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Sent: Friday, 26 June 2026 6:00 pm
To: Water Infrastructure Regulation
Subject: Submission on Commerce Commission Emerging Views Paper: Price-Quality Path for Watercare (25 June 2026)

Categories: [redacted]

1. Introduction
This submission is provided in an individual capacity. It reflects my personal views and does not represent the position of Wellington Water, Tiaki Wai, or any other organisation.

I appreciate the opportunity to comment on the Commerce Commission's Emerging Views paper on the proposed Price-Quality Path for Watercare (PQP28). The paper represents an important milestone in the development of economic regulation for New Zealand's water services sector, marking the first substantive application of Part 4 regulation in this context.

Overall, I support the Commission's direction of travel, including:
- The use of a building blocks model (BBM) for setting allowable revenue
- The integration of price and quality regulation
- A focus on long-term consumer benefit, investment efficiency, and transparency

Given the precedent-setting nature of this work, the design choices made for Watercare are likely to have material implications for the wider sector, particularly as economic regulation is progressively implemented under the Local Water Done Well framework.

This submission focuses on areas where additional clarity or refinement could support both the Watercare process and the effective evolution of the broader regulatory regime.

2. Clarifying transferability beyond Watercare
The paper appropriately recognises Watercare's unique characteristics. However, the proposed framework will inevitably be interpreted as a reference model for other water services providers.

Greater clarity would be beneficial in distinguishing between:
- Core regulatory tools and principles that are intended to be transferable (e.g. BBM, price-quality paths, performance frameworks); and
- Watercare-specific calibrations reflecting its scale, maturity, and financial structure.

Providing this distinction would support regulatory certainty across the sector and assist other providers in preparing for future regulation.

3. Providing clearer signals on regulatory trajectory
The Emerging Views paper implicitly signals a staged approach to regulation, with information disclosure (ID) forming the foundation and price-quality regulation developing over time.

However, the expected trajectory for the sector remains unclear.

It would be valuable for the Commission to provide greater visibility on:
- The anticipated evolution from ID-only regulation to full price-quality paths
- Indicative criteria or thresholds for introducing PQPs to additional providers
- The expected increase in regulatory sophistication over time

Clearer signalling would support providers, councils, and central agencies to plan capability uplift, investment, and organisational arrangements.

4. Incorporating a trust-based regulatory perspective
At this early stage of sector-wide regulatory development, there may also be value in considering how regulatory approach influences behaviour and capability over time.

International experience suggests that where sectors are still maturing, approaches that emphasise transparency, trust, and shared accountability can support better long-term outcomes than purely compliance-driven models.

For example, the “Ethical Business Regulation” approach emphasises:
- openness and high-quality information disclosure
- alignment of incentives with long-term consumer outcomes
- reduced reliance on prescriptive intervention where trust is well-established

Elements of this approach may be relevant in supporting:
- capability uplift across providers
- reduced compliance burden over time
- stronger outcomes-focused regulation

This is particularly relevant given the Commission’s intention to build from information disclosure toward more mature forms of regulation.

5. Strengthening linkage with information disclosure
Information disclosure is intended to form the foundation of economic regulation for water services, enabling transparency and benchmarking.

Greater clarity would be useful regarding how ID will:
- Directly inform price-quality path decisions
- Support cross-provider benchmarking and comparative analysis
- Ensure consistency in data definitions and regulatory assumptions

A stronger articulation of the interaction between ID and PQP frameworks would improve confidence in the overall regulatory architecture.

6. Quality regulation and alignment with other regimes
The Emerging Views signal a shift toward more explicit and enforceable service quality standards.

This is a positive step, but additional clarity would be helpful regarding:
- The scope of quality dimensions to be included (e.g. reliability, customer outcomes, environmental performance)
- How these will align with existing regulatory frameworks, including:
    - Taumata Arowai, and
    - Environmental regulatory requirements

There is a risk of duplication or inconsistent incentives without clear alignment across regimes. Early consideration of these interfaces would support a more coherent regulatory system.

7. Risk allocation principles
The allocation of risk between consumers and the regulated provider is a central component of the PQP framework.

Decisions relating to:
- Cost of capital
- Demand variability
- Cost escalation and delivery risk

will have long-term implications for prices, investment behaviour, and financing costs.

Given the precedent-setting nature of these decisions, it would be valuable for the Commission to provide a clearer risk allocation framework, including:

- Guiding principles
- Approach to trade-offs between risk and cost
- Consistency with other regulated sectors

8. Affordability and distributional considerations

Ensuring sufficient revenue to support long-term investment may result in changes to pricing levels and trajectories.

While the Commission's primary focus is economic efficiency and consumer benefit and the focus of the paper is on Watercare, noting the above comments it would be helpful to explicitly acknowledge:

- Potential affordability impacts for consumers
- The likelihood that impacts may vary across regions and provider types if or when transferred outside Watercare

Transparency on these issues would support wider policy discussions regarding affordability and equity.

9. Structural implications for the sector

Although the Commission does not determine sector structure, the proposed regulatory model will likely have implicit structural consequences.

In particular, BBM-based price-quality regulation tends to favour providers with:

- Sufficient scale
- Strong technical and financial capability

This may place pressure on smaller providers to consider:

- Aggregation
- Shared service models
- Alternative delivery arrangements

Acknowledging these implications would help support alignment between regulatory settings and broader system policy objectives.

10. Maintaining a focus on deliverability

The focus on enabling sufficient investment is appropriate. However, it is equally important to ensure that investment programmes are practical and deliverable.

There is a risk that:

- Revenue allowances enable large capital programmes;
- But delivery capability (including workforce and supply chain constraints) limits execution.

Strengthening expectations around:

- Credible delivery planning
- Monitoring of delivery performance
- Feedback into future regulatory periods

would enhance the effectiveness and credibility of the regime.

11. Concluding comments

The Emerging Views paper represents a significant step in establishing enduring economic regulation for New Zealand's water services sector.

While focused on Watercare, the framework being developed will likely define the core architecture of regulation across the country.

In that context, further clarity on:

- Transferability of the model beyond Watercare
- Regulatory trajectory and staging
- Proportionality and sector readiness
- Alignment across regulatory regimes

would materially improve certainty and support an effective sector transition.

As the regime evolves, there may also be value in considering how regulatory philosophy and approach - including elements of more trust-based, outcomes-focused models - can complement formal regulatory tools to support long-term sector performance.

Regards
Laurence