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Feedback on approach to the cost of capital for Watercare PQP28

Kia ora

Tiaki Wai welcomes the opportunity to comment on the Commission's letter of 23 September 2026 on the approach to estimating the cost of debt for Watercare's price-quality path 2028 (PQP28). Although Tiaki Wai is not subject to PQP28, the Commission's approach to the cost of capital for water is relevant to us, as the Commission may need to settle a cost-of-capital methodology for Tiaki Wai at some point in the future.

We support a trailing-average cost of debt

We support the Commission's decision to adopt a trailing-average cost of debt (TACD). A trailing average reduces volatility in the cost of debt, the cost of capital and regulated revenue between price paths, and better reflects how regulated businesses manage debt over time. We consider it is the appropriate enduring basis for the water sector, consistent with the Commission's stated aim of a common approach across the sectors it regulates.

Adopt the enduring basis from the outset

Changing methodology after a regime is established creates transition consequences for both the regulated entity and consumers. We encourage the Commission to move directly to the enduring basis where it can, rather than setting an approach that is expected to change later.

For Tiaki Wai, we ask that any work on threshold regulation incorporates the Commission's latest cost-of-capital thinking, including the TACD, from the outset. Clarity on the enduring approach will also help Tiaki Wai consider how its debt structure aligns with the regulatory cost of capital, should price-quality regulation be introduced.

Watercare-specific arrangements

We leave the procedural and timing arrangements for Watercare's PQP28 to the Commission and Watercare.

Noting the Commission should, where possible, distinguish between settings that are specific to Watercare and principles that it expects may apply more broadly across the water sector.

There are benefits in maintaining consistency with cost-of-capital approaches used in other regulated sectors. However, this should be balanced against factors relevant to the water sector and, in Tiaki Wai's case, its specific circumstances. Tiaki Wai would welcome the opportunity to engage on those implementation decisions before they are relied on in any future regulatory settings for other water service providers.

Regards



Michael Brewster

Chief Executive

Tiaki Wai Limited