

Owning the change

The Commerce Commission's Role in Local Government (Dr John Small - Chair, Commerce Commission)

Speech to LGNZ All of Local Government Meeting on 26 February 2026 at the HuiHui Banquet Hall, Parliament, Wellington.

(Note - This is the text of the speech as drafted and may differ from the delivered version)

Tēnā koutou katoa and thank you for the opportunity to speak with you today.

I'm here today outline the Commerce Commission's growing role in local government – through economic regulation of water and development levies regulation.

I'd like to take the opportunity to explain how the regulation tool - in water - information disclosure works – specifically how it empowers councillors and customers to hold water entities accountable.

We've also been asked to regulate development levies by the Government, so I can offer some early thoughts on how we might approach those.

But mostly I want to understand what you're thinking and hear what you may need from us.

I'm only going to speak for a short time as I really want to spend more time in taking questions.

Some background – first- our mandate is broad and spans competition, consumer protection, and regulation - and is set to become broader still

Our newer mandates are economic regulation for water services and oversight of development contributions / levies.

In water - we've been operating for the last year with transitional regimes in place for some water providers.

We've now formally started the full economic regulation regime for water services – just this week.

This includes setting mandatory information disclosure to:

- Promote efficient investment in water infrastructure.
- Ensure transparency for consumers and communities.
- Support long-term outcomes for consumers — transparent pricing, reliable supply, and sustainable service delivery.

Alongside that, we are establishing Watercare's first price path under the Commerce Act and considering additional regulation for Tiaki Wai.

So, in terms of how it works - for the first time regulated water providers MUST publish information about their performance that is relevant to economic regulation.

This focuses on financial information, prices and asset management.

Once suppliers publish their information, we to analyse it and publish insights.

Our analysis helps make performance easier to compare over time between regulated suppliers, to highlight what is working well, and to identify areas needing improvement.

The power of information disclosure works by shining a light.

Stakeholder can get an understanding - at a deeper level – and hold providers to account.

There are some interesting parallels for electricity distribution regulation.

In the 1980s, local power was run by 61 electricity supply authorities. Monopoly organisations, focused on local elections rather than commercial performance. There was little competition, resources were used inefficiently and sent unclear or inconsistent price signals.

Then Part 4 of the Commerce Act was introduced modern economic regulation for electricity lines companies, and we became responsible for:

- Price-quality regulation for non-consumer-owned electricity distribution businesses (EDBs).
- Information disclosure rules for all EDBs.

Since 2012 we've reviewed and updated the input methodologies and information disclosure responding to big shifts in the sector. Keeping regulation forward-looking – focused on the long-term benefits for consumers.

So, water services, like electricity distribution, can and will see the benefits of information disclosure

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But it all depends on information.

Water people tell me information is the biggest challenge. Wellington Water just recently highlighted their low level of confidence in their own data.

It's about uplifting that data and the confidence in information. Creating the comparability and comparison between organisations.

If you think about the saying "*you can't manage what you can't measure*" that's what we mean, and it is totally applicable here.

Our intent is not to burden councils or new water organisations unnecessarily.

But (it is) to improve sector-wide visibility on performance and ensure investment decisions meet the needs of current and future consumers.

Moving to our role in development levies – and I realise there is a fair amount of angst in the sector about the other area of our involvement.

The Government signalled an in principle decision to appoint the Commission as the regulator for development levies charged by councils.

Our future role here will focus on ensuring levies are:

- Transparent,
- Fair, and
- Supporting the long-term value delivered to communities

I believe it's about simplifying the complexity.

I see two parts to this.

- Helping people make good decisions – I believe we can address this with detailed guidance.
- And troubleshooting – when this are not going to plan.

We recognise concerns around affordability and will focus on transparency, predictability, and clarity in how levies are determined.

Like we've done with water services - we will work closely with all councils to establish clear, workable processes before any regulatory obligations take effect.

These are the first steps.

We need to figure out what's going on, benchmark performance, and let everyone see how they compare.

Then with regards to water, we have other tools in the Act that we can switch on if we need them - price controls, quality standards, and so on.

Guidance will be crucial because many entities aren't used to economic regulation.

It's important to remember - we're learning as we go and know that you are too.

To wrap up – my three key messages:

- Economic regulation of water will strengthen the long-term management of these assets for communities and enable us to hold providers to account.
- In any regulation of councils' development levies, we will focus on aligning with these with communities' infrastructure needs
- We want to work with you to make sure communities are better off. This isn't something we want to dictate, rather collaborate

I hope you see this as the start of the conversation, so if you have any questions or concerns, please ask away, now or later.

Ngā mihi
Thank you.
