion of ratings agencies (such as Moody's).

(d) Reference to terminology used and defined by rating agencies would be preferable, rather than creating a new suite of definitions.

(e) Metrics should be selected as appropriate for the funding mechanisms an entity undertakes.

(f) Funding / borrowing disclosures are appropriate at the consolidated (rather than single) level. Borrowing is not necessarily done on a type of service/per-project basis in this context.

In relation to revenue and funding indicators under clauses 6.30 and 6.31, we recommend that these should recognise the funding regime under which an entity is operating. In addition, we suggest that these should be introduced over time, and not pre-empt potential input methodologies (which may or may not be established in the future). Separately we note that Watercare uses the average proportion of household income in its affordability methodology, rather than median. If the methodology changes, then the target must change. As above, Watercare considers these requirements should be deferred or at least made optional.

5. FREQUENCY AND DURATION OF, AND DEADLINES FOR, FORECAST INFORMATION

Additional time required to prepare asset management information and forecast financial disclosures

Watercare understands the rationale for the disclosure of certain forecast financial and asset management information to meet the purpose of information disclosure under Part 4. However, allowing more time to prepare the disclosures is necessary, including because of the other reporting and planning obligations we have under the LGWSA, as well as overlap in content.

In particular, the LGWSA requires that regulated suppliers prepare and adopt a Water Services Strategy ("**WSS**") by 30 June 2027. This alone is going to be a large piece of work for Watercare. The Draft Determination currently requires disclosure of the following information **on or before** the adoption of the WSS:

(a) forecast information covering a 10-year period (cl 3.1) and certain capex information for 30 years (cl 3.3);

(b) Strategic Asset Management Plans ("**SAMPs**"), for when the first two WSSs are adopted (and then for every second WSS) (cl 3.4); and

(c) Asset Management Plans ("**AMPs**"), and Investment and Delivery Plans ("**IDPs**") (cl 3.5-3.6).

Transitional provisions in Schedule A aside, in practice, if Watercare must adopt its WSS by 30 June 2027, Watercare will be required to prepare the above disclosures by the same date. These disclosures will necessarily feed into the WSS workstream. Based on the level of detail currently proposed, this is a lot of information to prepare and will require substantial work, particularly in respect of the first 2027 deadline. Indeed, we are already starting a workstream now and scoping how to resource this large piece of work.

In light of shareholder feedback and the director certification process, we therefore think it is prudent not to require the disclosures to be due on or before the date the WSS is adopted. A period between adoption of the WSS and ID disclosure would be reasonable and more manageable.

We understand that in other sectors, there is typically a period of time allowed for suppliers to prepare their disclosures. For example, in the airports' ID determination, forecast disclosure is due 40 working days after a price setting event. Watercare considers a similar timeframe could be required in the water sector context, given the extent of statutory reporting and planning requirements under the LGWSA, as well as the significant amount of information required.

We do not see why requiring disclosure on the same day as the event triggering the disclosure is necessary to meet the purpose of information disclosure. Interested persons who wish to assess the information will not be prejudiced by providing the regulated supplier with additional time to prepare comprehensive and accurate disclosures. To the contrary, it should be beneficial.

Recommendation: Watercare recommends amending the Draft Determination to allow the above-mentioned disclosures to be made up to three months after the final date on which a WSS must be adopted (e.g. for their first disclosure, as an example, regulated suppliers should have until 30 September 2027 to prepare the first set of required disclosures due alongside the 30 June 2027 WSS).

Requirement for annual 10-year forecast financial disclosures unnecessary

Watercare supports forecast financial disclosures but queries whether forecast information covering 10 consecutive financial years needs to be provided annually to meet the purpose of information disclosure under Part 4. This requirement would create additional compliance costs, particularly alongside the other extensive annual reporting requirements and plans required under the proposed ID, and financial matters required in WSSs covering 10-year periods. Watercare sees the value in preparing regular forecast information, but it is not clear to us what additional value is to be gained by the Commission, consumers or stakeholders from publicly disclosing these annually.

Currently, Watercare and all other councils produce forecast information as part of the Long-Term Plan process every three years. This cadence is logical in the context of the planning cycle under the LGA 2002. Watercare is also required to prepare a WSS covering a 10-year period every three years. It would therefore be more valuable to stakeholders, and would limit unnecessary compliance costs, if the requirement to update these financial forecasts was extended to every three years. The disclosure dates should also align with the Long-Term Plan cycles of local government.

For similar reasons discussed in relation to periodic disclosures above, Watercare submits that the forecast disclosures should be due within the three months after the start of the disclosure year (every third disclosure year if Watercare's submission is accepted).

Recommendation: Watercare recommends the Determination is amended to require disclosure of 10-year forecast financial information every three years, rather than annually, with such disclosure being due within three months of the start of the relevant disclosure year (e.g. regulated suppliers should have until 30 September 2027 to prepare the first set of required disclosures). Each three-year disclosure should align with council's long-term plan disclosure.

Requirement for periodic 30-year capex disclosure is very onerous and unnecessary

Watercare also submits that the requirement in clause 3.3 for periodic disclosure of the specified capex information (including cost allocation information) covering a 30-year period is unnecessary and burdensome.

The suggestion from Clause 3.3(2) of the Draft Determination is that this disclosure might be reasonable because, under LGWSA, the WSS covers 30 years in respect of some infrastructure and investment information, as outlined in Schedule 3 of the LGWSA and as follows:

(a) water service providers are required to identify in their WSSs their expected significant water infrastructure issues for a period of at least 30 financial years.[4]

(b) water service providers are required to include estimates of projected capex and opex associated with managing their infrastructure assets, including estimates of the projected capex and opex associated with managing these assets for each of the first 10 years and then each 5-year period covered by the WSS.[5]

The 30-year disclosure under the WSS, as set out above, are specific and only relate to "**significant** water infrastructure issues". Otherwise, the WSS relates to a 10-year period.[6] Given this, the 30-year capex forecast disclosure required by the Draft Determination of forecast information for **each** of the 30 consecutive financial years is therefore an onerous and unnecessary extension of the WSS, both in respect of the period covered and its content. The WSS requires capex estimates at a high level and in relation to Watercare's whole business (covering five-year periods beyond 10 years). In contrast, ID requires reporting for each year within a 30-year range against prescriptive capex categories and sub-categories at both the single and combined services level. Obtaining this level of information, at both the single and combined services level, would be costly, labour intensive and potentially involve expensive system level upgrades or enhancements. Additionally, for years 11 to 30, we would be providing the Commission with much less accurate capex estimates than what we can provide for years 1-10. Indeed, estimates that far into the future are likely to be difficult to validate in any meaningful way. We also do not believe the requirement for director certification is consistent with what would necessarily be very high-level estimates.

Watercare considers that the disclosure of periodic forecasts covering a 10-year period (cl 3.1) and AMPs (cl 3.5) will be of value. Capex forecasts covering a 10-year period (and provided every three years alongside each WSS, as proposed above) would be more in line with other industries (such as airports and electricity distribution). This would also avoid the risk of providing 30-year estimates that are difficult to predict and are likely to be materially departed from, causing confusion to stakeholders and customers. Watercare is comfortable to signal the significant water infrastructure projects at a high-level and provide estimates in its WSS as required by the LGWSA but forecasting capex for each year within a 30-year period for every year is excessive and not clearly valuable to Watercare or stakeholders. Regulated suppliers should therefore be allowed to focus their efforts on preparing 10-year forecasts, at least for the time being.

Recommendation: Watercare recommends that the Determination does not include the requirement to produce 30-year forecast capex information. Clause 3.3 should be merged with clause 3.1 so that regulated suppliers are only required to supply capex information every three years, covering a 10-year forecast period.

6. DEFINITIONS MUST BE FIT FOR PURPOSE

Watercare's feedback on the definitions have been guided by trying to align with terminology adopted in the Watercare Charter where appropriate, and to reflect Watercare's position as a stand-alone water CCO. Watercare's key feedback on the definitions are summarised below.

[4] Clause 2(3) of Schedule 3, LGWSA.
[5] Cl 7 of Schedule 3, LGWSA.
[6] S 230(3)(c), LGWSA.

Charges

Watercare suggests further clarity in the definitions used in relation to charges in the draft determination. Specifically, we note that Watercare's infrastructure growth charge (IGC) does not appear to be referenced in the draft determination. This charge is not the same as a development contribution and this revenue and its treatment is critical to our FFO/Debt ratio.

In particular:

(a) The definition of "connection charge" is currently too broad and should be restricted to the criteria currently proposed in subclause (a), being "a charge for which the primary reason is the connection of a new consumer to the network or the alteration of an existing connection".

(b) The criteria currently in subclause (b) of connection charge more properly relates to growth charges, which Watercare proposes should be introduced as a standalone definition i.e.:

> **growth charge** means a charge for which the primary reason is new demand or a change in demand on the network or a part of the network that contributes to the potential requirement for –
>
> (i) additional capacity to meet the demand; or
>
> (ii) additional investment to maintain standards of service.

(c) The definition of "contaminant charge" appears intended to cover trade waste charges, but with broad flexibility to charge other contaminant related charges. Watercare agrees with this flexibility but suggests express reference to trade waste charges is included, as this is the contaminant charge likely to be common to all water services providers in the near term.

(d) "Other charge" should not refer to fixed charge or volumetric charges, but instead should capture all charges that are not otherwise covered, i.e.:

> **other charge** means a charge that is not ~~a fixed charge, volumetric charge~~ a usage charge, growth charge, contaminants charge, or serviceability charge

(e) Watercare also suggests the addition of a further definition for "other payment obligation" and use of this term in clause 4.7 –which seeks disclosure of information on the regulated supplier's policy relating to funding growth. Currently, the drafting of that clause requires disclosures including charges and generic "obligations" related to a new connection or other type of growth. The unqualified use of "obligations" is too broad to be useful. Watercare understands these disclosures are intended to cover, for example, vested assets and financial contributions under the Resource Management Act 1991 (see current clause 4.7(4)). Therefore, Watercare suggests this term is explicitly defined as follows:

> **other payment obligation** means a financial contribution to the regulated supplier in relation to a new connection or other type of growth, and:
>
> (i) includes payment for assets by the customer which are then vested in the regulated supplier, and financial contributions under the Resource Management Act 1991); but

(ii) excludes charges.

Network versus non-network assets

As drafted, the definitions of water supply network and wastewater network render the meaning of "network asset" unclear. Typically, when using the terms water and wastewater networks, Watercare is referring to the pipelines connecting customers, excluding transmission assets and treatment plants. However, based on the limited definition of non-network asset, we expect that it is intended for assets like treatment plants to be included in the definition of network assets. We have therefore proposed some changes to the definitions of water supply network and wastewater network.

We also note that, from an industry perspective, it would be more accurate to use the terminology "system" where transmission assets, treatment plants, dams, reservoirs etc are included e.g. system asset, non-system asset. We recognise the draft determination is using the definition in the LGWSA and it makes sense to align terminology. However, we maintain that it is important to provide clarification for the definition of network in the determination.

Similarly, we have proposed amendments to the definitions of "water supply network" and "wastewater network" so that system assets are covered.

Real water loss

The Watercare Charter contains a definition of real water loss that could usefully be brought into the Draft Determination. "Real water loss" is defined in the Charter as:

> the volume of water—
>
> (a) lost through all types of leaks, bursts, and overflows at any part of Watercare's water supply network (including mains, service reservoirs, and service connections) up to the point of the consumer's connection; and
>
> (b) calculated using a water balance prepared and used in accordance with the Water Loss Guidelines Detailed Technical Guide, 2nd edition, published by Water New Zealand in August 2023.

The Draft Determination requires reporting on how a water supplier monitors and manages water demand and water loss across its networks in Asset Management Plans (see clause C11(1)(e)). It would be useful for the sector to have a common understanding of what water loss refers to and the Watercare Charter definition provides both clarity and a methodology for measuring that loss.

7. TREATMENT OF VEOLIA

Watercare has a longstanding contract in place with Veolia Water Technologies NZ ("**Veolia**"), which was inherited from Papakura District Council at the time of local government amalgamation in Auckland in 2010. Under this contract, Veolia provides water and wastewater services in Papakura (which is within the service area of Auckland Council).

It is not clear under the Commerce Act the extent to which Watercare's information disclosure responsibilities include reporting in relation to this contract with Veolia.

The "regulated suppliers"[7] subject to the Determination are all "decision-making local government water service suppliers" in respect of water supply or wastewater services that makes decisions about either or

[7] Cl 2(1), Schedule 7, Commerce Act 1986.

both of (a) capital and operating expenditure on the service, and (b) the level of charges or revenue recovery for the service.[8] Veolia is therefore not a regulated supplier subject to ID at this stage as it is not "local government" (nor has an Order in Council been made declaring Veolia to be regulated).[9]

It is not clear to Watercare, given the nature of the Veolia arrangement and responsibilities of the respective parties, that Watercare is the "decision-making local government water service supplier" in respect of Papakura. This leaves a potential gap in which water and wastewater services in Papakura are not subject to ID.

If Watercare was the regulated supplier for Papakura, it would be essential that:

(a) Watercare has the ability to access information from Veolia. Clause 6(6) of Schedule 7 of the Commerce Act allows the Commission to use a section 52P Determination to gather information about regulated activities from any party holding that information (such as a contracted party). Section 25 of the Local Government (Water Services) Act 2025 provides for third parties that have agreements to provide water services on behalf of a water services provider to give information to that water services provider on request, where the information is needed to meet regulatory requirements. We therefore recommend that the Determination clearly establishes what information is required in relation to the Papakura network – either to be provided directly by Veolia to the Commission or so that Watercare can request the information from Veolia (e.g. the Determination could remove any doubt that the provision of requested information under section 25 of the Local Government (Water Services) Act includes information in relation to information disclosure obligations).

(b) Watercare is able to disclose Veolia's supplied information separately. Clause 2.2(2) currently requires information to be disclosed as consolidated information. We anticipate that in practice this is unlikely to be achievable as this would require Watercare directors to certify Veolia information. Consolidated disclosure would also risk not being for the long-term benefit of consumers, as it would not allow interested persons to assess performance by the different suppliers. We note that separate, non-consolidated disclosures are already occurring in respect of Watercare's Charter obligations, so what is being proposed would be a continuation of the status quo.

Recommendations: Watercare recommends that:

(a) The Commission clarifies the treatment of Veolia / Papakura under the Determination; and

(b) If Watercare is to be the regulated supplier in respect of Veolia / Papakura, either the Commission gathers that information from Veolia directly or Watercare is sufficiently empowered to request information from Veolia and can disclose the information provided by Veolia separately, which would need to be excluded from Watercare's assurance and certification obligations.

8. TECHNICAL COMMENTS ON DRAFT DETERMINATION REQUIREMENTS

We have proposed a number of technical amendments (in track changes and comments) in the **attached** version of the Draft Determination.

[8] S 57D, Commerce Act 1986.
[9] S 57L, Commerce Act 1986.

The guiding principles for our technical amendments are:

(a) achieving consistency with the Watercare Charter where appropriate / possible;

(b) reducing ID requirements that are costly to produce in proportion to the benefit to be achieved by disclosure at this stage; and

(c) reducing overly onerous ID requirements where the perceived stakeholder value is unclear.