

20 October 2025

Commerce Commission

By Email:

Joint submission from Wellington Water Ltd and the Establishment Team for Metro Water

Kia ora,

This is a joint submission on the Commerce Commission's draft decision package for information disclosure in the water sector from Wellington Water Ltd and the Establishment Team for the new water services organisation being created for the Metropolitan Wellington area, currently known as Metro Water.

In summary, this joint submission outlines that while the provisions of the draft determination are largely seen as proportionate and reasonable, the timing and requirements for some of the first disclosures will be challenging and require further consideration for these to be workable. Our submission responds in detail to the proposals, and we would like to highlight a few key matters in this letter.

Substantive, fundamental changes to the delivery of water services in the Wellington region

The Local Government (Water Services) Act 2025 (the Act) required a confirmed approach for the delivery of water to be established and operative by 1 July 2027. The five Wellington councils (named...) have responded proactively and positively to the opportunities and challenges of delivering efficient and effective water services for the long-term benefit of consumers, by agreeing to the formation of a new water services entity to begin operations on 1 July 2026. This is twelve months earlier than contemplated in the Act.

The formation and operational dates are deliberately ambitious and reflect the urgency and importance that councils place on the provision of critical water services for Wellington consumers.

The new entity will provide all services across the three waters and the full responsibilities of a limited liability company, including asset ownership, debt, liabilities, pricing and ring-fenced funding of the provision of water services. It will be responsible for making the investment decisions and delivering these on a regional basis and not council by council. The entity will have a new Board of professional directors and a Chief Executive appointed by that Board. The councils agree that this entity will be responsible for governing and delivering the strategy, planning, investment, and delivery of three water services on behalf of council shareholders and mana whenua, with iwi Ngāti Toa Rangitira and Taranaki Whānui ki Te Upoko o te Ika as key partners with the councils, for all regional Wellington consumers.

The period of transition to 1 July 2026 and beyond, is immensely intensive for the Councils and WWL to stand up the new entity, as the structure is established, new systems are developed, new roles and responsibilities are confirmed, and new ways of working are embraced.

All WWL staff below the executive tier, some council staff, all contracts, projects, and programmes of work will move to the new entity. All water assets from source water to the sea are being

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Wellington Water is owned by the trust, Porirua Upper Mutt and Wellington City Councils, South Wairarapa District Council and Greater Wellington Regional Council. We manage three drinking water, wastewater and distribution services.

identified and transferred and all revenue, debt, financing and investment functions will move to the new entity. It will have a direct relationship with and be required to engage with customers for the first time rather than through council relationships.

Wellington Water Limited is required to provide interim information disclosures as a temporary measure under the Local Government (Water Services Preliminary Arrangements) Act 2024. At this stage these will remain in place until the long-term disclosure regime is implemented. The aim of the interim disclosures is to give rate payers and other stakeholders a clearer view of how the entity is performing. This disclosure is required quarterly and is referred to as Foundational Information Disclosure.

Considerable effort is being put into complying with the Foundational ID that will regularly disclose performance information with more rigour and transparency than in the past.

As the new entity is established, the Board appointed and the CEO selected, there is an enormous lift and shift task from the 5 councils and Wellington Water to Metro Water. This must occur whilst three water services are delivered seamlessly and without interruption.

In addition, to deliver the new aspects that Metro Water will be responsible for, significant investment in new systems and business processes, supporting those systems must be undertaken. Resource capacity and capability will be enhanced and improved, including the adoption of new functions, such as customer services, treasury, and operating its own asset management, finance, payroll and billing functions. These changes, whilst not occurring overnight, will be supported by considerable shifts in culture.

The fundamental changes outlined are occurring within a very tight time horizon to allow the five metropolitan councils and their water services operating entity, to confront head-on the current challenging circumstances and to improve the value-for-money it provides to its consumers.

Systems Change

A critical part of the formation of the new water services entity is the need to ensure it has its own key IT systems developed to provide modern up-to-date and efficient services. The extent of this major programme of investment – Technology Systems Investment (TSI) programme focuses on modernising core IT systems and ensuring essential systems capability within the new entity to ensure financial management, asset management, programme and project management, effective health and safety systems, payroll and HR systems, and billing systems.

Currently most of these systems either do not exist within WWL, are not owned by WWL, or need modernisation to be fit for purpose. It is only with these systems changes and modernisation that much of the information sought by the Commerce Commission, in its draft determination, can be provided efficiently without major compliance costs.

Lead times for completion of these systems change initiatives cannot categorically be confirmed at the time of this submission. However, it is clear from the strategy and planning conducted to date that many of the systems will not be completed and operational until late 2027 at the earliest.

For systems such as finance and billing, it is anticipated that they will be installed in a modular way to ensure that BAU is not negatively impacted and that the new entity and the councils are seamlessly interacting with customers.

Support for information disclosure changes

The provisions of the draft determination are largely seen as proportionate and practical.

Most requirements are seen as reasonable, noting that the detail of some of the requirements and their timing for first disclosure, particularly, will be challenging within the draft timeframes and to the levels of detail currently proposed by the Commission.

We consider that the initial disclosure requirements for Transfer Agreements and value of assets and liabilities transferred and disclosures of any changes to dividends and growth funding policies will be deliverable. However, we consider that unchanged, the new entity would be substantially non-compliant with the initial requirements specified for the SAMP, AMP and IDP artefacts.

An initial Water Services Strategy (WSS) is intended to be published in readiness for 1 July 2026. Whilst compliant with the legislative requirements, this will be a first cut of the strategy and direction for Metro Water. It will not have the veracity and depth of information that will be sought and applied progressively as the organisation develops.

Wellington Water and the Establishment Team do not agree that the first WSS is an accurate trigger for the full disclosure cycles to commence, and we highlight below where the concerns lie. These points will also be reflected in more detail in our submissions on the template provided for responses.

We would request that the Commerce Commission receive this cover letter and the detailed submission responses as a package for consideration in its determination deliberations.

Some transitional requirements will be very difficult to provide within the draft timelines

Most concerning in terms of timing and detail for the new entity will be the ability to provide the draft requirements specified for the SAMP, AMP, and IDP by 30 June 2027, given that the first water services strategy for the new entity will have been developed and adopted to meet the requirements of the Act, in readiness for 1 July 2026. While this initial WSS will be compliant with the requirements of the statute, it will not be supported by the levels and detail of information specified in the draft Determination for the SAMP, AMP and IDP.

Asset management is subject to substantial improvement and systems changes as part of the approved technical systems improvement (TSI) programme. Considerable information must be transferred to the new system once operational from each of the five councils and from third party contractor systems. The time to ensure that data is consolidated and to a base level of quality will result in the data only being substantially available in the 2027-28 financial year. The Schedule C requirements are being specified as requirements for programming into the new Asset Management system to ensure asset disclosure information can be produced. However, the existing multiple systems cannot produce the disclosure information sought to a level of certification, and the new entity would be substantially non-compliant were the date for delivery to remain 30 June 2027.

The revenue breakdowns sought cannot be supplied in the format specified in the draft determination. The new billing system being developed as part of the TSI programme will be established applying the information disclosure revenue requirements set out in the draft determination. However, prior to that, the requirements sought would take substantial systems and process changes to each council's current finance areas. Were the draft requirements to stand

as currently drafted, these would appear to be inefficient, costly, and contrary to the long-term benefit of consumers in these circumstances.

Billing will take some time to be fully established and includes substantial change and harmonisation from current existing rating based revenue policies and approaches applied by each council.

The new entity will not have its new finance system in place and operating from 1 July 2026. Whilst the system will be configured to align with the information disclosure requirements and will be developed to simplify and automate financial operations and reporting, it will only commence operations in the second half of the 2026-27 financial year and will likely be installed in a modular fashion.

Any reporting or disclosures before this time will be heavily reliant on manual calculations and categorisation using spreadsheets that will extend to interchanges with the five councils' finance areas. This is a very resource-heavy process and data confidence levels will at best be moderate. The reconfiguration of existing systems to meet the requirements will take significant effort, cost and will duplicate the development of the new financial system being specified under the TSI.

Regulatory Framework

There are a number of aspects highlighted in our joint submission that endorse the provisions proposed by the Commission that collectively will enable the ID regulatory regime to be proportionate and flexible provided the matters of weighting and balance are heeded, especially in the transitional period during the first period of operations of the new Wellington regional entity, Metro Water.

The detail is not reiterated here - suffice to emphasise that proportionality includes important temporal considerations that must be factored in, and regulation should be objectively considered and balanced in the transitional period to ensure that consumer confidence in the changes is not lost but reinforced and matched to careful and informed views of the compliance costs and regulatory risks of striking the wrong balance.

Given the levels of detail and categorisation of financial and asset related information, alongside revenue detail at this stage, there would need to be flexible application of the entire framework including tailoring, exemptions, balanced transitional provisions. We need to ensure accurate cost benefit analysis and decision making to strike the right balance between transparency of useful, reasonable information and the costs of doing so, when those costs will also fall on today's consumers. This will be critical for the objective assessment of the regime's success.

In Metro Water's case we have been considering options to ensure disclosures are meaningful, effective and that compliance is efficient to meet customer expectations as we move into the new regulatory regime and operational environment. These recommended options are highlighted below.

Recommended options to ensure disclosures are meaningful and effective to meet customer expectations

1. *Delay the requirements coming into place by one cycle*

By delaying the requirements by a cycle, it enables the water services strategy, the SAMP, AMP and IDP to be effectively produced sequentially so that all are logically aligned when being produced. This would reduce compliance costs and maximise transparency.

The second water services strategy would be required no later than 30 June 2029 and at that stage it is anticipated that most key systems will be in place under the TSI programme. The data and classifications will be in place to produce efficient disclosures and whilst there will still be room for quality improvement, the information disclosed will be sufficiently detailed to enable the transparency of understanding sought within the regulatory framework (as per the looped diagram in the discussion paper on the regulatory framework) to enable all interested parties to understand the performance outcomes of Metro Water.

2. Delay the requirements by a year and align the starting point to the legislative intent.

By delaying the requirements one year it aligns the requirements with the legislative expectation of the water services entity commencing on 1 July 2027.

It also ensures that the WSS, SAMP, AMP, and IDP are all produced together as part of the three-year cycle, rather than being out of cycle with the WSS constantly being a full year earlier than the other documents. This occurs under the draft determination because of the transitional commencement date of disclosures (A3-A6). Operationally, it is by far the most efficient for a company to producing strategy, the strategic AMP, AMP and Investment and development plans (IDP) together sequentially as a process.

This will enable time for the systems to be in place and the policies and procedures established, and most importantly the people embedded within the new culture of delivery to enable the information and breakdowns sought for revenue and asset management to be operational, thereby providing sufficient information to meet the transparency sought by consumers. This would land the package of information linking 10 and 30-year investments to asset requirements for delivery on 30 June 2028. It will be a stretch but likely doable, accepting that it is anticipated that some of the billing, pricing and revenue information is likely still subject to change and that some categorisation may be lighter in terms of detail than would be ideal.

3. Transitional arrangements

Currently, WWL is subject to Foundational Information Disclosure Requirements. This involves some one-off asset detail and rolling quarterly information relating to asset maintenance and fault management, cultural improvement, and value for money indicators, along with reporting improvements that are focused on customer-centric performance and operational delivery performance. This determination was put into place just two months ago.

This has in itself required effort and resources to meet the demands of foundational ID. Currently it is indicated that foundational ID is temporary and may then be subsumed by the new Information Disclosure requirements under consideration.

The joint submitters suggest that the Commission consider continuing the foundational IDs for a period of time to cover Metro Water and overlapping the new regime, as a substitute for the provision of the SAMP, AMP and IDP while all of the matters outlined above and in the templated response are addressed, to ensure that some meaningful information is able to be supplied in the formats and categories specified.

The benefit of this is that not only does progress transparency occur in terms of the foundational IDs so that comparative information builds a more substantive picture of progress over time, but also it minimises the impact and costs of compliance as these can be spread over more disclosures, given that the knowledge and experience of producing the quarterly information is understood and built into systems.

These could meaningfully continue through each quarter until such time as the SAMP, AMP and IDP kick in. This would require a simple transfer of the foundational ID requirements to Metro Water as part of the systems and processes transferred from WWL.

4. Tailor the requirements

Tailoring is needed to ensure that objective balance is struck between costs, efficiency and transparency. This may include adding some minimal components of the proposed ID but without some of the categorisation and detail currently specified. This could be aligned to the first WSS more deliberately.

5. Exemption process

Provide the flexibility proposed in the submission that would allow for exemptions during the transitional period to be sufficiently accommodating so that the balance is struck between the interests of consumers and the efficiencies of a more nuanced process for disclosures during the initial years of the new regime.

We would welcome the opportunity to continue to work with the Commerce Commission in relation to this submission to ensure that the disclosure requirements are workable and timely.

Yours sincerely



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