PUBLIC

ISBN 978-1-997384-09-0

COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Price-Quality Path for Watercare

Terms of Engagement and Terms of Reference for Independent Verification

30 September 2026



Version history

Version #	Date	Description
1.0	30 September 2026	Final version

Table of Contents

Version history **2**

Interpretation **4**

Chapter 1 Engagement of a verifier **8**

Proposing a verifier *8*

Commission's approval of verifier *9*

Engaging the verifier *9*

Verification commencement 9

Verifier communication with Watercare and the Commission 10

Chapter 2 Terms of reference **11**

Purpose *11*

The verifier's role *11*

Scope of the verification *11*

Verifier's assessment of expenditure proposal and service quality proposal 11

Verifier's opinion on related matters 12

Assessment of the expenditure proposal against the expenditure assessment objectives 14

Assessment of the service quality proposal 19

Content of draft and final verification reports *19*

Draft verification report 19

Final verification report 20

Attachment A Relationship of PQP28 proposal verification to Charter **21**

Purpose of this attachment *21*

Context *21*

Comparison between verification roles *21*

Interpretation

Terms in this document that are defined in the Commerce Act, but not in this document, have the meaning given in the Commerce Act.

If the definition of a term in this document is inconsistent with the definition of the same term in the proposal guidance, the definition in the proposal guidance prevails to the extent of the inconsistency.

In this document, unless the context otherwise requires, the following terms have the following meanings:

Term	Meaning
assumptions	means the material premises, judgements, or inputs used in developing forecast expenditure and associated expected outcomes, including those underlying modelling, costing, timing, or performance forecasts
capex	means capital expenditure
capital contributions	means money or the monetary value of other consideration that is charged to or received from consumers or other parties, excluding IGC revenue, for the purposes of asset construction, acquisition or enhancement
capital expenditure	means costs incurred or forecast to be incurred in the acquisition or development of an asset that is intended to be commissioned, and that are intended to be included in the value of commissioned asset
Charter	means the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025
Commission	means the Commerce Commission
commissioned	means used or available for use by Watercare to provide regulated water services and 'commission' should be construed accordingly
commissioning date	means the date that an asset is or is forecast to be first commissioned
deliverability	means the extent to which forecast expenditure can reasonably be delivered within the regulatory period, having regard to identified constraints and assumptions
efficiency improvement objective	Watercare's capital and operating expenditure forecasts should be supported by a credible, evidence-based and measurable plan for ongoing efficiency improvements, informed by identified initiatives, benchmarked insights, and continuous-improvement processes, recognising

	that efficiency improvements are expected to be progressive over time
Efficiency Improvement Plan	means the plan required under clause 20 of the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025
expenditure assessment objectives	means the expenditure objective and the efficiency improvement objective
expenditure forecasts	means opex and capex forecasts for the regulatory period
expenditure objective	means that capital and operating expenditure forecast by Watercare should reflect the efficient expenditure of a prudent supplier that would face similar circumstances to Watercare in meeting or managing consumer demands and relevant statutory and regulatory requirements over the regulatory period
expenditure proposal	means the capex and opex forecasts and relevant supporting documentation Watercare will provide for verification in accordance with these terms of reference
forecast expenditure	means the opex or capex expected to be incurred during the regulatory period and presented for the purposes of the PQP28 proposal
GAAP	means generally accepted accounting practice, within the meaning of section 8 of the Financial Reporting Act 2013
good water industry practice	means the exercise of the degree of skill, diligence, prudence, foresight and economic management in the provision of regulated services, as determined by reference to good international practice, which would reasonably be expected from a skilled and experienced regulated supplier under comparable conditions
IDAM Plan	means Infrastructure Delivery Asset Management Improvement plan required under clause 24 of the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025
operating expenditure	means a cost incurred by Watercare in the provision of regulated services, but excludes any of the following: (a) a cost that is treated as a cost of an asset by GAAP (b) an amount that, in accordance with GAAP, is depreciation, tax, a subvention payment, a revaluation, or an interest expense (c) an amount that is an impairment loss (d) a cost associated with the issuance of debt
opex	means operating expenditure
pass-through cost	means-

	(a) a cost associated with the supply of regulated services, and (b) outside the control of Watercare, and (c) appropriate to be passed onto consumers.
priority project	means a capex project identified by Watercare as meeting the criteria outlined in clause 3.14 of Watercare PQP28 [Draft] proposal guidance
programme	means a group of related projects with a common purpose
project	means a temporary set of interrelated activities undertaken to deliver specified outputs and outcomes
proposal guidance	means the document titled Watercare PQP28 Proposal Guidance, as issued by the Commission and amended, or updated from time to time.
PQP28	means the price-quality path applicable to Watercare that is intended to commence on 1 July 2028 and finish 30 June 2031
PQP28 proposal	means the expenditure proposal and service quality proposal for PQP28
readiness	means the extent to which activities, projects or programmes are sufficiently developed to proceed as forecast, having regard to planning, design, approvals, and preparatory work
regulated service	means water supply services or wastewater services
regulatory period	means the proposed period for which a price-quality path will apply
service quality measures	means the service quality standards and other reporting measures (including service levels and targets) that Watercare is proposing to report on during the PQP28 regulatory period
service quality proposal	means the service quality measures and relevant supporting documentation Watercare will provide for verification in accordance with the terms of reference
terms of reference	means the terms in Chapter 2 and Attachment A of this document as agreed by the tripartite deed
Treaty settlement obligation	has the meaning given in the Local Government (Water Services) Act 2025
tripartite deed	means the contractual agreement between the verifier, the Commission and Watercare as it relates to independent verification of Watercare's PQP28 proposal
verification	means the role, obligations of the verifier, and the work the verifier is required to complete as agreed under the tripartite deed and set out specifically in the terms of reference

verification report	means the draft and final reports produced by the verifier under clauses 2.17 to 2.25 of this document
verifier	means the person engaged by Watercare and approved by the Commission to verify Watercare's PQP28 proposal in accordance with the terms of reference
Watercare	means Watercare Services Limited and includes any subsidiary of Watercare Services Limited

Chapter 1 Engagement of a verifier

Proposing a verifier

1.1 Watercare must, before submitting a PQP28 proposal:

1.1.1 by notice in writing to the Commission, propose a person to act as a verifier to verify the PQP28 proposal;

1.1.2 provide to the Commission the information specified in clauses 1.2 and 1.3 in respect of the proposed person; and

1.1.3 provide the reasons why Watercare considers that the proposed person is independent and capable of undertaking the verification.

1.2 In proposing a person to act as verifier, Watercare must provide a written statement signed by the proposed person-

1.2.1 confirming that the proposed person, or its subsidiary or parent company,-

1.2.1.1 has not been, and will not be, involved in the formulation of the PQP28 proposal except as a verifier under the Charter;

1.2.1.2 has not acted, and will not act, as an auditor in respect of the PQP28 proposal;

1.2.1.3 has no direct or indirect pecuniary or other interest in the success or failure of the PQP28 proposal, including any entitlement to a success fee, contingency fee, or remuneration other than a fee for providing a verification report; and

1.2.2 explaining the extent of any-

1.2.2.1 ongoing role the proposed person, or its subsidiary or parent company, has, as auditor of, or advisor to, Watercare (on matters unrelated to preparing the PQP28 proposal) including any advisory activities that the proposed person may expect to undertake for Watercare during the PQP28 regulatory period and the existing or expected basis of remuneration for such activities;

1.2.2.2 previous or current involvement on the part of the proposed person, or its subsidiary or parent company, in a project or matter that the independent verifier will assess as part of the verification; and

1.2.2.3 relationship that the proposed person has, or has had, with Watercare during the Charter period and the basis of remuneration (if any) for the relationship.

1.3 In proposing a person to act as verifier, Watercare must provide:

1.3.1 the reasons why Watercare considers that the proposed person is sufficiently qualified and experienced to verify the PQP28 proposal; and

1.3.2 a written statement signed by the proposed person describing the nature and extent of the proposed person's qualifications and experience relevant to verifying and reporting on the PQP28 proposal.

Commission's approval of verifier

1.4 If, after assessing Watercare's proposed person, the Commission is satisfied that the proposed person is independent and capable of undertaking the verification, the Commission must approve the proposed person to act as a verifier by notice in writing to Watercare within 10 working days of the later of the date of receipt of a notice under clause 1.1 and the date of the receipt of the information provided under clause 1.3.

1.5 If the Commission, acting reasonably, does not approve a proposed person-

1.5.1 the Commission must provide reasons why it is not satisfied that the proposed person is independent and capable of undertaking the verification; and

1.5.2 Watercare may propose another person to act as verifier in accordance with clauses 1.1 to 1.3.

1.6 If the Commission approves a proposed person, Watercare may engage the proposed person to act as a verifier.

Engaging the verifier

1.7 Before undertaking any work in relation to the PQP28 proposal, the verifier must enter into a deed with the Commission and Watercare.

1.8 The deed must impose on the verifier the obligations set out in the terms of reference.

1.9 Before the deed is signed, the Commission and Watercare may amend the terms of reference by agreement. After the deed is signed, the terms of reference may be amended by agreement of the parties to the deed.

Verification commencement

1.10 As soon as reasonably practicable after engaging the verifier:

1.10.1 Watercare will agree with the verifier a timeline for the verification process including the information Watercare will provide to the verifier and when, and Watercare will provide this timeline to the Commission;

1.10.2 Watercare will provide a summary of the contents of its PQP28 proposal to the verifier and the Commission;

1.10.3 the verifier will review the summary and identify any areas where it requires further information from Watercare and/or any areas where it considers it may provide a conditional opinion based on its expertise. The verifier will report these findings to Watercare and the Commission; and

1.10.4 Watercare will review the verifier's findings and confirm the information it will provide to inform the verification process. Watercare will provide this information to the verifier, either in writing or as part of workshop(s).

Verifier communication with Watercare and the Commission

1.11 The verifier will engage with Watercare as required by Watercare during its verification work.

1.12 The verifier will be available to answer any questions posed by the Commission on the draft and final verification reports, in person, by telephone conference, video meeting, or in writing, as reasonably required by the Commission.

1.13 The verifier and the Commission will meet to discuss the final verification report, in a specific workshop session, of up to two days. Timing for this will be agreed after a timeline for verification is agreed with Watercare.

1.14 The verifier will keep records of all material communication between it and Watercare where it includes substantive information relied on by the verifier in the draft and final verification reports.

1.15 As soon as reasonably practicable after the engagement of the verifier, Watercare, the verifier and the Commission will agree a communication protocol.

Chapter 2 Terms of reference

Purpose

2.1 This Chapter sets out the terms of reference for the verification of Watercare's PQP28 proposal.

The verifier's role

2.2 The verifier's role is to provide an independent assessment of Watercare's PQP28 proposal in accordance with the terms of reference and within its area of technical expertise.

2.3 The verifier is required to:

2.3.1 engage with Watercare in an independent manner in accordance with the tripartite deed; and

2.3.2 carry out the verification assessment described in these terms of reference and report its findings through the draft and final verification reports.

2.4 The weight the Commission attaches to the final verification report may depend on the robustness of the analysis undertaken and the quality of the information on which the verifier relied.

2.5 The verifier will produce draft and final verification reports, addressed to Watercare and the Commission.

Scope of the verification

Verifier's assessment of expenditure proposal and service quality proposal

2.6 The verifier must assess:

2.6.1 the extent to which Watercare's expenditure proposal is consistent with the expenditure assessment objectives, in accordance with the requirements in clauses 2.11 to 2.15;

2.6.2 the extent to which Watercare's service quality proposal meets the requirements in clause 2.16;

2.6.3 the extent and effectiveness of Watercare's current and intended consultation with its stakeholders;

2.6.4 the extent to which Watercare has or will consider stakeholder feedback in developing its final proposal;

2.6.5 whether Watercare's expenditure proposal and service quality proposal, as relevant to the verifier's assessment, are consistent with the proposal guidance; and

2.6.6 the effectiveness of the process Watercare has used to assemble the quantitative information that informs the expenditure proposal and the service quality proposal.

2.7 However, the verifier must not:

2.7.1 assess Watercare's building blocks model;

2.7.2 assess Watercare's initial regulated asset base model;

2.7.3 assess Watercare's infrastructure growth charge forecasts;

2.7.4 assess any cost allocation methodologies or information on unregulated services;

2.7.5 assess the affordability of Watercare's PQP28 proposal;

2.7.6 audit the quantitative information in Watercare's PQP28 proposal; or

2.7.7 assess the IDAM Plan or the Efficiency Improvement Plan in the manner set out by clause A7 in Attachment A.

Verifier's opinion on related matters

2.8 In addition to the assessment under clause 2.6, the verifier must give an opinion on:

2.8.1 the key issues and areas the Commission should focus on when the Commission evaluates the final PQP28 proposal Watercare submits, including areas where further information, analysis, or scrutiny may be required;

2.8.2 the adequacy and reliability of information in the PQP28 proposal and any further information provided to the verifier by Watercare, including any material information gaps, inconsistencies, or limitations, and the implications of these for the findings from the verifier's assessment under clause 2.6;

2.8.3 any material gaps, inconsistencies, or limitations in Watercare's PQP28 proposal identified in the assessment outlined above, and the implications of these for the credibility, deliverability, and reliability of the expenditure proposal and service quality proposal;

2.8.4 any improvements Watercare could make to its PQP28 proposal to address material deficiencies identified in the verifier's assessment under clause 2.6;

2.8.5 whether, in the verifier's view, any aspect of the expenditure proposal is not sufficiently justified, or should not be included in the PQP28 proposal as proposed, including the reasons for that view;

2.8.6 for the purposes of setting future price-quality paths, any improvements that could be made to:

2.8.6.1 Watercare's preparation of an expenditure proposal and service quality proposal; and

2.8.6.2 the verification process;

2.8.7 any other information not included in the PQP28 proposal that the verifier reasonably believes would:

2.8.7.1 be available to Watercare; and

2.8.7.2 assist the Commission's evaluation of Watercare's final PQP28 proposal.

Considerations guiding the verifier's assessment and opinions

2.9 In carrying out the assessment under clause 2.6, the verifier must:

2.9.1 apply a level of scrutiny to each part of the PQP28 proposal that is commensurate with the likely price and quality impact on consumers of the relevant part;

2.9.2 take account of the fact that Watercare is operating in a period of transition and capability uplift, and on a trajectory toward meeting the efficient costs of a prudent and efficient supplier over time, which is reflected in:

2.9.2.1 its service quality proposal; and

2.9.2.2 Watercare is not expected to fully meet the expenditure assessment objectives at this point;

2.9.3 where the verifier considers that proposed expenditure does not meet the expenditure objectives, comment on whether the proposed expenditure targets an area of demonstrated need, and if so:

2.9.3.1 whether the proposed expenditure is required in the PQP28 regulatory period and should not be delayed; and

2.9.3.2 whether Watercare can reasonably be expected to deliver the expenditure within the PQP28 regulatory period.

2.10 In carrying out the assessment under clause 2.6 and giving the opinions under clause 2.8, the verifier must take account of Watercare's policies and processes and, as relevant, Watercare's application of those policies and processes.

Assessment of the expenditure proposal against the expenditure assessment objectives

2.11 The verifier must assess Watercare's expenditure proposal against the expenditure assessment objectives.

2.12 In carrying out this assessment, the verifier should:

2.12.1 provide an opinion on the overall deliverability of the proposed expenditure programme over the PQP28 regulatory period, without assessing each individual project (except when necessary to support the verifier's conclusions), and having regard to:

2.12.1.1 Watercare's historical expenditure delivery performance;

2.12.1.2 the overall scale, pace and complexity of the proposed programme;

2.12.1.3 organisational capability and capacity to deliver the programme;

2.12.1.4 the extent to which expenditure delivery is dependent on common programme-level assumptions, constraints or external factors; and

2.12.1.5 any material programme-level risks, including internal and external risks, that could affect the delivery of forecast expenditure during the PQP28 regulatory period;

2.12.2 evaluate the alignment between the opex and capex forecasts, and the assumptions underpinning those forecasts;

2.12.3 assess whether the expenditure proposal is sufficient to meet the proposed service quality measures, and identified statutory and regulatory duties and Treaty settlement obligations;

2.12.4 assess whether the expenditure forecasts are consistent with relevant strategic and asset management planning documents (including Watercare's Water Services Strategy, Strategic Asset Management Plan, Asset Management Plan and Infrastructure Delivery Plan);

2.12.5 assess the robustness of programme-level assumptions and risks, including:

2.12.5.1 whether key assumptions underpinning the expenditure forecasts are reasonable, consistently applied, and supported by evidence;

2.12.5.2 the treatment of uncertainty within the expenditure forecasts, including the use of contingency allowances and risk adjustments; and

2.12.5.3 whether material risks and dependencies have been appropriately identified and reflected in expenditure forecasts and delivery expectations;

2.12.6 assess the extent to which the IDAM Plan, including its annual reporting, and Efficiency Improvement Plan (or any other relevant improvement plans) have been reflected in the expenditure proposal, including:

2.12.6.1 whether expenditure forecasts appropriately reflect Watercare's current asset management capability and planned improvements;

2.12.6.2 whether funding for relevant initiatives has been included in the expenditure forecasts; and

2.12.6.3 the extent to which improvement initiatives are reflected in forecast expenditure and supporting assumptions;

2.12.7 assess the consistency of the forecast expenditure with stated growth and demand assumptions, including whether the scale and timing of the programme are broadly aligned with the growth and development assumptions set out in Watercare's PQP28 proposal;

2.12.8 assess programme and project management and governance arrangements, to the extent relevant to the delivery of the expenditure forecasts, including whether:

2.12.8.1 programme and project selection and sequencing are supported by clearly defined and consistently applied prioritisation approaches;

2.12.8.2 governance arrangements support effective oversight and decision-making for the delivery of forecast expenditure; and

2.12.8.3 processes for reprioritisation, substitution and change control are clearly defined and support transparency of material changes to the expenditure programme.

2.13 In carrying out the assessment in clause 2.11, the verifier should assess priority projects, taking account of the focus areas below. Consistent with clause 2.9.1, the verifier should determine the extent to which each focus area is relevant to its assessment of a priority project.

2.14 The focus areas are:

Strategic alignment

2.14.1 whether the priority project is clearly identified, justified, and consistent with, Watercare's strategic direction and planning framework, including, whether the priority project aligns with, and contributes to:

2.14.1.1 Watercare's strategic objectives, including those set out in:

(A) the Water Services Strategy;

(B) the Strategic Asset Management Plan; and

(C) any relevant shareholder expectations communicated by Auckland Council.

2.14.1.2 where applicable, Watercare's service quality measures;

2.14.1.3 Watercare's Asset Management Plan, and Investment and Delivery Plan, as required under information disclosure regulation;

2.14.1.4 Watercare's IDAM Plan and Efficiency Improvement Plan; and

2.14.1.5 identified statutory, environmental, and service-quality obligations;

2.14.2 where the verifier is unable to substantiate the linkage between a priority project and the matters set out in clause 2.14.1,—

2.14.2.1 the implications for the priority project's expenditure forecast confidence, timing, deliverability, and risk profile; and

2.14.2.2 any additional evidence or justification required to support inclusion of the priority project in the PQP28 proposal;

Risk management

2.14.3 whether, for the priority project, Watercare has:

2.14.3.1 appropriately identified and evaluated material risks relevant to the priority project, including delivery, consenting, procurement, dependency, and cost escalation risks;

2.14.3.2 incorporated reasonable contingency allowances and risk-adjusted cost assumptions having regard to the maturity of the priority project; and

2.14.3.3 demonstrated that project risks have been appropriately considered in expenditure forecasts, timing assumptions and delivery plans;

Growth, demand, and uncertainty

2.14.4 whether, for the priority project,—

2.14.4.1 there is a credible need for the priority project, supported by relevant growth and demand forecasts;

2.14.4.2 the proposed timing, scale and scope of the priority project are consistent with forecast growth and demand assumptions;

2.14.4.3 the priority project aligns with Auckland Council's Future Development Strategy and Watercare's servicing strategies or plans relating to growth and development, including whether the priority project supports the planned sequencing and servicing of growth areas; and

2.14.4.4 uncertainty and timing risks relating to growth and demand have been appropriately reflected in the timing, scale, scope, and expenditure assumptions of the priority project;

Renewals

2.14.5 in the case of a priority project with a renewals driver, including where the priority project forms part of, or represents a component of, a broader renewals programme, whether the proposed expenditure is reasonably supported by available asset condition, performance, criticality and risk information, including:

2.14.5.1 whether the priority project justification appropriately reflects the quality and limitations of available asset information;

2.14.5.2 assumptions used to support the priority project are reasonable given the available evidence; and

2.14.5.3 uncertainty arising from asset data limitations has been transparently identified and reflected in project costs, timing and/or risk assessments;

Priority project deliverability and readiness

2.14.6 whether, for the priority project,—

2.14.6.1 the delivery schedule for the priority project is realistic;

2.14.6.2 the priority project is sufficiently developed to proceed during the PQP28 regulatory period, having regard to design maturity, statutory approvals, procurement strategy and other critical dependencies;

2.14.6.3 key delivery risks have been appropriately identified and reflected in project costs, timing assumptions and delivery plans; and

2.14.6.4 programme-level dependencies, resource constraints, or external factors that are material to delivery of the priority project have been appropriately recognised;

Cost estimation, efficiency, and benchmarking

2.14.7 whether, for the priority project,—

2.14.7.1 the cost estimate for the priority project has been developed using methods appropriate to the maturity of the priority project;

2.14.7.2 the assumptions underpinning project costs, escalation and contingency allowances are reasonable, including whether the level of contingency and implied confidence in cost estimates is appropriate to the lifecycle phase, maturity and risk profile of the priority project;

2.14.7.3 project costs appear reasonable when compared to relevant benchmarks (where available), similar projects, or previous delivery experience; and

2.14.7.4 evidence has been provided that alternative options have been considered and that the preferred option represents an efficient whole-of-life cost outcome.

2.15 In carrying out the assessment in clause 2.11, the verifier should assess the following in relation to opex forecasts:

2.15.1 the robustness of the opex forecast;

2.15.2 the relationship between opex and capex;

2.15.3 material consequential opex arising from capex;

2.15.4 whether material opex categories are appropriately supported and justified;

2.15.5 the appropriateness of the base level of opex including the extent to which historical expenditure has been critically assessed, normalised where appropriate, and adjusted to reflect an efficient level of costs;

2.15.6 the extent to which forecast opex appropriately reflects expected efficiency improvements over time including those arising from Watercare's efficiency initiatives and plans;

2.15.7 whether there are material opportunities for further efficiency improvements in opex that have not been reflected in the forecast, having regard to available evidence, trends, and comparator information;

2.15.8 whether forecast opex appears reasonable when compared to relevant benchmarks, comparator organisations, or historical performance, where such information is available; and

2.15.9 whether key sources of uncertainty and variability in opex have been appropriately identified and reflected in the forecast, including where relevant factors such as weather, demand, input costs, and operational conditions (such as asset performance, network constraints, and service delivery requirements) may cause material variation over time.

Assessment of the service quality proposal

2.16 In assessing the service quality proposal, the verifier must assess the service quality measures Watercare proposes to use to measure service quality during the PQP28 regulatory period, including:

2.16.1 whether these are relevant to a complete range of key service attributes that are meaningful and important to consumers;

2.16.2 whether any change in measure or service level, if Watercare has previously reported on the service quality measure before, is explained and justified;

2.16.3 whether any previously reported service quality measure is not proposed to be measured, and if this is explained and justified;

2.16.4 whether the process by which Watercare determined its proposed service quality measures is appropriate including whether the methodologies, calculations and underlying data supporting the proposed service quality measure(s) reflect good water industry practice;

2.16.5 how Watercare's past service quality and historical performance have informed its decision making on its service quality proposal;

2.16.6 how Watercare's duties owed under other legislation, instruments and Treaty settlement obligations affect Watercare's service quality proposal; and

2.16.7 the extent to which the proposed service quality measure(s) reflect customers' preferences for performance in the supply of regulated services.

Content of draft and final verification reports

Draft verification report

2.17 Watercare will provide the verifier with the draft PQP28 proposal and any relevant additional information. The verifier will then carry out its assessment consistent with these terms of reference.

2.18 The verifier will provide a draft verification report to Watercare on 02 December 2026, to enable Watercare to consider and respond to the verifier's draft findings before finalising its PQP28 proposal.

2.19 The draft verification report must set out the Verifier's findings from its assessment under clause 2.6 and its opinions required under clause 2.8.

2.20 The verifier will provide the draft verification report to the Commission on 11 December 2026 to support its evaluation of the PQP28 proposal. The Commission may provide feedback to the verifier on the draft report, and engage with the verifier as necessary, to ensure the final verification report meets its requirements.

Final verification report

2.21 The verifier will provide Watercare with its final verification report for submission to the Commission with Watercare's final PQP28 proposal.

2.22 Watercare must submit its proposal to the Commission no later than 5pm, 31 May 2027.

2.23 The final verification report must include commentary on:

2.23.1 Watercare's stakeholder consultation in March 2027 and other developments, including any changes to the PQP28 proposal, since production of the draft verification report; and

2.23.2 any material changes in the report compared to the draft verification report.

2.24 The verifier's final report:

2.24.1 may include updates to take account of any responses or further information provided by Watercare;

2.24.2 must include updates to reflect any material changes Watercare has made to its PQP28 proposal; and

2.24.3 may include updates to take account of any feedback provided by the Commission.

Attachment A Relationship of PQP28 proposal verification to Charter

Purpose of this attachment

A.1 This attachment provides context for the verifier on the relationship between PQP28 verification and verification previously conducted under the Charter.

Context

A.2 The Charter required Watercare to produce and report progress on the IDAM Plan, and the Efficiency Improvement Plan.

A.3 Watercare and the Commission entered into a tripartite deed with an independent verifier to provide verification of the IDAM Plan. The Efficiency Improvement Plan was not independently verified.

A.4 Watercare is in Year 1 of the IDAM Plan improvements that are expected to be multi-year. Because Watercare is preparing its PQP28 proposal during Year 1 of the IDAM Plan, improvements are in progress and not expected to be fully implemented at this time.

Comparison between verification roles

A.5 The verifier for PQP28 should assume a different scope of work than the verifier for the IDAM Plan.

A.6 The primary focus of the IDAM Plan verification was on Watercare's asset management and delivery practices and its plans to improve these. This is a helpful input for the PQP28 verification but does not need to be duplicated because the IDAM Plan assessment is recent.

A.7 The verifier must not:

A.7.1 replicate the current state assessment of Watercare's asset management maturity;

A.7.2 provide an independent opinion on the adequacy, maturity, or completeness of IDAM Plan improvements, except to the extent necessary to assess Watercare's PQP28 proposal in accordance with these terms of reference; or

A.7.3 verify the adequacy, completeness, or effectiveness of changes made as a result of the Efficiency Improvement Plan.