

Submission on the Commerce Commission Draft Resilience Principles: Decision-Making Framework for Critical Infrastructure Providers

Hastings District Council Submission

Ref: EXT-4-26-50

Hastings District Council welcomes the opportunity to comment on the Commerce Commission's Draft ***Resilience Principles: Decision-Making Framework for Critical Infrastructure Providers***.¹

Overall, Council strongly supports the evidenced and risk based intent and direction of the proposed framework and has recommendations for enhancing the proposed principles relating to evaluation of impacts. We consider the guidance to be a positive and important step towards improving the consistency, transparency and quality of resilience investment decision-making across New Zealand's infrastructure sectors.

The draft principles relating to understanding the risk and broader view of resilience align closely with the direction already being pursued through Hastings District Council's asset management, climate adaptation, risk management and long-term infrastructure planning frameworks. In particular, the proposed focus on evidence-based decision-making, risk-informed investment, service outcomes, governance oversight, criticality, and long-term resilience is consistent with Council's current Strategic Asset Management Plan (SAMP), activity management planning processes, climate adaptation work programme, natural hazard guidance, and enterprise risk management framework. However, the proposed principles for evaluating the impacts, particularly; distribution impacts, risk tolerance and risk-bearing capacity and asset criticality, may have unintended consequences and further discussion and development is considered necessary.

Council's experience, particularly following Cyclone Gabrielle, has reinforced the importance of viewing resilience as a whole-of-system capability rather than simply an exercise in asset hardening. While physical infrastructure remains important, resilience also depends on organisational capability, emergency response capacity, decision-making frameworks, data quality, operational readiness, community preparedness, interagency coordination and

¹ <https://www.comcom.govt.nz/regulated-industries/projects/resilience-principles-for-investment-decision-making/>

governance oversight. We are therefore encouraged to see the Commission adopting a broader resilience lens that extends beyond individual assets.

General Observations

Hastings District Council supports the Commission's view that resilience investment should be driven by service outcomes rather than asset outcomes alone.

Council's asset management approach increasingly focuses on maintaining and improving outcomes for communities, businesses and the environment through the delivery of reliable services. Infrastructure assets are important, but they are ultimately the means through which services are delivered. Decisions therefore need to consider service continuity, consequence of failure, community impacts and recovery capability alongside traditional engineering and asset condition considerations. While including community impacts is considered important, the significance currently placed on socio-economic vulnerability and risk capacity of the community may cause unintended consequences. It is important that the purpose for including these elements in the evaluation is clearly understood. For example; is this intended to allow the operator some flexibility to deviate from a prescribed performance standard based on the community's view of what they can withstand, or is it to consider additional resilience beyond a minimum service level. At present, the open nature of the community engagement and input may mask service vulnerability that should be addressed despite the cost to or the socio-economic status of the community.

We also strongly support the Commission's emphasis on risk-based and consequence-led decision-making. HDC's climate scenario and natural hazard guidance similarly promotes decision-making based on asset criticality, consequence of failure, service importance, design life, exposure and uncertainty, rather than applying a single standard response across all infrastructure investments.

Importantly, we agree that resilience investment decisions must recognise the realities of affordability. Communities ultimately fund resilience investment, and infrastructure providers are required to balance resilience outcomes alongside affordability, levels of service, growth pressures, regulatory obligations and intergenerational equity. Not every risk can be eliminated, nor would it be efficient or affordable to do so. The challenge is ensuring that risks are transparently understood, well communicated and deliberately managed.

Areas of Strong Alignment

Council particularly supports the following elements of the draft framework:

Service outcomes and service impacts

The focus on maintaining and restoring essential services during and following disruption is consistent with HDC's strategic direction and asset management philosophy. Asset

investments should be assessed primarily on the basis of the services and outcomes they enable.

Evidence-based decision-making

Council supports the expectation that resilience investments should be supported by clear evidence, risk assessments, criticality assessments and transparent decision-making processes. The development of robust strategic asset management planning and investment prioritisation frameworks is critical to achieving this outcome.

Governance oversight

Council supports the Commission's focus on governance accountability. Elected members, boards and executive leadership teams need sufficient visibility of infrastructure risks, resilience trade-offs and investment decisions to make informed long-term decisions on behalf of communities.

Interdependencies

Recent events have highlighted the degree to which infrastructure networks rely on one another. Water, transport, telecommunications, power, emergency management and community services are highly interconnected. The Commission's recognition of infrastructure interdependencies is both appropriate and necessary.

Recommendations for Strengthening the Framework

While Council supports the framework overall, we believe there are several areas where the final guidance could be strengthened.

1. Greater application of adaptive pathways and uncertainty

Infrastructure providers are increasingly making decisions under conditions of significant uncertainty, particularly in relation to climate change, natural hazards, technology and future growth patterns.

The framework would benefit from stronger recognition of adaptive pathways planning, trigger-based investment approaches and staged decision-making. In many circumstances the optimal decision may not be a single large investment today, but rather a pathway of smaller investments combined with monitoring, review points and future decision triggers.

HDC's climate adaptation and natural hazard guidance already adopts this philosophy, recognising that decisions should remain flexible where future conditions remain uncertain

2. Resilience should extend beyond physical assets

The draft guidance acknowledges the importance of broader organisational resilience, however Council believes this could be further clarified.

Our experience from Cyclone Gabrielle demonstrated that resilience outcomes were often influenced by factors such as:

- Emergency response capability;
- Asset information quality;
- Monitoring and intelligence systems;
- Procurement and supply chain resilience;
- Contractor availability;
- Governance effectiveness;
- Staff capability and capacity; and
- Community preparedness.

The framework should continue to reinforce that resilience investment is not limited to capital projects. Operational, organisational and community-based interventions can often deliver significant resilience benefits. The driver for the level of service needs further refinement. In particular, the proposed principles for evaluating impacts that providers would be expected to apply may have significant unexpected consequences. Placing too great an emphasis on socio-economic vulnerability of a community and expecting communities to contribute to setting a service level is likely to have unintended consequences. Specifically, communities considered to have a low level of inherent resilience and lower socio-economic status would imply that an increased level of infrastructure criticality is needed. However, that community is also less likely to be able to afford additional resilience so equitable funding would become an issue. There is also no relationship to prescribed or legal minimum standards that an infrastructure provider should be meeting. It would be clearer if the principles are used as the basis for achieving a higher level of service than legally prescribed by the relevant legislation. At present, it would appear the principles also allow a lower level of service which may be unintended.

3. Stronger treatment of affordability and intergenerational equity

Council encourages the Commission to place greater emphasis on affordability and intergenerational considerations. To facilitate this clarity is needed on the areas of discretion where resilience decisions can be made as mentioned under item 2 above.

Resilience investment decisions should not focus solely on reducing current risk. They should also consider:

- Customer affordability;

- Community willingness and ability to pay;
- Long-term lifecycle costs;
- Future generations;
- Residual risk; and
- The consequence of delaying investment.

A resilience framework that does not explicitly address affordability risks becoming difficult to implement in practice, particularly for local government and future water services organisations.

4. Clarify expectations around criticality

Council supports the use of criticality in resilience decision-making. However, we recommend that the framework clearly recognises that criticality should reflect service consequences rather than simply asset characteristics and better balance the risk appetite consideration. It may be a better approach to consider whether the community has appetite for variation from a baseline level of service, than to leave the consideration open to community who do not necessarily understand the implications.

Criticality assessments should consider:

- Public health impacts;
- Community disruption;
- Economic impacts;
- Environmental consequences;
- Emergency response implications;
- Vulnerable communities;
- Infrastructure dependencies; and
- Recovery complexity.

This approach would better align resilience investment with community outcomes.

The need to engage and consult community on the level of service delivery is useful, but should also not be approached in isolation by each provider. If this is considered an important consideration, then to achieve a whole of system approach infrastructure providers should be expected to engage with other providers at the time of their community engagement. In particular, it should be essential for a provider to work with the local Territorial Authority so local community connections and knowledge can be leveraged to improve the quality of the community consultation.

5. Encourage proactive rather than reactive investment

A common challenge across the infrastructure sector is that known risks are often documented within asset management plans, hazard assessments and risk registers for many years before receiving investment attention.

Following a major event, those same risks often become immediate funding priorities.

Council encourages the Commission to strengthen guidance around proactive identification, communication and management of known risks before an adverse event occurs. This would support more efficient long-term investment outcomes and reduce reliance on post-event responses.

Closing Comments

Hastings District Council supports the development of a nationally consistent resilience decision-making framework and considers the draft guidance to be a significant step forward for New Zealand's infrastructure sector.

The proposed principles align strongly with Council's strategic direction, including our asset management philosophy, climate adaptation planning, natural hazard work, risk management framework and long-term infrastructure investment planning.

In our experience, successful resilience practice requires balancing service outcomes, affordability, risk, uncertainty and community expectations within a clear governance and decision-making framework. Resilience is ultimately not about protecting every asset from every risk. It is about enabling communities to withstand, respond to, recover from and adapt to disruption while continuing to receive essential services.

We encourage the Commission to continue refining the framework with particular emphasis on adaptive pathways, affordability, organisational resilience, criticality based on service consequences, and proactive management of known risks. However, the principles for evaluating impacts are seen to need further discussion and refinement to avoid unintended consequences for providers and communities.

Hastings District Council appreciates the opportunity to provide feedback and looks forward to the continued evolution of resilience regulation and guidance across New Zealand's critical infrastructure sectors.