# Watercare Services Limited

Submission to the Commerce Commission on

Estimating the Cost of debt for Watercare's Price-quality Path 2028

14 October 2026

PUBLIC



1. Thank you for the opportunity to provide feedback on the approach to estimating the cost of debt for the cost of capital for Watercare's first price-quality path (**PQP28**). This submission is public.

2. The Commerce Commission (**Commission**) is adopting trailing-average approach to the cost of debt (**TACD**) for sectors covered by Input Methodologies (**IMs**).[1] This decision has been made as part of the Common Cost of Capital Input Methodology Review. The Commission has indicated that a final decision reasons paper and determination will be issued in Q4 of 2026 and they will also be consulting on implementation decisions relating to the TACD for sectors covered by IMs.

3. As a result, the Commission is also seeking feedback on whether a TACD should apply to Watercare for PQP28, in particular it outlines two options:[2]

    3.1. Option 1 - Retain the prevailing-rate approach for PQP28, consistent with the Commission's Emerging Views approach, and adopt a TACD at the next reset.

    3.2. Option 2 - Adopt a TACD for PQP28, in which case we would likely finalise our proposal before the full details of a TACD implementation are known.

4. When and how a TACD should apply to Watercare is a significant and complex matter. The Commission's high-level decision to adopt a TACD for sectors covered by IMs does not provide sufficient information for us to recommend an approach for PQP28, as there are material implementation issues to resolve (for example, how transitional arrangements could work and how updates to the cost of debt would flow through to the price path).

5. Consistent with our emerging views submission,[3] we recommend that the Commission undertake targeted consultation on our PQP28 cost of capital, concurrent with the IM review process, with a plan to provide a draft cost of capital decision prior to October 2027. A targeted consultation would provide Watercare and other stakeholders with an appropriate opportunity to comment on all cost of capital parameters, including TACD design and implementation issues specific to Watercare and the water sector, while also providing the regulatory certainty needed to inform our debt management strategy for PQP28.

[1] Commerce Commission, Update on Common cost of capital IM review for Fibre and Part 4 sectors (23 September 2026).

[2] John Small, We seek feedback on the approach to estimating the cost of debt for the cost of capital for Watercare's price-quality path 2028, 23 September 2026.

[3] Watercare, Submission to the Commerce Commission on Price-Quality Path for Watercare – Emerging Views Paper (30 July 2026), at [74].