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1 September 2026

Dr John Small
Commission Chair
Commerce Commission New Zealand

Via email: [redacted]

Dear John,

Follow-up on 26 August 2026 meeting: Watercare Price-Quality Path (PQP)

Thank you for taking the time to meet with us on 26 August regarding Watercare's price-quality path (PQP). We appreciated the opportunity for to meet with you again and found the discussion helpful in understanding the Commission's perspectives.

Our purpose in meeting was not to relitigate Watercare's submission on the Emerging Views paper, but to improve our mutual understanding and discuss how Watercare and the Commission can navigate the next 12 to 18 months while Watercare continues making real financing, investment and delivery decisions.

We have summarised our understanding of the three principal topics discussed below.

Expenditure scrutiny and Watercare's delivery environment

We noted the Commission's comments regarding the importance of expenditure scrutiny as part of the price-quality path setting process. Watercare recognises the importance of providing the Commission with confidence that its proposed expenditure is prudent, efficient and deliverable, and is working intensively to prepare for the independent verifier's review of its proposal.

The meeting also provided an opportunity to share further context on Watercare's operating and delivery environment. Watercare is required to scale investment delivery significantly while preparing for economic regulation, improve delivery maturity, and continue to operate a complex, interconnected essential-services network.

As discussed, the interconnected nature of Watercare's network means that planning and investment decisions cannot always be considered as discrete projects or assets. Decisions in one part of the network can have material implications elsewhere. This requires Watercare to take a system-wide approach to planning, sequencing and investment, with regard to resilience, growth, environmental performance and the ongoing reliability of essential services.

We welcome the Commission's interest in developing a deeper understanding of this operating context. As part of our ongoing information sharing, Watercare would be very pleased to arrange a visit to relevant operational sites for you and Loretta Lovell, and we would of course be delighted for Graham Mitchell to join you. We will work with Charlotte to identify suitable timing and sites.

Foundational settings, financeability and the path to the draft decision

The meeting's second topic concerned foundational regulatory settings, financeability and the cumulative demands being placed on Watercare as it develops its first price-quality proposal.

As we discussed, it is difficult for Watercare to navigate significant financing, investment and Water Services Strategy decisions while important elements of the regulatory framework remain under development. Watercare is already applying significant internal constraints in relation to affordability, efficiency and deliverability, and is now well advanced in preparing for the independent verification process.

Our understanding from the meeting is that the Commission does not currently plan further formal process steps on these matters before publication of its draft decision in October 2027. Watercare will of course continue the work required to prepare its proposal. However, we noted that there remains a material gap between our respective positions on some foundational matters, and as yet no clear pathway for how those issues might be worked through ahead of the draft decision. We therefore consider it important that Watercare and the Commission continue to engage constructively on these matters over the coming months.

Consistent with Charlotte's follow-up email, we would appreciate the Commission's response to the following three questions:

- On what basis should Watercare be making financing, investment and Water Services Strategy decisions while key elements of the framework remain under development?
- How is the Commission thinking about financeability in practice and, relatedly, what would give the Commission confidence that the framework is genuinely financeable for Watercare?
- What does the Commission see as the material points of difference between Watercare and the Commission, and are there areas where our respective positions may be closer than was apparent from the Emerging Views paper?

Clarity on these matters would assist Watercare and its Board in managing the period through to the draft decision, including the financing and investment decisions that cannot practicably be deferred until the PQP is finalised.

Timing of the final price-quality path decision

The third topic concerned the timing of the Commission's final decision and the implications of the available options for Watercare and its customers.

Watercare's concern is to avoid resolving a regulatory timing issue in a way that transfers uncertainty or financeability risk to Watercare, or results in multiple price changes for customers. We consider that any option should be assessed against three practical tests:

- whether it provides sufficient certainty for Watercare's financing and investment decisions;
- whether it can be implemented through one clear annual pricing process; and
- whether it avoids Watercare carrying material cash-flow exposure pending a later wash-up or reconciliation.

These considerations are important because Watercare will continue to incur substantial financing and investment commitments during the period in question and is under a high level of scrutiny in

relation to customer pricing. The practical allocation of timing and cash-flow risk therefore requires careful consideration alongside the formal mechanics of implementing the first PQP.

Watercare will consider the options available to it, assess them against these tests, and revert to the Commission with our views.

Ongoing engagement and next steps

As noted in Charlotte's email, Jamie will follow up with her directly regarding the interface between the Crown Monitor arrangements and PQP28.

We would be pleased to establish regular quarterly meetings between Watercare and the Commission, with the chairing and hosting of those meetings alternating between the organisations. We propose that the next quarterly meeting be hosted at Watercare's offices during the fourth quarter of 2026.

In addition to arranging the site visit outlined above, we would welcome any further observations from the Commission on steps that would help its decision makers develop and maintain an appropriate understanding of Watercare's operations, investment programme and delivery environment.

Thank you again for the constructive discussion. We look forward to continuing to work with the Commission to establish an efficient, effective and durable price-setting process that protects the interests of consumers while providing an appropriate foundation for Watercare's investment, financing and service-delivery responsibilities.

Yours sincerely,



Geoff Hunt

Chair, Watercare Services Limited