

# Submission on Economic Regulation for Tiaki Wai: Consultation on Additional Information Disclosure Requirements and Draft Determinations

Thank you for the opportunity to comment on the Commerce Commission's paper, Economic regulation for Tiaki Wai – Consultation on Additional Information Disclosure Requirements, and the draft Determinations. This is an individual submission and does not contain any confidential information.

## Overall position

I support the Commission's decision to impose additional and earlier disclosure requirements on Tiaki Wai. The consultation paper identifies a combination of risks to service delivery: Tiaki Wai will begin operating with weak asset information, immature asset management capability, significant deliverability risk, high inherited debt, and the prospect of substantial price increases for consumers. In that context, reliance on the Information Disclosure requirements as currently written would be unlikely to provide sufficient information, at the time it is needed, for interested persons to assess whether outcomes are consistent with the Part 4 purpose. It is also unlikely to provide sufficient incentives on Taiki Wai to improve performance.

The regime should make it easier for interested persons to identify when disclosed information points to persistent weaknesses in planning, delivery, or service outcomes that may justify stronger performance requirements or other interventions.

My main concern is that the proposed fault reporting is not yet sufficiently well targeted or well drafted to be useful to stakeholders. In several areas, the proposed disclosures are too narrow, too weakly assured, or too closely derived from earlier foundational reporting that was not intended to serve as Part 4 Information Disclosure. The final determination should therefore be changed so that it is more clearly directed allowing for the assessment against service outcomes demanded by customers.

A central issue is that some of the Tiaki Wai-specific proposals appear to carry forward elements of Wellington Water's foundational Information Disclosure reporting without sufficient analysis of whether those measures are appropriate for the purpose of Information Disclosure under Part 4. There is also evidence, such as the inclusion of definitions in the draft determination which are not used, that suggest a lack of robust development of the consultation material. Foundational disclosures may have been useful as an early transparency mechanism, but they were not designed to assess whether a new supplier is delivering outcomes consistent with those expected in

workably competitive markets. The final package should therefore avoid simply preserving reporting because it already exists. Each disclosure should be justified by reference to whether it helps interested persons assess efficiency, service quality, prioritisation, deliverability, and value for money.

There is also a broader design issue. Water Services economic regulation is still developing, with new entities, limited performance history, no Input Methodologies, and incomplete information on supplier capabilities and incentives. The Commission should therefore adopt a more rapid review and iterative approach than the current draft implies. In particular, it should build in earlier review points and clearer mechanisms for interested persons to identify where the disclosures are not proving sufficient in practice. That would be proportionate to the elevated residual risks the Commission has itself identified.

The Commission stated that has not considered introducing more comprehensive Information Disclosure in C.6.3

Wellington Water's submission on the enduring ID regime noted that it would struggle to meet some of the disclosure requirements. Introducing more comprehensive disclosures at this critical stage would risk diverting focus and resources away from Tiaki Wai's core transition activities and efforts to improve performance.

Suppliers aim to reduce regulatory burdens, so the Commission must evaluate the risk of diverting resources rather than just accept it. If this risk is real, it should be weighed against consumer benefits and possible mitigations before deciding not to deliver those benefits. Currently, decisions appear predetermined and justified without proper risk assessment in customers' interests.

## Asset management, expenditure planning, and improvement disclosures

I support the proposal to accelerate disclosure of the strategic asset management plan, investment and delivery plan, and related consumer-facing asset planning information. Earlier disclosure is necessary given Tiaki Wai's acknowledged starting point of immature asset management and investment decision-making, and the scale of expenditure that may be committed before the current transition period would otherwise end. The risk for consumers is not only delayed visibility. It is that weak assumptions and poor prioritisation become embedded early and are then treated as the baseline for future decisions.

For that reason, the Commission should consider requiring an earlier baseline asset management maturity and capability assessment than is currently proposed. The

present proposal requires the first assessment by 31 March 2027. There is a strong case for bringing that forward, where practicable, so that interested persons can see as early as possible which parts of the expenditure programme are being developed on weak information, immature systems, or limited capability. This would reduce the risk that poor-quality investment decisions are effectively locked in before the disclosure regime becomes fully informative.

The case for stronger early disclosure is reinforced by recent reporting of shareholders views.

Forecast expenditure and business cases are reported by the Mayor of Wellington as not being believed by Taiki Wai itself [Half a billion dollar price-tag for Wellington water meter roll-out not 'credible' - mayor | RNZ News](#) . Also noted by a Wellington City Councillor "When officers were asked whether the underlying assumptions had been continuously tested, the response was revealing: doing so could risk meeting the legislative deadline of 1 July under the Water Services Delivery Agreement. No mention was made of the risks being imposed on ratepayers." <https://wellington.scoop.co.nz/?p=180360>

Where material expenditure assumptions are open to that level of challenge, the Commission should place greater weight on early disclosure, stronger assurance, and clearer explanation of uncertainty.

The maturity and capability assessment should also be broader in scope than a technical review of systems, plans, and data architecture. Good asset management depends on people, competence, governance, incentives, and business-wide adoption of asset management disciplines. The assessment should therefore address whether Taiki Wai is improving the asset management system as a whole, rather than merely progressing individual components that are necessary but not sufficient for sound expenditure planning and delivery.

The proposed quarterly progress reporting against the asset management improvement plan is sensible in principle, but the current form of self-assessment is too vulnerable to optimistic reporting. Taiki Wai has also noted itself that its asset management fundamentals are immature (Section 6.2 of the Draft Water Services Strategy) and this raises questions of its ability to accurately self-assess performance. If the final determination retains a self-assessment rating, it should require fuller disclosure of the basis for that rating, including who undertook the assessment, what evidence was relied on, what changed since the previous quarter, and how progress has been evaluated against outcomes rather than simply against completed actions. There is also a case for requiring Taiki Wai to explain how it has sought and considered feedback from interested persons on the improvement plan and subsequent progress reporting.

## The use of independent verification in Information Disclosure

The use of independent verification is supported, but its role should be framed more carefully. In other Part 4 contexts, independent verification has only been applied where the Commission is the only decision-maker under regulation. Here, however, the verified material is also intended to support assessment by interested persons more generally. That broader purpose has implications for transparency and the involvement of interested persons in the verification process. At minimum, the Commission should require full publication of verification reports and not simply a summary, clearer scoping of the verifier's task with input from interested persons, and greater visibility of how the verifier's work has influenced the final plans, and improvement choices.

There is also a strong case for extending participation beyond bilateral engagement between Tiaki Wai and the Commission. Where Tiaki Wai is required to provide draft plans, templates, or verification material to the Commission for feedback, the Commission should ensure interested persons have access to those drafts, together with an opportunity to comment. If Information Disclosure is intended to empower interested persons, the process for shaping that disclosure should not be closed to them.

## Fault and service performance disclosures

The proposed fault metrics are not sufficient to meet the purpose of Information Disclosure under section 53A. They risk being treated as a narrow proxy for service quality in ID when they cover only a subset of the service outcomes consumers care about. Water service quality involves more than visible or customer-reported pipe faults. They also involve treatment performance, network resilience, overflows, continuity of service, service restrictions, service quality impacts, and the consequences of asset failures across the wider system.

If the Commission retains a fault-based reporting approach, it should redesign the entire section it matches water services as defined and allows interested persons a full assessment of service delivery under Part 4. Alternatively, Taiki Wai should be required to provide its fault data, explain how its reporting system supports the assessment of the Part 4 purpose being met, and any improvements needed.

In particular, the draft definition of "fault" appears both too narrow and inappropriately constrained. The exclusions for treated effluent pipes, raw water pipes, and pipes within treatment plants may omit failures that are highly material to service outcomes and consumer interests. Likewise, the concepts of "fault received", "fault resolved", and "urgent fault" are not yet well enough framed to provide meaningful and consistent information over time. A regime focused mainly on notifications received from

customers may fail to capture issues identified through inspections, telemetry, monitoring, or internal operational processes.

The location and threshold design of the proposed fault reporting should also be reconsidered. Reporting by shareholding council is not useful for consumers, particularly given the interconnected nature of the network and the presence of Greater Wellington Regional Council as a shareholder covering all city council areas. This appears to be a copy/paste without any supporting analysis. Geographic reporting should instead be designed around consumer-relevant service areas e.g. suburbs. Council specific information should be requested through the governance and reporting mechanisms developed, not shoehorned in Information Disclosure. In addition, the draft provisions that count the number of faults exceeding specified median response thresholds risk operating as de facto performance standards within an Information Disclosure determination. A better approach would be to require publication of actual results, reporting against agreed targets with customers (which can change) or set under a separation Determination, and explanatory context of results.

The same discipline should apply to operations reports and dashboards. If these are to be part of the Information Disclosure regime and not reporting to shareholders, they should do more than support public understanding in a general sense. They should be demonstrably useful for assessing whether the Part 4 purpose is being met. If that cannot be established, there is a case for relocating some of this reporting into any future performance regulation rather than treating it as core Information Disclosure. Similarly, where reporting is included for Information Disclosure purposes, the Commission should consider whether consistent certification requirements should apply.

## Specific drafting and design issues in the draft determinations

The draft economic regulation determination states that non-financial items must be measured and disclosed in accordance with standard industry practice unless otherwise required. That drafting is too open-ended for an Information Disclosure regime whose usefulness depends on consistency and comparability over time. The final determination should require Tiaki Wai to explain any material methodologies, assumptions, classifications, or interpretive choices applied in measuring non-financial information, and to disclose any changes to those approaches from one period to the next. Without that discipline, “standard industry practice” may permit variability that undermines the value of disclosure for interested persons.

There are also drafting choices in the amendment determination that would benefit from reconsideration. The requirement to break down certain operating expenditure by shareholding council may not reflect how costs arise or how an interconnected network

is operated, and may produce arbitrary allocations of limited value to interested persons. Similarly, the exclusions used in defining wastewater network length and water supply network length should be justified more clearly if they are retained. Excluding parts of the system from these network measures will reduce the usefulness of the disclosures unless the Commission can show that the excluded assets are genuinely immaterial to customers service delivery.

The proposed timing of some disclosures should also be revisited. In particular, the delayed timing of the first annual delivery report increases the risk that interested persons will rely for too long on forecasts and transitional reporting that may not yet be well grounded. Where the Commission considers delay unavoidable, it should compensate by requiring stronger interim reporting, clearer variance analysis, and fuller explanation of the implications of under delivery, reprioritisation, or changed assumptions.

Finally, the draft amendment determination should more clearly support regular feedback and transparency around verification outputs. There is a reasonable case for annual maturity assessments during the early period if material risks remain high, rather than only every two years, and for publication of full verification reports rather than summaries where those reports are being relied on to support assessment by interested persons. That would better align the disclosure framework with the seriousness of the transition risks the Commission has identified.

## Conclusion and recommendations

In summary, the Commission is right to conclude that Tiaki Wai warrants additional and earlier disclosure requirements beyond the enduring baseline. However, the final package should be strengthened before it is finalised. In particular, the Commission should: ensure that each disclosure is clearly linked to the purpose of Information Disclosure under Part 4; strengthen early asset management and expenditure credibility disclosures; broaden and improve the treatment of service and fault information; require greater transparency and input from interested persons around independent verification; provide more meaningful opportunities for interested persons to inform draft disclosures and improvement reporting; reconsider whether shareholding-council breakdowns are the right reporting unit; and adopt earlier review points so the regime can be adjusted if the disclosures do not prove sufficient in practice.