

UDINZ Submission on Commerce Commission Emerging Views paper on Watercare's first Price Quality Path

July 2026

UDINZ

creating urban communities together

UDINZ Submission on NZCC Emerging Views Paper on Watercare Price Quality Path

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About the Submitter

UDINZ is an incorporated society launched in the summer of 2019 as a cross-sectoral interdisciplinary Member association focusing on urban development issues.

UDINZ champions great urban development to create resilient, sustainable and healthy communities for all in Aotearoa New Zealand.

UDINZ currently has over 300 members members from across the development ecosystem . and we are continuing to build our membership. Our particular focus is on urban development issues including public realm and enabling infrastructure.

Our members include:

- Private developers (large and small, for-profit and for-purpose)
- Public developers (including central government agencies and local government development arms)
- Community and social housing providers
- Consultants (planners, engineers, architects, surveyors, lawyers, environmental specialists)
- Financiers and investors
- Suppliers and manufacturers
- Real estate professionals
- Local government and consenting authorities
- Iwi Māori organizations and Māori land entities

While UDINZ currently has only one iwi member, many of our members regularly partner with iwi or work for iwi organizations. This provides perspective on Māori engagement, Treaty settlement expectations, and the practical realities of partnership in development. We do not purport to speak on behalf of Māori, but value their input and perspective, particularly with reference to Te Taiao — a precious asset for all in Aotearoa New Zealand.

UDINZ has a national Board and has set up local chapters in Auckland, Wellington and Christchurch (with further chapters in development).

UDINZ was formed with the intention of bridging the gap between the public and private sectors and the various disciplines working in urban development so as to remove barriers to quality urban development. We do this by bringing insights and industry together for the benefit of people and communities.

The intention is to share knowledge, international best practice and new technologies and increase transparency across the system to reduce uncertainty for all that are part of development processes.

Around 86% of New Zealanders live in urban areas, but there is little consensus about what makes a "sense of place" in those communities. There are many contributing factors. UDINZ focuses on issues that its members broadly agree are relevant and compelling and in relation to which UDINZ can effect change. It aims to lead the development of an "NZ Inc" approach.

UDINZ:

- Defines and advocates for a new urban development paradigm for Aotearoa New Zealand;
- Provides an environment for the sector to work together including with central and local government agencies to build relationships and understanding that reduce uncertainty and increase consistency between policy jurisdictions, as well as aligning policy and implementation;
- Runs events that bring the sector together to showcase best practice and discuss issues;
- Facilitates collaboration around best practice-connecting and coordinating people working in urban development;
- Builds knowledge through provision of data, evidence-based research and domestic and international learning as well as case studies demonstrating different approaches and best practice; and
- Provides and supports talent development and training in areas particular to the advancement of good urban development.

Substantive comments

Introduction

The Urban Development Institute of New Zealand (UDINZ) welcomes the opportunity to comment on the Commerce Commission's Emerging Issues Paper relating to Watercare's Price Quality Path (PQP).

Water infrastructure is a critical enabler of housing and urban development. The effectiveness of the proposed regulatory framework hassignificant implications for housing supply, infrastructure delivery, affordability, and economic growth.

Decisions made through the Price-Quality Path will influence infrastructure growth charges, connection costs, development feasibility, and ultimately the availability and affordability of housing.

UDINZ generally supports the detailed technical matters raised in Water New Zealand's submission.

UDINZ does not seek to comment on detailed technical matters relating to Weighted Average Cost of Capital (WACC) methodologies, credit rating assumptions, financeability ratios, percentile determinations, or other specialist regulatory finance settings. These matters are appropriately addressed through the detailed technical submissions provided by sector specialists.

UDINZ's interest is in ensuring that the regulatory framework delivers efficient infrastructure investment, transparency, accountability, and growth-enabling outcomes that support housing supply and urban development.

Overarching position

UDINZ supports a regulatory framework that is financeable, transparent, predictable, and supportive of timely investment in infrastructure required to service growth.

The regulatory framework should enable water service providers to invest with confidence in future network capacity while allocating costs fairly, providing transparent information, and avoiding unnecessary regulatory complexity. Its success should ultimately be measured by whether it enables timely infrastructure and housing delivery.

Financeability and Growth Infrastructure Investment

UDINZ supports a financeable regulatory framework that enables Watercare and future water service providers to access sufficient capital to deliver growth infrastructure in a timely manner.

Water infrastructure investment often needs to occur ahead of demand to ensure capacity is available when development occurs. Regulatory settings should therefore support prudent investment in growth infrastructure and avoid creating incentives that delay expenditure on assets needed to service future housing and urban growth.

Under-investment or constrained financing can delay housing delivery, increase development costs, and create infrastructure bottlenecks. Maintaining provider financeability is therefore critical to supporting growth

Infrastructure Growth Charges and Cost Allocation

UDINZ supports transparent, equitable, and predictable approaches to Infrastructure Growth Charges (IGCs) and other growth-related funding mechanisms.

While growth should contribute fairly toward infrastructure required to support growth, charging frameworks should avoid imposing costs that are disproportionate to the benefits received or that unnecessarily affect development feasibility and housing affordability.

The Commission should ensure clear distinctions are maintained between expenditure required to support future growth and expenditure that primarily benefits existing customers through renewals, service improvements, resilience investments, or the remediation of historic under-investment.

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Substantive comments

UDINZ also supports greater transparency around the assumptions, forecasting methodologies, and risk allocation mechanisms that underpin Infrastructure Growth Charges.

Developers ultimately bear many growth-related charges and therefore have a strong interest in understanding how growth forecasts are developed, how forecasting risk is managed, addressing any under- or over-recovery of revenue over time.

Investment Certainty and Information Disclosure

Long-term investment decisions require long-term infrastructure certainty.

Development projects are frequently planned years in advance of housing delivery. Greater visibility of future infrastructure charges, investment programmes, funding requirements, and network capacity plans would improve feasibility assessments, support investment decisions, and assist with the sequencing of development.

UDINZ therefore supports regulatory settings that provide greater certainty regarding infrastructure investment programmes, Regulatory Asset Base methodologies, funding approaches, and broader regulatory processes.

UDINZ supports a robust information disclosure regime that provides accessible, comparable, and timely information on infrastructure planning, expenditure, pricing, network capacity, and investment priorities. Information disclosure should clearly identify growth-related expenditure, base capital expenditure, and the funding sources associated with each. This will improve transparency, assist developers to forecast infrastructure costs with greater certainty, and provide greater confidence that infrastructure costs are being recovered efficiently and equitably.

Regulatory Efficiency and Stakeholder Engagement

UDINZ supports proportionate regulation that promotes accountability and transparency without creating unnecessary duplication, compliance costs, or delays.

To support effective implementation of the Price-Quality Path framework, the Commission should undertake structured engagement with the development sector throughout the design and implementation phases. Developers are major users and funders of growth infrastructure and can provide valuable insights regarding market demand, development sequencing, infrastructure constraints, and implementation issues. Effective engagement will help identify unintended consequences and support more informed investment decisions.
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Development projects are commonly planned over five to ten-year horizons, requiring forward visibility of charging frameworks, investment programmes, service standards, and network capacity. Early engagement will improve regulatory outcomes and reduce the likelihood of unintended consequences

The Commission should also remain mindful of interactions between the Price-Quality Path framework and other infrastructure funding and financing mechanisms. Regulatory requirements should complement existing processes rather than duplicate them.

Contestability and Delivery Flexibility

UDINZ supports regulatory settings that facilitate efficient contestability arrangements and recognise the role developer-delivered infrastructure can play in accelerating growth.

Clear and consistent processes relating to approvals, design standards, asset vesting, and reimbursement mechanisms will improve efficiency, reduce delays, and support the timely delivery of development-ready land and housing.

The Commission should provide clear principles regarding the treatment of developer-provided infrastructure and vested assets within the regulated asset base, including blue-green infrastructure where appropriate. Certainty regarding valuation methodologies, depreciation treatment, vesting arrangements, and reimbursement mechanisms will support investment, improve contestability, and reduce delays in asset transfer processes

Substantive comments

Where developer-led delivery can achieve equivalent infrastructure outcomes more efficiently, the regulatory framework should support such approaches.

Implementation

UDINZ supports a staged approach to implementation, beginning with Watercare.

Applying the Price-Quality Path framework initially to New Zealand's largest water provider will enable the Commission to test methodologies relating to asset valuation, cost allocation, information disclosure, and revenue setting before extending the regime to other providers.

A staged approach will reduce implementation risk, provide valuable lessons for both the regulator and regulated entities, and help ensure that future applications of the framework are practical, efficient, and fit for purpose

Conclusion

UDINZ supports a financeable and transparent regulatory framework that enables timely investment in growth infrastructure while maintaining accountability for infrastructure costs.

In designing Watercare's first Price-Quality Path, the Commission should focus on five key outcomes:

- ensuring providers can finance growth infrastructure;
- allocating costs fairly between growth and existing customers;
- providing clear and predictable investment signals;
- improving transparency through information disclosure; and
- maintaining efficient regulatory processes and stakeholder engagement.

Well-designed regulation will support both sustainable water infrastructure and the delivery of the housing and urban development New Zealand requires.

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