

# Information Disclosure for Water Services

## Draft Decision Summary



# Glossary

## Kupu taka

Term/Abbreviation	Definition
<b>Accountability documents</b>	Means a water services strategy, water services annual budget and water services annual report required under Subpart 1 and Subpart 2 of Part 4 of the LGWS Act
<b>AMP</b>	Asset management plan
<b>ADR</b>	Annual delivery report
<b>Capex</b>	Capital expenditure
<b>CCO</b>	Council-controlled organisation
<b>Commerce Act</b>	Commerce Act 1986
<b>Commission</b>	Commerce Commission
<b>Commission-only disclosure</b>	Refers to information that regulated suppliers would be required to disclose to the Commission only and are not required to publicly disclose
<b>Consumer</b>	Means a person who consumes, uses, is provided with, or benefits from the provision of a water service and includes a person who is liable to pay a serviceability charge under section 88 of the LGWS Act, as defined under Schedule 7, clause 2(1) of the Commerce Act
<b>Customer</b>	Means the person that is liable to pay for charges relating to the supply of water services
<b>DIA</b>	Department of Internal Affairs
<b>Director</b>	Means a person who, in the case of a company, is a director of that company; in the case of a local authority, a member of its governing body; and in the case of any other body, a person who occupies a position in the body that is comparable with that of a director of a company
<b>Draft Determination</b>	Means the Draft Water Information Disclosure Determination 2026, a draft of the document the Commerce Commission would publish as secondary legislation which (among other things) sets out the information that regulated suppliers must disclose to the public and the Commission
<b>Economic regulation</b>	Refers to a way of influencing the performance of suppliers in certain sectors (such as the water sector) which are important to people's lives, and where issues such as market power (including monopolies) may otherwise lead to outcomes that do not reflect the long-term interests of consumers, including in relation to the price and quality of products and services supplied
<b>Enduring ID</b>	Means a longer-term form of information disclosure under Part 4 of the Commerce Act
<b>Foundational ID</b>	Means an early form of information disclosure under the WSPA Act
<b>GAAP</b>	Generally Accepted Accounting Practice in New Zealand
<b>ID</b>	Information disclosure

<b>IDP</b>	Investment and delivery plan
<b>IFF</b>	Infrastructure Funding and Financing in relation to the Infrastructure Funding and Financing Act 2020
<b>Infrastructure Commission</b>	Means the New Zealand Infrastructure Commission/Te Waihanga established under the New Zealand Infrastructure Commission/Te Waihanga Act 2019
<b>In-house council model</b>	Refers to an organisational model where a territorial authority has responsibility for providing water services in its district
<b>ISO</b>	International Organization for Standardization
<b>LGFA</b>	Local Government Funding Agency
<b>LGWS Act</b>	Local Government (Water Services) Act 2025
<b>Local government water service supplier</b>	Has the meaning as in Schedule 7, clause 2(1) of the Commerce Act
<b>Local Water Done Well</b>	The Government's reform programme for the water sector
<b>Network</b>	Means the infrastructure and processes used to provide the regulated services
<b>OAG</b>	Office of the Auditor-General
<b>Opex</b>	Operating expenditure
<b>Regulatory requirement</b>	Has the meaning as in section 4 of the LGWS Act
<b>Regulated services</b>	Water supply and wastewater services that our proposed ID requirements would apply to, consistent with section 57D of the Commerce Act
<b>Regulated suppliers</b>	Organisations that our proposed ID requirements would apply to, consistent with section 57D of the Commerce Act
<b>SAMP</b>	Strategic asset management plan
<b>Split decision-making model</b>	Means an arrangement for providing water services where a local government water service supplier makes one or more, but not all, decisions about capital and operating expenditure on a regulated water service or the level of charges or revenue recovery for a regulated water service, as defined under Schedule 7, clause 2(1) of the Commerce Act
<b>Territorial authority</b>	Has the meaning as in section 4 of the LGWS Act
<b>Transfer agreement</b>	Has the meaning as in section 4 of the LGWS Act
<b>Treaty settlement obligations</b>	Has the meaning as in section 4 of the LGWS Act
<b>Watercare</b>	Means Watercare Services Limited established under the Local Government Act 2002
<b>Water organisation</b>	Means a water organisation established under section 44 of the LGWS Act and includes for that purpose a council-controlled organisation
<b>Water services</b>	Services provided to consumers by water service providers including drinking water, stormwater and wastewater services as defined under section 4 of the LGWS Act
<b>Water services annual budget</b>	Has the meaning as in section 220 of the LGWS Act

<b>Water services annual report</b>	Has the meaning as in section 220 of the LGWS Act
<b>Water Services Authority—Taumata Arowai</b>	Means the Water Services Authority—Taumata Arowai, established under the Water Services Authority—Taumata Arowai Act 2020
<b>Water services delivery plans</b>	Means the water services delivery plans required to be prepared by territorial authorities under section 8 of the WSPA Act and Subpart 5 of Part 2 of the LGWS Act
<b>Water services strategy</b>	Has the meaning as in section 220 of the LGWS Act
<b>WSPA Act</b>	Local Government (Water Services Preliminary Arrangements) Act 2024

## Associated documents

Publication date	Reference	Title
12 February 2025	ISBN 978-1-99-133225-7	<a href="#">Economic Regulation of Water Services – Information Disclosure – Discussion Paper</a>
12 February 2025	ISBN 978-1-99-133228-8	<a href="#">Economic Regulation of Water Services – Information Disclosure – Technical Working Paper on the Accounting Basis for Regulatory Reporting</a>
28 May 2025	ISBN 978-1-99-133251-6	<a href="#">Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses</a>
12 August 2025	ISBN 978-1-99-133286-8	<a href="#">Wellington Water Foundational Information Disclosure – Final Decision</a>
12 August 2025	ISSN: 1178-2560	<a href="#">Wellington Water Foundational Information Disclosure Determination 2025</a>
10 September 2025		<a href="#">Introducing Economic Regulation and Consumer Protection for Water Services in Aotearoa New Zealand</a>
11 September 2025	ISBN 978-1-99-133299-8	<a href="#">Information Disclosure for Water Services - Draft Regulatory Framework Paper</a>
11 September 2025	ISBN 978-1-991414-00-7	<a href="#">Draft Water Services Information Disclosure Determination 2026</a>
11 September 2025	ISBN 978-1-99-133297-4	<a href="#">Information Disclosure for Water Services - Explanatory Paper: Supporting Information for Draft Information Disclosure Decisions</a>

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## Foreword

### Wāhinga kōrero

Tēnā koutou katoa,

We're pleased to share our draft decision package for information disclosure for the water sector. This marks a significant milestone in the establishment of economic regulation and will provide additional transparency of council and water organisations' water supply and wastewater service delivery.

#### ***Our role and why information disclosure matters***

The water sector is transforming, and we recognise the significant mahi of councils and water organisations to meet multiple statutory deadlines and regulatory requirements.

The Commerce Commission is the economic regulator for water services and information disclosure is currently our main tool. It requires regulated suppliers (councils and water organisations) to publish key performance information, creating transparency (and enabling both stakeholders and the Commission to analyse trends and compare performance) and incentivising better outcomes for consumers.

#### ***A proportionate, staged approach***

We are proposing a staged approach to introducing information disclosure requirements, starting with a focus on information that will enable a greater understanding of investment and asset management, financial sustainability and ring-fencing.

While we do not directly regulate affordability, the cost to consumers is closely linked to how efficiently and effectively services are delivered. Greater efficiency and better performance can lead to more affordable outcomes over time.

We want to keep the approach proportionate and practical, knowing that compliance costs ultimately fall to consumers. Your feedback is essential to help us strike the right balance.

#### ***We will provide support***

We know our proposed information disclosure requirements may feel challenging for some regulated suppliers. We're committed to supporting you through this process by providing guidance and encouraging collaboration to build capability across the sector. We welcome further ideas on how this transition can be eased, and we will be working closely with the Water Services Authority—Taumata Arowai and the Department of Internal Affairs to foster collaboration and develop a shared understanding of the water sector.



***We want to hear from you, your voice matters***

Your feedback is vital. It helps us understand different perspectives and make well-informed decisions. Thank you in advance for sharing your views—we look forward to continuing this important kōrero with you.

Ngā mihi nui

Dr John Small

Chair

# Chapter 1 Introduction

## Kupu whakataki

### Purpose of this paper

#### Te pūtake o tēnei pepa

- 1.1 Water services are essential to our everyday lives. This paper explains how the Commerce Commission (the **Commission**) plans to improve transparency in how water services are managed and delivered across Aotearoa New Zealand.
- 1.2 We are proposing a set of rules that would require regulated suppliers of water services (**regulated suppliers**) to regularly share key information about their performance (starting in 2026). This is called information disclosure (**ID**), and our rules are 'ID requirements'. The disclosure of information helps stakeholders ensure that regulated suppliers are acting in the best interests of their consumers, both now, and in the future.
- 1.3 We are sharing our draft decisions on our proposed ID requirements now so that anyone who is interested can have a say before we finalise our decisions. This paper summarises our proposed ID requirements and the reasons why we propose these, including how we applied our decision-making framework.

### This paper is part of a package of documents

#### He wāhanga tēnei pepa nō tētahi mōki tuhinga

- 1.4 This paper is one part of a larger package that also includes the following documents:
  - > **Draft Regulatory Framework Paper**—outlines the legal basis for our decisions and our decision-making framework for ID of water services. This is an enduring document that, once finalised, we will apply to all decisions on ID for water services.
  - > **Draft Determination**—a draft of the legal document that will set out the final ID requirements that will apply to all regulated suppliers of regulated services. Attachment A describes how to read the Draft Determination.
  - > **Explanatory Paper: Supporting Information for Draft Information Disclosure Decisions**—provides additional explanations for some of our proposed ID requirements, focusing on areas where we consider additional information, clarification or feedback would be helpful. Includes specific questions we want stakeholder feedback on.

- 1.5 We also previously published a Summary of Responses showing what we heard from earlier public feedback on our ID Discussion Paper.<sup>1</sup> We have considered this feedback, where relevant, in our draft decision on our proposed ID requirements.

## How to have your say

### Te ara kōrero mai māu

- 1.6 We want your feedback on our proposed ID requirements set out in the Draft Determination. This will inform our decision on the ID requirements we include in our final determination.
- 1.7 Our aim is to ensure that our approach is proportionate and directed at the areas that matter most, recognising that the costs of meeting these requirements will ultimately be passed on to consumers.
- 1.8 We are building a picture of the water sector. We know the models for delivering water services are changing and that regulated suppliers vary significantly in size, structure, capability and the risks they manage. Your input will help us to make our initial ID requirements practical and effective.

### We have grouped our proposed ID requirements to support targeted feedback

- 1.9 To make more targeted feedback easier, we have grouped our proposed ID requirements into two categories in the Draft Determination:
- > **Basic disclosures**—information that we think is essential to support a basic understanding of our initial focus areas (asset management, financial sustainability and ring-fencing), and to identify issues that may need further scrutiny.
  - > **Additional disclosures** (shaded grey)—information that would provide deeper insight. We will consider not including these in our first set of ID requirements (and potentially introducing them later as sector capability improves), only applying them to certain regulated suppliers where needed, or giving all or some regulated suppliers more time to comply (eg, a delayed start). We are interested in your views on these options.
- 1.10 Attachment B outlines which ID requirements are basic disclosures vs additional disclosures.

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<sup>1</sup> Commerce Commission “Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses” (28 May 2025); and Commerce Commission “Economic Regulation of Water Services – Information Disclosure – Paper” (12 February 2025). You can access both of these documents [here](#).

## **We have identified other key areas for your input**

- 1.11 We are particularly keen to hear whether our proposed ID requirements are proportionate and would deliver enough value to justify the effort and cost involved:
- > **High-cost requirements**—which specific ID requirements would be costly to comply with, and why? If possible, please provide an indicative scale of effort and cost. Is there similar information that would be less costly to disclose?
  - > **Tailored requirements**—are there any specific ID requirements that should only apply to certain regulated suppliers? If so, which requirements, which regulated suppliers (based on scale, complexity or the risks they manage) and why?
  - > **Delayed implementation**—are there any specific ID requirements that should have a delayed start date? Why?
  - > **Value to stakeholders**—how would consumers, councils and other stakeholders use the disclosed information and are there any gaps that would be worth including new ID requirements on now or in the future?
  - > **Reporting frequency**—are there any ID requirements that we should change the reporting frequency of (for example, reporting annually compared to only if there is a material change) and why?
  - > **Efficiency**—are there any ID requirements that we could remove because the information is already readily available to stakeholders (eg, through another reporting requirement) or where we could better align with existing practices?
- 1.12 We are also interested in what we can do to support regulated suppliers as we implement ID for the water sector:
- > What type of support would most help regulated suppliers comply with our ID requirements, and why?
- 1.13 Our Explanatory Paper also includes additional questions for stakeholder feedback on more specific technical topics.

## **Making a submission**

- 1.14 Submissions are due by **5pm on 20 October 2025**. Our consultation timeline is driven by the legislative deadline to finalise our ID requirements.
- 1.15 Attachment C sets out how to make a submission including where to send your submission, how we handle confidential submissions, preferred file format and where to find our submission template.

## Next steps

### Āmuri mahi

1.16 Table 1.1 sets out our indicative next steps, which are subject to change.

**Table 1.1 Indicative next steps**

Step	Indicative timing
Submissions due	5pm 20 October 2025
Final decision	By 26 February 2026

## Structure of this paper

### Te hanga o tēnei pepa

1.17 This paper is organised into the following chapters:

- > **Chapter 2 Context**—outlines the underlying challenges facing water services in Aotearoa New Zealand and explains how the new ID regime aligns with broader sector reforms.
- > **Chapter 3 Overview of our proposal**—provides an overview of our proposed ID requirements, how we developed them, and the key reasons behind our approach.
- > **Chapter 4 Asset management**—summarises our proposed asset management ID requirements and the reasons for these.
- > **Chapter 5 Financial information**—summarises our proposed financial ID requirements and our reasons for these.
- > **Chapter 6 How it works in practice**—describes how the proposed ID requirements would be applied in practice, including publication timelines, assurance mechanisms, and our approach to compliance.

## Chapter 2 Context

### Horopaki

- 2.1 Water services play a vital role in protecting public health and the environment, supporting communities, and enabling economic activity. But many parts of Aotearoa New Zealand are facing serious challenges with ageing water infrastructure, rising costs and the need to meet modern standards.
- 2.2 To address these issues, the Government announced a plan called Local Water Done Well. This plan recognises the importance of local decision-making and provides flexibility for communities and councils to determine how their water services will be delivered in the future. It has a strong emphasis on meeting economic, environmental and water quality regulatory requirements.
- 2.3 As part of this plan, the Government introduced changes to the Commerce Act in August 2025. These changes provide for the economic regulation of suppliers of water services by the Commission.<sup>2</sup> We have a range of regulatory tools available to us, and one of those is ID.

### What is information disclosure and why does it matter?

He aha kē te whakapuaki pārongo, ā, he aha ia e whaitake ai?

- 2.4 ID is a tool that helps shine a light on the performance of regulated suppliers of regulated services. It means suppliers must share specific information about their performance (both historic and how they plan to perform in the future), such as:
- > how much they are spending and what they are spending it on
  - > what prices they are charging, and
  - > how they are managing their assets to efficiently deliver the services consumers demand.
- 2.5 The purpose of ID is to ensure that sufficient information is readily available to stakeholders to assess whether the purpose of Part 4 of the Commerce Act is being met.<sup>3</sup> We describe this more in our Draft Regulatory Framework Paper.<sup>4</sup>

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<sup>2</sup> Commerce Commission “Introducing economic regulation and consumer protection for water services in Aotearoa New Zealand” (10 September 2025), see [here](#).

<sup>3</sup> Commerce Act 1986, s 52A.

<sup>4</sup> Commerce Commission “Information Disclosure for Water Services – Draft Regulatory Framework Paper” (11 September 2025), see [here](#).

- 2.6 Later in this paper, we set out examples of the kinds of performance questions that our proposed ID requirements can help to answer. These questions relate to the specific outcomes described in the purpose of Part 4 of the Commerce Act. For example, information about improvements that a regulated supplier is planning to make to its asset management approach. This may show whether the supplier has an incentive to improve efficiency and provide services at appropriate levels of quality.<sup>5</sup>

## There are many benefits of information disclosure

- 2.7 We consider that shining a light on performance through ID provides many benefits, even in an industry where there are a lot of existing public reporting requirements.
- 2.8 The key benefits of ID are:
- > **Consumer focused**—the purpose of Part 4 of the Commerce Act is focused on the long-term interests of consumers which is different to other existing reporting requirements in the water sector. We consider that looking at performance through this lens provides a valuable perspective on regulated supplier performance over the long-term, given some water infrastructure can be used for decades.
  - > **Transparency for stakeholders**—gaining a better understanding of how regulated suppliers are performing now, how this compares to past performance and to other regulated suppliers, and what is expected to change in the future.
  - > **Providing reputational incentives**—influencing regulated suppliers to improve performance by shining a light on poor performance and practices.
  - > **Regulated suppliers' understanding of their own performance**—better and consistent information collection improves regulated suppliers' understanding of themselves.
  - > **Learning from peers**—understanding the performance of their peers, as well as good or best industry practice, can help regulated suppliers identify ways to improve their own performance.
  - > **Informing policy and regulation**—the improved understanding of the regulated suppliers' performance improves regulation and policy-setting, including evaluating the effectiveness of current regulatory provisions and knowing whether additional regulatory measures are required (such as ring-fencing rules, revenue-thresholds and quality regulation).
  - > **Prospect of further regulation**—the potential need for further regulation resulting from poor performance being revealed can influence regulated suppliers to improve their performance to avoid further regulation.

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<sup>5</sup> Commerce Act 1986, s 52A(1)(b).

## What is our role?

### He aha te wāhi ki a mātou?

- 2.9 The Commission is responsible for setting (and enforcing) ID requirements. We set ID requirements by making a determination. A determination is secondary legislation that sets out our ID requirements, including which regulated suppliers the determination applies to, the information those regulated suppliers must publish, and how and when a regulated supplier must publish the information.<sup>6</sup> The ID requirements are legal obligations which regulated suppliers must comply with.
- 2.10 This paper is about our first set of ID requirements, which the legislation requires us to set by 26 February 2026.<sup>7</sup> Our proposed ID requirements are set out in our Draft Determination. We describe these as our ‘proposed ID requirements’ throughout this document.
- 2.11 We can change our ID requirements over time, which could include adding, removing or amending our ID requirements. We can ask regulated suppliers for more information through targeted information requests to help us decide if we should propose additional ID requirements.<sup>8</sup> We are required to consult before making any material changes.
- 2.12 We monitor and enforce compliance with our ID requirements.
- 2.13 We also have a role to take the disclosed information, analyse it and publish it in a manner that makes it easier to compare between regulated suppliers, and look at trends over time.<sup>9</sup> This helps to make the information more accessible to stakeholders, helping them to better understand and influence performance.
- 2.14 We work with other agencies like the Water Services Authority—Taumata Arowai, the Department of Internal Affairs (**DIA**), and the Office of the Auditor-General (**OAG**) to ensure we consider how our ID requirements relate to other relevant obligations on suppliers.

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<sup>6</sup> Commerce Act 1986, s 53C.

<sup>7</sup> Commerce Act 1986, s 57N.

<sup>8</sup> Commerce Act 1986, s 53ZD and 98.

<sup>9</sup> Commerce Act 1986, s 53B.



## Which suppliers and services are covered?

Ko wai mai ngā kaituku me ngā ratonga kua ūhia kētia?

- 2.15 Our proposed ID requirements will apply to ‘regulated suppliers’ which are local government suppliers of water supply and wastewater services, including local councils and council-controlled water organisations (like Watercare). We refer to these as ‘regulated suppliers’ and ‘regulated services’ throughout this paper (and in our other documents in the draft package). Chapter 6 sets out exactly which suppliers and services will be regulated through our ID determination.
- 2.16 Other water services, like stormwater, are not currently regulated by us, but there is a mechanism in the Commerce Act to include additional services in the future.<sup>10</sup> Some suppliers, like community schemes or private providers, are also not regulated by us right now. However, the law allows for flexibility, establishing a process to add more suppliers and services over time.<sup>11</sup> We may have to consider changing our ID requirements if this happened and would seek feedback on any proposed material changes.

## What is already happening?

He aha ngā mahi kua tīmata kē?

- 2.17 To begin setting up its Local Water Done Well regime, the Government introduced the Local Government (Water Services Preliminary Arrangements) Act 2024 (**WSPA Act**) in September 2024. The WSPA Act:
- > provided for an early form of ID, known as foundational ID
  - > includes a requirement for councils to develop water services delivery plans, and
  - > sets up an interim regulatory regime for Watercare.
- 2.18 Attachment D provides more information on each of these features of the WSPA Act.

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<sup>10</sup> Commerce Act 1986, s 57G - 57M.

<sup>11</sup> Commerce Act 1986, s 57L.

## How does information disclosure fit within the new water services delivery system?

He aha tā te whakapuaki pārongo ki roto ki te pūnaha ratonga wai hou?

- 2.19 On 26 August 2025, Parliament passed the Local Government (Water Services) Act 2025 (**LGWS Act**) which sets up the arrangements for the new water services delivery system. This system covers three types of water service—water supply, wastewater and stormwater. However, our proposed ID requirements only apply to water supply and wastewater services as these are the only services regulated by us at this stage.
- 2.20 Our ID regime can apply to both organisational models available under the LGWS Act. These models are a council in-house business unit and a separate water organisation (eg, a council-controlled water organisation owned by one or more councils).
- 2.21 The LGWS Act sets up a new planning and accountability framework for water service providers.<sup>12</sup> This includes a set of financial principles water service providers must act in accordance with.<sup>13</sup>
- 2.22 Water service providers will also have to publish the ‘accountability documents’ outlined in Table 2.1.

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<sup>12</sup> The definition of a ‘water service provider’ is in s 4 of the Local Government (Water Services) Act 2025. This is not the same as a ‘local government water service supplier’ which is used to define who ID regulation applies to under s 57D of the Commerce Act.

<sup>13</sup> Local Government (Water Services) Act 2025, s 18.

**Table 2.1      Accountability documents for water service providers**

<b>Accountability document</b>	<b>Overview</b>
Water services strategy	This document will set out—in a single, comprehensive, water focused document—how the provider is proposing to perform, respond to local expectations and priorities, and meet statutory objectives and regulatory requirements. It will include financial forecasting information over ten years, and infrastructure and investment information over thirty years. <sup>14</sup>
Water services annual budget	An annual budget will also be prepared for each financial year that is not the first financial year of the strategy – consistent with the provider’s intended approach to funding, revenue, and pricing for the relevant year of the strategy. <sup>15</sup>
Water services annual report	This document will report on the provider’s actual performance against the expectations and proposals in the above documents. It will include financial reporting. <sup>16</sup>

2.23      These accountability documents will replace the current requirements to provide information about water services in a long-term plan, annual plan and annual report under the Local Government Act 2002.

2.24      If a territorial authority transfers the responsibility for providing water services to a water organisation, it must enter into (and publish), a transfer agreement with that water organisation.<sup>17</sup> A transfer agreement sets out the transfer of responsibilities for providing water services from a territorial authority to a water organisation.<sup>18</sup>

2.25      The LGWS Act also places a range of other public reporting requirements on water service providers such as:

- > in the case of a water organisation, the list of its water services charges<sup>19</sup>
- > its development contributions policy, and<sup>20</sup>
- > network maps, and capacity utilisation and asset details.<sup>21</sup>

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<sup>14</sup> Local Government (Water Services) Act 2025, s 230.

<sup>15</sup> Local Government (Water Services) Act 2025, s 240.

<sup>16</sup> Local Government (Water Services) Act 2025, s 243 – 246.

<sup>17</sup> Local Government (Water Services) Act 2025, s 16.

<sup>18</sup> Local Government (Water Services) Act 2025, s 12.

<sup>19</sup> Local Government (Water Services) Act 2025, s 91.

<sup>20</sup> Local Government (Water Services) Act 2025, s 119.

<sup>21</sup> Local Government (Water Services) Act 2025, s 158.

- 2.26 Like ID, these accountability documents (and other public reporting) also provide transparency of regulated suppliers' performance. We can use the information in these documents, alongside information disclosed in accordance with our ID requirements, to analyse performance. Because of this, we intend to set ID requirements that complement and build on rather than duplicate this information. We can also require regulated suppliers to publish additional information in some of these documents, through ID.

## Chapter 3 Overview of our proposal

### Tā mātou e whakatakoto nei

3.1 This chapter:

- > provides a summary of our proposed ID requirements
- > explains how we developed them, and
- > highlights the key reasons for our proposed approach.

### Our proposed information disclosure requirements cover asset management and financial information

Ka pā ngā herenga whakapuaki pārongo kua takoto nei ki te whakahaere huarawa, pārongo ahumoni hoki

3.2 Our proposed ID requirements cover asset management and financial information as summarised in Table 3.1.

**Table 3.1 Summary of our proposed ID requirements**

Asset management	Financial
<ul style="list-style-type: none"><li>• Strategic Asset Management Plan</li><li>• Asset Management Plan</li><li>• Investment and Delivery Plan</li><li>• Annual Delivery Report</li></ul>	<ul style="list-style-type: none"><li>• Expenditure and other items</li><li>• Asset values</li><li>• Actual revenue and other income</li><li>• Financing</li><li>• Pricing</li><li>• Ring-fencing and related parties</li><li>• Financial sustainability indicators</li></ul>

3.3 The sections below outline how we applied our decision-making framework and the key reasons why we are proposing to include only asset management and financial information in our first set of ID requirements:

- > We are staging the introduction of ID requirements.
- > We have focused on what is most important.
- > We considered regulated suppliers' existing practices and capabilities.

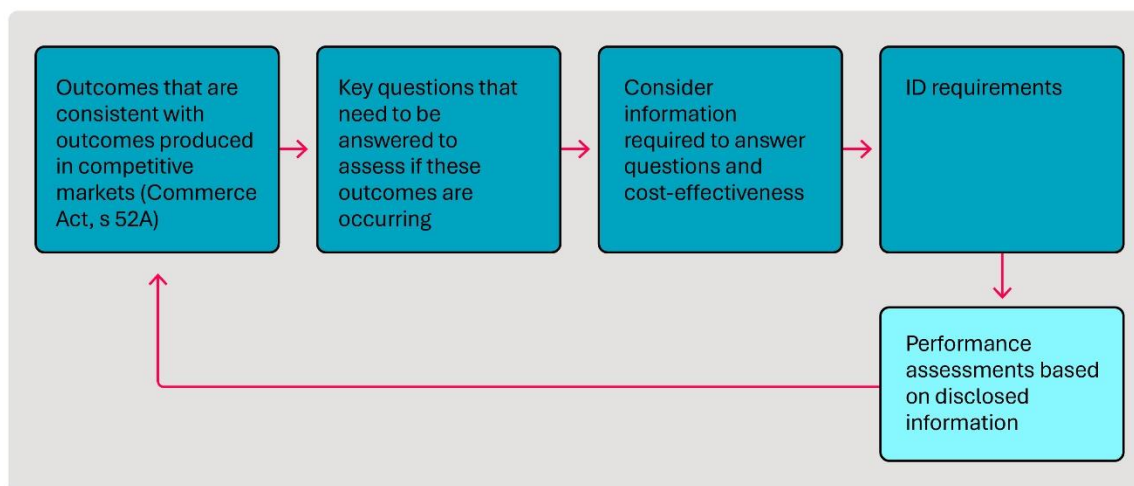
3.4 Chapters 4 and 5 provide more detail on our asset management and financial information requirements, including why we have decided on certain proposed ID requirements. Our Explanatory Paper also provides additional explanations for some of our proposed ID requirements.

## We have applied our decision-making framework

### Kua whakamahi mātou i tā mātou tukanga whakatau

- 3.5 To develop our proposed ID requirements, we applied the decision-making framework set out in our Draft Regulatory Framework Paper.<sup>22</sup> Figure 3.1 sets out the process we followed.

**Figure 3.1 Process for developing ID requirements**



- 3.6 We based our ID requirements on the questions stakeholders could have about the performance of regulated suppliers in relation to the purpose of Part 4 of the Commerce Act.<sup>23</sup> We were also mindful of the cost to regulated suppliers, which is ultimately paid for by consumers. These include the costs of collecting, managing, retaining and publishing information.

## We are staging the introduction of information disclosure requirements

### He putuputu te takinga o ngā herenga whakapuaki pārongo

- 3.7 We propose a staged approach to introducing ID requirements, starting with the asset management and financial ID requirements proposed in our Draft Determination. We think this is the best starting point for our ID regime and we are likely to evolve (and expand) these requirements over time.

<sup>22</sup> Commerce Commission “Information Disclosure for Water Services – Draft Regulatory Framework Paper” (11 September 2025), see [here](#).

<sup>23</sup> Commerce Act 1986, s 52A.

- 3.8 We acknowledge that there are other performance areas that stakeholders may also be interested in, to understand if the purpose of Part 4 of the Commerce Act is being met. As outlined in the ‘how to have your say’ section, we welcome your feedback on any gaps to include new ID requirements on, now or in the future.
- 3.9 We will consider adding more ID requirements later. These would likely apply from the 2027-2028 disclosure year at the earliest and we would consult on these before reaching final decisions. We intend to continue working closely with the Water Services Authority—Taumata Arowai and the DIA in this space given their existing reporting requirements.
- 3.10 Many of our proposed ID requirements give broad coverage rather than deep detail and prescription. We intend to use this information to identify areas that may need further scrutiny or where action is warranted. This may include more detailed or prescriptive ID requirements or introducing other regulatory tools such as a determination on ring-fencing. We can also use targeted information requests if we require more information to inform our analysis of whether additional ID requirements are warranted (rather than setting ongoing detailed disclosure requirements now).
- 3.11 We made this decision to stage our requirements for three main reasons:
- > To ease in the regulatory burden.
  - > We have a statutory deadline.
  - > To focus on information that is not already available elsewhere.

#### **Ease in the regulatory burden**

- 3.12 We want to limit the initial regulatory burden imposed on regulated suppliers and start with a smaller scope while regulated suppliers adjust to this new form of regulation. We acknowledge that many regulated suppliers will be in the process of establishing new operating models and associated systems. An initial ID determination that has too wide a scope risks regulated suppliers not being able to comply with the requirements, or disclosing poorer quality information, and this would not be consistent with the purpose of ID.
- 3.13 In submissions to our ID Discussion Paper, many stakeholders raised concerns about the scale of external change suppliers are having to respond to and asked for us to take this into account. Alternatively, a small number of stakeholders noted that it would be better to have comprehensive ID requirements sooner rather than later to improve the likelihood regulated suppliers could build these requirements into any new systems. On balance, we considered it was better to delay introducing requirements in some areas.

### **We have a statutory deadline**

- 3.14 The LGWS Act requires us to set our first set of ID requirements by 26 February 2026. Our proposed scope matches what we think stakeholders will be able to effectively engage with through this Draft Determination process.

### **To focus on information that isn't already available elsewhere**

- 3.15 Regulated suppliers have multiple other performance reporting requirements. This means that stakeholders already have some performance information available, including through the following:
- > **Water services delivery plans under the WSPA Act and LGWS Act**—we intend to use relevant information in the water services delivery plans to analyse performance, however since these plans are one-off (or only published every five years in the case of in-house council models), we cannot rely on them as a source of up-to-date information for stakeholders.<sup>24</sup>
  - > **Regulated suppliers' accountability documents and transfer agreements under the LGWS Act**—we intend to rely on information in these documents to analyse performance alongside our proposed ID requirements (rather than duplicate requirements).<sup>25</sup>
  - > **The Water Services Authority—Taumata Arowai's Network Environmental Performance Report**—we intend to initially rely on relevant information in this report to analyse performance (for example, asset and service reliability/resilience information), alongside our proposed ID requirements.<sup>26</sup> However, this may change over time as we evolve (and potentially expand) our ID requirements into some areas currently covered in this report. We will continue working closely with the Water Services Authority—Taumata Arowai on this.
  - > **The Water Services Authority—Taumata Arowai's Drinking Water Regulation Report**—we intend to use relevant information in this report to analyse performance of certain aspects of the water supply service, alongside our proposed ID requirements.<sup>27</sup>
- 3.16 Many stakeholders submitted that we should try and avoid duplicating existing reporting requirements.<sup>28</sup>

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<sup>24</sup> Local Government (Water Services Preliminary Arrangements) Act 2024, s 8; Local Government (Water Services) Act 2025, s 78.

<sup>25</sup> As outlined in Table 2.1 and para 2.24.

<sup>26</sup> See Water Services Authority—Taumata Arowai "[Network Environmental Performance Report 2023/24](#)" (June 2025), for the latest report.

<sup>27</sup> See Water Services Authority—Taumata Arowai "[Drinking Water Regulation Report 2024](#)" (June 2025), for the latest report.

<sup>28</sup> We note this at: Commerce Commission "Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses" (28 May 2025), see [here](#).



## We have focused on what is most important

### Kua aro kē mātou ki ngā mea hirahira

- 3.17 We have focused our proposed ID requirements on areas we consider should provide the biggest benefit for understanding and influencing performance because they target areas of known risks and complement other reporting.
- 3.18 In particular, our proposed ID requirements are focused on the following:
- > **Asset management**—how regulated suppliers plan, invest in, and deliver services through their infrastructure.
  - > **Financial sustainability**—whether regulated suppliers are generating enough revenue to fund long-term investment in the regulated services.
  - > **Ring-fencing**—whether water services revenue is spent on water services.
- 3.19 Stakeholders identified these as high priority areas of interest in submissions to our ID Discussion Paper.<sup>29</sup>
- 3.20 As outlined in the ‘how to have your say’ section, to facilitate feedback we have grouped our proposed ID requirements into ‘basic disclosures’ and ‘additional disclosures’ (shaded grey in the Draft Determination). We think the information in the basic disclosures is essential to support a minimum understanding of these focus areas, and to identify issues that may need further scrutiny.

### Asset management

- 3.21 Good asset management is critical to ensure that consumers receive the services they demand, in a way that provides value for money, both now and in the future. It ensures that regulated suppliers are making sound investment decisions, maintaining infrastructure effectively, and planning for future needs.

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<sup>29</sup> We note this at: Commerce Commission “Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses” (28 May 2025), see [here](#).

- 3.22 Several public agencies have raised concerns about the state of asset management in Aotearoa New Zealand’s water sector. The New Zealand Infrastructure Commission/Te Waihangā (the **Infrastructure Commission**) has noted that current asset management practices vary significantly across providers, with many falling short of best practice.<sup>30</sup> The Controller and Auditor-General highlights that since 2012/13, it has reported that councils are not adequately reinvesting in their infrastructure assets.<sup>31</sup> This raises long-term sustainability concerns. Similarly, the Water Services Authority—Taumata Arowai points to a limited understanding of the current condition of water infrastructure among many suppliers.<sup>32</sup>
- 3.23 Taken together, these observations suggest that asset management practices across the sector are inconsistent and at varying levels of development. This is likely to be impacting on the regulated services consumers receive and what they pay for them.
- 3.24 Our proposed ID requirements aim to shine a light on current asset management practices and incentivise improvements in this area. This includes requiring regulated suppliers to publish more detailed information on their investment decision-making processes, asset management maturity and how they are delivering against their plans. This information also supports the assessment of financial sustainability as outlined below.

### **Financial sustainability**

- 3.25 Financial sustainability is a well-recognised challenge in the water sector. To be financially sustainable, suppliers must bring in enough money (such as through customer bills, borrowing, or other sources of funds) to keep investing in their infrastructure and services over the long-term.
- 3.26 Financial sustainability requires a clear understanding of long-term infrastructure needs, informed by robust asset management practices, and sound decision-making about how those needs will be funded. Regulated suppliers must balance affordability, service quality and regulatory compliance while maintaining the financial capacity to invest over time.
- 3.27 Our proposed ID requirements are designed to help shine a light on whether regulated suppliers are financially sustainable (now and into the future). This is consistent with the purpose of ID as it highlights whether regulated suppliers are (and will continue) appropriately investing in their assets to provide services at the quality that consumers demand (while meeting relevant regulatory requirements and Treaty settlement obligations).

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<sup>30</sup> New Zealand Infrastructure Commission/Te Waihangā “[Taking care of tomorrow today: Asset Management State of Play](#)” (November 2024).

<sup>31</sup> Controller and Auditor-General “[Insights into local government: 2023](#)” (20 August 2024), para 4.2.

<sup>32</sup> The Water Services Authority—Taumata Arowai “[Network Environmental Performance Report 2022/23](#)” (30 June 2024), p. 5.

- 3.28 Ensuring the financial sustainability of regulated suppliers is also a key policy objective of the Local Water Done Well reforms. As part of their water services delivery plans, councils are expected to outline how they will ensure that the provision of all water services is financially sustainable by 30 June 2028 (see Attachment D for more details). Financial sustainability is also a financial principle under the LGWS Act.<sup>33</sup> We must take into account regulated supplier's obligation to act in accordance with the financial principles when setting ID requirements.<sup>34</sup>
- 3.29 In our proposed ID requirements, we are asking for information that can help answer the following questions:
- > Are regulated suppliers planning to invest enough money in the regulated services over the next thirty years to meet consumer demands and comply with relevant regulatory requirements and Treaty settlement obligations?
  - > Can regulated suppliers bring in enough money, through a combination of the following, to meet those investment needs?
    - > **Revenue from customers**—charges and fees paid by customers. If these become too high, there is a risk that some customers do not pay their bills, which, if widespread enough, could compromise the regulated supplier's ability to bring in targeted levels of revenue.
    - > **Financing**—such as borrowing money and then using revenue and other income to pay off the debt (and interest costs) over time. A regulated supplier's capability and cost to borrow money can vary depending on things such as their credit rating and existing borrowing levels against any set borrowing limits.<sup>35</sup> For this reason, the Commerce Act allows us to ask for information about more than just the regulated services using ID, to better understand a regulated supplier's ability to raise finance.<sup>36</sup>
- 3.30 There are other potential sources of revenue and funding available to regulated suppliers, such as grants, subsidies, and income from asset sales. These sources can also be relevant to financial sustainability, and to ring-fencing (which is discussed in the next section).

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<sup>33</sup> Local Government (Water Services) Act 2025, s 18(1)(b).

<sup>34</sup> Commerce Act 1986, s 57S.

<sup>35</sup> Most councils can get benefits by sourcing finance through the Local Government Funding Agency (**LGFA**), although the LGFA has borrowing limits in place.

<sup>36</sup> Commerce Act 1986, sch 7 cl 7(3). This provision is unique to the regulation of water services and is not included in other sectors we regulate.

## **Ensuring water revenue is spent on water services (ring-fencing)**

- 3.31 Ring-fencing is about ensuring that suppliers spend the revenue and funding they receive (from customers and other sources) for water services on providing those services, not on other activities. It is a focus of the Local Water Done Well reforms which introduced a ring-fencing financial principle and a restriction on dividends under the LGWS Act, and a ring-fencing regulatory tool under the Commerce Act.<sup>37</sup> We must take into account regulated suppliers' obligations to act in accordance with the financial principles when setting ID requirements.<sup>38</sup>
- 3.32 Our proposed ID requirements are designed to help shine a light on whether regulated suppliers are spending the revenue and funding they receive for regulated services, on those services. Setting ring-fencing disclosure requirements is consistent with the purpose of ID as ring-fencing helps ensure that suppliers have incentives to invest and are not extracting excessive profits.
- 3.33 Under our proposed ID requirements, regulated suppliers will need to keep separate accounts that clearly show revenue, funding and costs for all regulated services, as well as for each regulated service (water supply and wastewater), distinct from those for unregulated services (if any). This is known as 'accounting separation' and is a common feature of economic regulation regimes even where there are not explicit ring-fencing powers for ensuring regulated suppliers spend certain amounts of money on specific things.
- 3.34 Accounting separation can be a complex exercise when a regulated supplier provides more than just regulated services, eg, an in-house council model. It means that a regulated supplier must work out the revenue, funding and costs directly attributable to the regulated service(s). If there are costs that are shared with other activities, eg, a contract for call centre services that covers water services and other council business, a regulated supplier must allocate an appropriate amount of this cost to the regulated service(s). Similarly, if there are assets that are used to provide more than just a regulated service (such as vehicles or buildings), regulated suppliers must allocate those asset values appropriately.
- 3.35 While our proposed ID requirements will show if regulated suppliers are using other sources of funding to provide regulated services (eg, grants or subsidies from a council), we consider that using other sources of funding is not inconsistent with the ring-fencing principle.

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<sup>37</sup> Local Government (Water Services) Act 2025, s 18(1)(a) and s 18(3); and Commerce Act 1986, sch 7 pt 1.

<sup>38</sup> Commerce Act 1986, s 57S.

## **We considered regulated suppliers' relevant existing practices and capabilities**

I tirohia e mātou ngā tikanga mahi me āheinga whaitake a ngā kaituku waeture

- 3.36 In developing our proposed ID requirements, we drew on our initial understanding of existing information collection and reporting practices of regulated suppliers, where these could impact on compliance costs. Where possible, we have sought to align our requirements with these practices, to minimise costs. For example, many of our proposed financial reporting requirements align with generally accepted accounting practice (**GAAP**).
- 3.37 We recognise that regulated suppliers vary significantly, and that we are still building a picture of the water sector, including of current practices and capabilities. As outlined in the 'how to have your say' section, we welcome feedback on the expected costs of complying with the proposed ID requirements and where these could better align with current practices. This will help us better assess the regulatory burden and determine whether it is proportionate.

## Chapter 4 Asset management

### Te whakahaere huarawa

4.1 This chapter provides a summary of our proposed asset management ID requirements and our reasons for these, structured by:

- > asset management planning, and
- > asset management reporting.

### Asset management planning

#### Te māherehere whakahaere huarawa

##### Why is this important?

- 4.2 As outlined in para 3.21-3.24, good asset management is critical to ensure that consumers receive the services they demand, in a way that provides value for money, both now and in the future.
- 4.3 A key part of asset management is having robust plans in place that set out how infrastructure assets will be managed to deliver services efficiently and sustainably over time. This includes identifying consumer demands and the regulated supplier's strategic direction, describing the current state and criticality of assets, how performance is measured, how risks are managed, and how future demand will be met. These plans also outline the improvements that the regulated supplier intends to make, how investment decisions are made and how delivery will be tracked to ensure intended objectives are achieved.
- 4.4 Regulated suppliers can draw on a wide range of well-established international and local frameworks, guidance, and good practice resources (such as ISO 55000), to support the development and strengthening of asset management planning.<sup>39</sup>

##### What information is needed to better understand performance?

- 4.5 While the water services strategies that regulated suppliers are required to publish under the LGWS Act provide good high-level asset management and investment planning information, we consider that more detailed information should be available to support a fuller understanding of regulated suppliers' asset management planning practices.<sup>40</sup> This would help to give stakeholders confidence that regulated suppliers are making sound investment decisions, based on robust information, that (if delivered as planned) should result in an appropriate quality of service and value for money. And if not, making this transparent to stakeholders should incentivise regulated suppliers to improve their practices.

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<sup>39</sup> ISO 55000:2024: Asset management — Vocabulary, overview and principles.

<sup>40</sup> Note that some suppliers publish more information voluntarily such as asset management plans.

## What information will be required under our proposed ID requirements and why?

- 4.6 Regulated suppliers would be required to publish the following asset management planning documents:
- > **Strategic asset management plan (SAMP)**—sets out the overarching direction for asset management within the organisation and outlines how asset management aligns with strategic priorities, objectives, policies and outcomes.
  - > **Asset management plan (AMP)**—includes tactical plans that translate the strategic intent of the SAMP into detailed, operational guidance for managing assets over time. Provides a comprehensive view of the long-term asset needs, risk management, condition, performance, maintenance and renewal requirements.
  - > **Investment and delivery plan (IDP)**—justification for the 30-year programme of investment, as reflected in the expenditure forecasts described in Chapter 5, shows how the needs identified in the AMP are translated into planned investment and delivery. It includes information on investment prioritisation and justification, qualitative information on material projects and programmes, procurement and delivery approaches and how risks will be managed if the needs identified in the AMP are not funded.
- 4.7 We are proposing to split the traditional AMP into three parts – SAMP, AMP, and IDP. Each serves a separate purpose, allowing us to align disclosure timing with the role of each document. While these documents are structured separately, regulated suppliers would have flexibility to combine them if preferred. This includes presenting water supply and wastewater services together or in separate documents, depending on what suits their context.
- 4.8 Regulated suppliers would be required to publish these asset management planning documents on a cycle aligned with other accountability documents under the LGWS Act. This is to ensure that stakeholders can assess performance holistically using information from ID and the accountability documents. Table 4.1 sets out the alignment between our proposed ID requirements and the accountability documents. Table 6.1 in Chapter 6 provides more details on the specific timing of these requirements.

**Table 4.1 Alignment between the accountability documents under the LGWS Act and our proposed ID requirements for asset management planning**

Accountability document	Relevant ID requirement(s)
Water services strategy	Strategic asset management plan Asset management plan Investment and delivery plan
Water services annual budget	Investment and delivery plan updates (if needed)

- 4.9 Each asset management planning document would have to meet certain minimum requirements. The minimum requirements reflect a sub-set of established good practice asset management (such as ISO 55000) and are focused on areas that we consider are high priority for the water sector (taking into account feedback from stakeholders on our ID Discussion Paper).
- > **Consumer demands**—understanding consumer needs and expectations is central to effective service delivery. Disclosures in this area help stakeholders assess whether suppliers are delivering services that reflect consumer demands and incorporate feedback into planning and operations.
  - > **Capability and planning improvements**—strong asset management depends on governance, capability, and continuous improvement. Disclosures here provide visibility into whether suppliers have the organisational structures and capacity to deliver on their plans and improve over time.
  - > **Asset performance and criticality**—visibility into asset condition and criticality supports informed decisions about maintenance, renewals and investment prioritisation. These disclosures help stakeholders assess whether suppliers are maintaining assets appropriately and managing risk effectively.
  - > **Risk and resilience**—disclosures in this area show how suppliers identify and manage risks, including those related to climate change and natural hazards. This supports transparency around long-term service reliability and preparedness for disruptive events.
  - > **Compliance**—meeting regulatory requirements and Treaty settlement obligations can be a key driver of investment for regulated suppliers. Disclosures in this area can help stakeholders understand how compliance considerations are reflected in planning and investment decisions.
  - > **Maintenance and renewals**—disclosures about maintenance and renewal strategies provide insight into how suppliers manage asset performance and sustainability. This helps stakeholders assess whether suppliers are investing appropriately to maintain service levels and address renewal backlogs.
  - > **Asset enhancements – demand, growth and levels of service**—transparency around how suppliers plan for growth and service improvements helps stakeholders understand whether infrastructure planning is keeping pace with demand and delivering the quality of service consumers demand.
  - > **Performance management**—disclosing performance indicators and delivery tracking enables stakeholders to assess how well suppliers are delivering on their plans and progressing toward asset management objectives.



> **Understanding investment decision-making**—understanding how suppliers prioritise and justify investment decisions helps stakeholders evaluate whether regulated suppliers are investing efficiently and in the long-term interests of consumers.

- 4.10 We designed our minimum requirements to allow regulated suppliers to tailor their asset management planning to reflect their scale, complexity, and maturity, while still meeting our requirements. For example, a regulated supplier managing a large, ageing network may require a more detailed and sophisticated approach to renewal planning than one with fewer and newer assets.
- 4.11 Our asset management ID requirements aim to incentivise better asset management practices and give stakeholders more detailed information on how regulated suppliers are performing. Consistent with the Infrastructure Commission’s view, we think that better asset management is needed to avoid service failures, reduce lifecycle costs, and support long-term planning and financial sustainability. This is especially important as the sector faces increasing pressure from ageing infrastructure, climate change, and evolving regulatory requirements.<sup>41</sup>
- 4.12 Our Explanatory Paper (see Chapter 2) provides further information on our key focus areas and what our proposed ID requirements are intended to achieve.
- 4.13 Table 4.2 summarises our ID requirements relating to SAMPs, AMPs, and IDPs and gives examples of some of the key questions that this information can help to answer.

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<sup>41</sup> New Zealand Infrastructure Commission/Te Waihanga “[Taking care of tomorrow today: Asset Management State of Play](#)” (November 2024).

**Table 4.2 Summary of our proposed ID requirements for asset management planning documents with example performance questions**

Summary of ID requirements	Example performance questions
<p>Publish a strategic asset management plan, including information on:</p> <ul style="list-style-type: none"> <li>• Asset management framework</li> <li>• Risk management</li> <li>• Lifecycle asset management</li> <li>• Governance and organisation</li> </ul>	<ul style="list-style-type: none"> <li>• How does the regulated supplier make sure its asset management objectives support the organisation's overall strategic direction?</li> <li>• Does the regulated supplier have the right people, skills, and systems in place to deliver its asset management objectives?</li> <li>• How does the regulated supplier decide when to invest in growth, improve services, or renew infrastructure and what criteria guide those decisions?</li> <li>• How does the regulated supplier identify and manage risks to its infrastructure, including risks from unexpected events?</li> </ul>
<p>Publish an asset management plan, including information on:</p> <ul style="list-style-type: none"> <li>• Consumers</li> <li>• Networks, assets and critical infrastructure</li> <li>• Information management</li> <li>• Performance indicators</li> <li>• Asset enhancements and improvements</li> <li>• Network asset maintenance and renewals</li> <li>• Non-network assets</li> <li>• Risk and resilience</li> <li>• Asset management maturity, continuous improvement and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• What does the regulated supplier need to do to meet service standards, comply with regulations, and protect water quality and the environment?</li> <li>• How does the regulated supplier assess the condition of its assets, and what is its plan to keep them in good working order?</li> <li>• How is the regulated supplier planning for future growth, and how are population and demand forecasts used in its decisions?</li> <li>• How will the regulated supplier track its progress against the asset management objectives set out in its strategic asset management plan?</li> <li>• What improvements is the regulated supplier planning to make in how it manages assets, and what benefits are expected from these changes?</li> </ul>
<p>Publish an investment and delivery plan, including information on:</p> <ul style="list-style-type: none"> <li>• Prioritisation</li> <li>• Forecast investment</li> <li>• Procurement, delivery and performance</li> </ul>	<ul style="list-style-type: none"> <li>• How does the regulated supplier decide which investments to prioritise, and what trade-offs are made to keep the programme financially sustainable?</li> <li>• Is the regulated supplier planning to invest enough over the next thirty years to meet consumer expectations and comply with regulations?</li> <li>• What benefits are expected from the planned investments, and how will the regulated supplier measure whether those benefits are achieved?</li> <li>• How does the regulated supplier plan to deliver the investments, manage risks and monitor performance during implementation?</li> </ul>

## Asset management delivery reporting

### Te pūrongo whakahaere huarawa

#### Why is this important?

- 4.14 It is important for stakeholders to understand whether regulated suppliers are actually delivering what they had planned and meeting their performance targets. If regulated suppliers do not deliver what they have planned, it can impact on the level of service consumers receive, particularly over the long-term, and can also have an effect on development. Delivering planned capital work (such as replacing old pipes) can be a challenge in the water sector, particularly with inflationary pressures and resource constraints.

#### What information is needed to better understand performance?

- 4.15 While the water services annual reports that regulated suppliers are required to publish under the LGWS Act will provide high-level performance information (such as performance against levels of service targets and expenditure), we consider that more detailed information should be available to properly understand performance. In particular, we consider that it is important to know how a regulated supplier has delivered against its work programme set out in its AMP and IDP, and to see an analysis of a regulated supplier's performance against any targets.

#### What information will be required under our proposed ID requirements and why?

- 4.16 We are proposing ID requirements that would require regulated suppliers to publish an annual delivery report (**ADR**). This report would provide a review of how well the regulated supplier has delivered on the plans and commitments set out in its AMP and IDP. It would also include annual delivery reporting against material projects (supporting the quantitative ID disclosures), performance indicators and the asset management improvement plan.
- 4.17 This information, alongside the actual expenditure information set out in Chapter 5, should allow stakeholders to assess whether regulated suppliers are delivering what they had planned and to better understand their current performance.
- 4.18 Table 4.3 summarises our ID requirements relating to annual delivery reports and gives examples of some of the key questions that this information can help to answer.

**Table 4.3      Summary of our proposed ID requirements for asset management reporting with example performance questions**

Summary of ID requirements	Example performance questions
<p>Publish an annual delivery report, including information on:</p> <ul style="list-style-type: none"> <li>• Asset management plan performance assessment</li> <li>• Investment and delivery plan performance assessment</li> <li>• Asset management improvement plan</li> </ul>	<ul style="list-style-type: none"> <li>• Did the regulated supplier deliver what it planned to spend during the year, and what caused any changes in priorities?</li> <li>• How did the regulated supplier perform against its asset management performance indicators, and what trends or changes have been seen over time?</li> <li>• Has the regulated supplier made progress on its asset management improvement plan, and what improvements have been achieved?</li> <li>• What lessons did the regulated supplier learn from its delivery performance, and how are these being used to improve future plans?</li> </ul>

## Chapter 5 Financial information

### He pārongo ahumoni

5.1 This chapter includes a summary of our proposed financial ID requirements and our reasons for them, structured by the following areas:

- > **Expenditure and other items**—the money being spent by regulated suppliers.
- > **Asset values**—how regulated suppliers measure and report on the value of their assets.
- > **Actual revenue and other income**—the money regulated suppliers collect from customers and other sources.
- > **Financing**—the money regulated suppliers borrow.
- > **Pricing**—how regulated suppliers charge customers for regulated services.
- > **Financial sustainability indicators**—information to support the analysis of financial sustainability.
- > **Ring-fencing and related parties**—ring-fencing and relationships with related parties.

### Expenditure and other items

#### Ngā whakapaunga me ētahi mea

##### Why is this important?

- 5.2 Regulated suppliers need to spend money on many things to deliver regulated services that meet consumer expectations (such as supporting growth and maintaining acceptable service quality) while also meeting regulatory requirements.
- 5.3 The nature and scale of spending directly affects the quality, reliability and cost of the regulated services consumers receive. It is therefore important for stakeholders to have access to expenditure information.
- 5.4 Expenditure information can be analysed alongside asset management information (outlined in Chapter 4) to give a fuller picture of whether regulated suppliers are making, or planning to make, the right investments at the right time, and at the right cost. The more confidence stakeholders have in asset management practices, the more confidence they can have in expenditure forecasts. Expenditure information can also help stakeholders understand whether regulated suppliers are investing efficiently.

## What information is needed to better understand performance?

- 5.5 The LGWS Act requires regulated suppliers to report both forecast expenditure (in a water services strategy and water services annual budget) and actual expenditure (in a water services annual report). These reporting obligations provide a good high-level view of expenditure, broken up into three major categories:
- > improving levels of service
  - > meeting additional demand, and
  - > replacing existing assets.<sup>42</sup>
- 5.6 However, we consider that at this level of aggregation, it is difficult for stakeholders to tell what, exactly, money is being spent (or going to be spent) on, and to compare this between suppliers and to more detailed asset management information (outlined in Chapter 4). This means it is hard to assess whether money is being spent on the right things and in an efficient way. There also are not any requirements to show expenditure on specific projects or programmes of work, which we think is also important, for the same reason.

## What information will be required under our proposed ID requirements and why?

- 5.7 Regulated suppliers would be required to publish a more detailed breakdown of their forecast and actual spending (into different categories, and for material projects and programmes of work). Our proposed categories are intended to capture the main activities and cost drivers for regulated suppliers and were informed by water industry practice.
- 5.8 We propose to require detailed information on regulated suppliers' expenditure in three broad categories (with more detailed categories within each of these):
- > **Capital expenditure**—spending money on purchasing, building or renewing assets, such as pipes, pumps and treatment plants.
  - > **Operating expenditure**—spending money on the day-to-day running of services, such as staff salaries, maintenance, energy and treatment costs.
  - > **Other**—these are expense items that would typically be included in a regulated supplier's reported 'operating expenditure' but which we have specifically put in a separate category for ID, such as depreciation, financing costs and impairment losses.<sup>43</sup>

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<sup>42</sup> Local Government (Water Services) Act 2025, sch 3 cl 5(2)(b); sch 4 cl 4(2).

<sup>43</sup> The Explanatory Paper (see Chapter 3) explains the reasoning for these items being excluded from operating expenditure for regulatory purposes. See [here](#).

- 5.9 This more granular spending information (split into detailed categories) should help stakeholders better understand where money is being spent and assess whether the right amount is being spent on the right things. Alongside the asset management information (outlined in Chapter 4), this expenditure information should give stakeholders confidence that spend forecasts reflect a regulated supplier's intention to make the right investments at the right time, and that those investments are actually delivered, and at an efficient cost.
- 5.10 We are also proposing to require regulated suppliers to publish estimated unit costs of replacing certain water and wastewater pipes. This will help stakeholders to understand at a high level, the differing levels of costs between regulated suppliers.
- 5.11 Table 5.1 summarises our ID requirements relating to expenditure and gives examples of some of the key questions that this information can help to answer.

**Table 5.1 Summary of our proposed ID requirements for expenditure and other items with example performance questions**

Summary of ID requirements	Example performance questions
Capital expenditure - actual and forecast - split into categories	<ul style="list-style-type: none"> <li>• How does the regulated supplier's recent and forecast expenditure compare to its historical trends?</li> <li>• How does expenditure compare between different regulated suppliers?</li> <li>• Are regulated suppliers spending (and planning to spend) consistently with their investment and delivery plan?</li> </ul>
Operating expenditure - actual and forecast - split into categories	
Capital expenditure – unit cost of replacement	
Actual and forecast financing costs	
Actual and forecast depreciation	
Actual impairment losses	
Costs relating to the transfer of regulated services to a new or different entity	

- 5.12 Our Explanatory Paper (see Chapter 3) provides further information on capital expenditure, operating expenditure and expenditure on changes to entities, including questions we are seeking stakeholder feedback on.

## **Asset values**

### **Wāriu huarawa**

#### **Why is this important?**

- 5.13 Regulated suppliers typically own large networks of long-lived assets, such as pipes, pumps or treatment plants, alongside other things that are needed to provide the regulated services such as office buildings and information and technology systems. The value of these assets by type of asset gives a snapshot of what infrastructure the organisation owns. For example, it could show whether a regulated supplier's assets are primarily made up of local reticulation networks or bulk transfer infrastructure.
- 5.14 While differences in how regulated suppliers revalue their assets and apply depreciation may limit the usefulness of the information to some extent, we consider that it would still provide meaningful insight. It would provide important context for stakeholders interpreting other disclosed information to assess performance. For example, stakeholders may make conclusions on a regulated supplier's approach to resilience if the approach and resulting expenditure on resilience is focused solely on assets that make up a small portion of the total asset value.
- 5.15 It is also common for stakeholders of infrastructure sectors to use asset values directly in their analysis. For example, stakeholders of the water sector may use asset values to help normalise comparisons between providers, making more equitable comparison possible. Additionally, asset values can be used as direct inputs into the calculation of certain performance indicators.

#### **What information is needed to better understand performance?**

- 5.16 Suppliers may not always publish asset values in a way that is meaningful to stakeholders in the absence of our proposed disclosure requirements. This is because, under the LGWS Act, suppliers are required to report GAAP-compliant financial statements (as part of a water services annual report). These include values for each group of similar assets or assets with a similar function, known as 'asset classes', and there is flexibility about how assets may be grouped into asset classes.
- 5.17 This flexibility allows regulated suppliers to choose how detailed the asset value disclosures are in their financial statements. This would limit comparability between regulated suppliers and if suppliers group assets into broad asset classes, it may be difficult for stakeholders to clearly understand how the value of assets is spread between the different types of assets contained in those asset classes.



## What information will be required under our proposed ID requirements and why?

- 5.18 Regulated suppliers would be required to include more disaggregated information on their asset values for specific asset classes (including movements in asset values) within the financial statements of their water services annual reports.<sup>44</sup> We think this will provide more meaningful information for stakeholders. Asset information presented at a more detailed asset class level will enable stakeholders to better understand (and scrutinise) a regulated supplier's asset management and investment decisions.
- 5.19 For example, in addition to the detailed information we are proposing to require about regulated suppliers' capital expenditure, which will highlight the relative cost and focus of renewals expenditure, stakeholders will have access to data on existing asset values (and movements in those asset values, and depreciation) for those same asset classes. Also, some regulated suppliers may use reported depreciation values to make assessments as to whether renewals investment is insufficient.
- 5.20 We have proposed that this information must be included in a water services annual report (rather than in a separate publication). This is because we consider it is more effective to build upon the disclosures already provided in the notes to the financial statements in regulated suppliers' water services annual reports.
- 5.21 Table 5.2 summarises our ID requirements relating to asset values and gives examples of some of the key questions that this information can help to answer.

**Table 5.2 Summary of our proposed ID requirements for asset values with example performance questions**

Summary of ID requirements	Example performance question
Asset values (including movements in asset values)—for prescribed asset classes	<ul style="list-style-type: none"><li>• How are assets being valued?</li><li>• How are the values of assets changing over time and what is driving changes in asset values?</li></ul>
Work in progress—carrying value for prescribed asset classes	

<sup>44</sup> We are able to set requirements for information to be publicly disclosed in a regulated supplier's water services annual report, under the Local Government (Water Services) Act 2025 (s 246(1)(b)).

- 5.22 At this stage we are not proposing to prescribe how regulated suppliers should value, depreciate or revalue their water assets. This is because we are not (yet) mandating and enforcing a particular way of presenting regulatory accounts using a particular capital maintenance approach and we recognise that doing so could have a higher compliance cost. We previously published a technical working paper on the accounting basis for regulatory reporting, which outlined some key areas of accounting that we could require for ID that differ from regulated suppliers' current practices.<sup>45</sup>
- 5.23 However, we are interested in understanding the current values of network assets and the valuation and depreciation methodologies used by regulated suppliers (through analysing note disclosures in the financial statements in water services annual reports). We may revise this approach in the future and introduce prescribed valuation rules, at least for certain regulated suppliers. However, we understand that changing the approach to asset valuation for regulatory purposes and making the associated system changes to record these values could be an expensive exercise for suppliers. So, we would consider carefully before making any changes, including consulting with stakeholders.
- 5.24 Our Explanatory Paper (see Chapter 3) provides further information on asset values, including questions we are seeking stakeholder feedback on.

## **Actual revenue and other income**

### **Moni whiwhi ake me ētahi moni riro mai**

#### **Why is this important?**

- 5.25 Regulated suppliers collect money from various sources, such as through customer bills and grants, to pay for the costs of providing regulated services. Collecting enough revenue is a key part of financial sustainability (as outlined in para 3.25-3.30).

#### **What information is needed to better understand performance?**

- 5.26 While the LGWS Act requires regulated suppliers to publicly report the intended revenue sources in a water services strategy and the actual revenue within their water services annual report, there is flexibility in how they do this.<sup>46</sup>

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<sup>45</sup> Commerce Commission "Economic Regulation of Water Services Information Disclosure - Technical Working Paper on the Accounting Basis for Regulatory Reporting" (12 February 2025), see [here](#).

<sup>46</sup> Local Government (Water Services) Act 2025, sch 3 cls 1 and 5(5)(b), and sch 4 cl 2.

- 5.27 Regulated suppliers must report material revenue items separately in their financial statements, but they have flexibility in how they present and break down this information.<sup>47</sup> Given that different regulated suppliers may use different methods for charging and reporting, they may also choose to present revenue categories differently. This may make it difficult for stakeholders to understand how revenue is being collected and to compare between regulated suppliers directly.

### **What information will be required under our proposed ID requirements and why?**

- 5.28 We are proposing that regulated suppliers report actual revenue within specified categories.<sup>48</sup> This would provide clear and consistent reporting of regulated suppliers' revenue sources. For example, whether a regulated supplier receives more revenue from fixed or variable water service charges, or whether growth charges or development contributions make up a large proportion of the revenue.
- 5.29 This information should help stakeholders better assess financial sustainability and whether the way in which regulated suppliers are recovering revenue is likely to promote efficiency (for example, whether revenue sources reflect costs overall).
- 5.30 Table 5.3 summarises our ID requirements relating to actual revenue and gives examples of some of the key questions that this information can help to answer.

**Table 5.3 Summary of our proposed ID requirements for actual revenue and other income with example performance questions**

Summary of ID requirements	Example performance questions
Actual revenue—split into categories covering usage charges, new connection related charges, other charges, development contributions	<ul style="list-style-type: none"> <li>Are revenues from providing regulated services being spent on regulated services?</li> <li>To what extent does the regulated supplier charge development contributions for growth and what proportion of the total cost of growth are these contributions?</li> </ul>
Detailed breakdown of revenue from usage charges and rates	
Actual other income—split into categories covering vested assets, external grants, gains on asset disposals, financial contributions (under the Resource Management Act), infringement fees and penalties, other income sources	

<sup>47</sup> GAAP reporting requires that where items of revenue are material, their nature and amount must be disclosed separately, and that subclassification of total revenue must be presented in a manner that is appropriate to the entity's operations.

<sup>48</sup> We are also proposing that suppliers must disclose forecast revenue from charges. See the 'Financial sustainability indicators' section.

- 5.31 Our Explanatory Paper (see Chapter 3) provides further information on actual revenue and other income, including questions we are seeking stakeholder feedback on.

## **Financing and funding arrangements**

### **Te whakahaere tahua**

#### **Why is this important?**

- 5.32 Given the large, and often lumpy, investments needed in infrastructure, regulated suppliers will often borrow money (and pay it back over time) to pay for these investments. This means that both current and future customers contribute to servicing the debt for infrastructure assets.
- 5.33 The benefits of borrowing money to fund investment include the ability to spread costs to customers over time (so that the cost of investment is spread across current and future generations that benefit from those assets), being able to address investment needs sooner (rather than having to wait until enough revenue is collected), and helping make water bills more affordable by reducing the need for sharp bill increases.
- 5.34 The ability for a supplier to raise enough finance is also a key part of financial sustainability (as outlined in para 3.25-3.30).<sup>49</sup>

#### **What information is needed to better understand performance?**

- 5.35 We consider that stakeholders need access to additional information on regulated suppliers' financing arrangements to know if they are using financing efficiently or to the best advantage of consumers over the long-term. This is because there are some gaps in the financing information suppliers are required to publish in their water services strategies and other accountability documents. While the information required in these documents might give a good overview of regulated suppliers' financing arrangements (such as providing information on the regulated suppliers' intended approach to funding and intended sources of funding, and information about debt and other financial liabilities), it may lack the level of detail required for stakeholders to clearly understand and assess regulated suppliers' financing arrangements.

#### **What information will be required under our proposed ID requirements and why?**

- 5.36 Regulated suppliers would be required to report additional details on their financing requirements and sources, including projected borrowing over a 10-year period, current and expected hedging arrangements for debt, the use of fixed or variable interest arrangements, and their debt repayment strategy.

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<sup>49</sup> Commerce Act 1986, sch 7 cl 7 provides that we have a specific power to monitor regulated suppliers' ongoing ability to raise finance.

- 5.37 We are also proposing to require regulated suppliers to report information about their internal borrowing arrangements (for example, if a water services part of a council borrows money from another part of council).
- 5.38 This information, alongside that published in the accountability documents under the LGWS Act, should give stakeholders the ability to see if regulated suppliers are using financing efficiently and to the best advantage of consumers over the long-term (as stakeholders will also be able to see what borrowing capacity regulated suppliers have for funding future investments in regulated services).
- 5.39 Our proposed financing ID requirements relate to both the regulated services and other activities a regulated supplier may do (such as broader, whole of council activities like parks and roads). This is because the financing of these other activities could impact a regulated supplier's ability to raise finance for regulated services.<sup>50</sup>
- 5.40 Table 5.4 summarises our ID requirements relating to financing and gives examples of some of the key questions that this information can help to answer.

**Table 5.4 Summary of our proposed ID requirements for financing with example performance questions**

Summary of ID requirements	Example performance questions
Information about financing requirements and sources	<ul style="list-style-type: none"> <li>What is the regulated supplier's approach to managing debt, interest costs and liquidity and how does this affect its investment and efficiency?</li> </ul>
Information about internal borrowing arrangements	

- 5.41 Our Explanatory Paper (see Chapter 3) provides further information on financing and funding arrangements, including a question we are seeking stakeholder feedback on.

## Pricing

### Te whakatau utu

#### Why is this important?

- 5.42 Customers pay for the water services they receive. Suppliers currently charge customers in a range of ways. These include as part of a general rates bill, a separate water charge on a rates bill, a standalone water bill, trade waste charges, and other specific fees.

<sup>50</sup> Commerce Act 1986, sch 7 cl 7(1)(c).

- 5.43 The ways in which a regulated supplier can charge for regulated services, depends on the type of regulated supplier:
- > **In-house council model**—may charge through general rates, a targeted rate, or a specific water charge.<sup>51</sup> This means some charges can be based on property value.
  - > **Separate water organisation**—can choose how to set charges, for example, a fixed charge, a charge based on the average water consumption for an area, or a variable charge based on actual water usage.<sup>52</sup> Charges must not be based on property values.<sup>53</sup> However, for new water organisations there is a 5-year transition period, over which they can move away from charges based on property values.<sup>54</sup>
  - > **Watercare**—charges consumers based on a contractual agreement and is not subject to the charging rules specified in legislation.<sup>55</sup>
- 5.44 Regulated suppliers can also charge for enabling new connections to their networks, such as when there is a new subdivision or other growth. They can do this through:
- > development contributions—a payment required by the regulated supplier to contribute towards the upstream costs of increased demand<sup>56</sup>
  - > financial contributions—a payment required as a condition of a resource consent<sup>57</sup>
  - > infrastructure growth charges—a payment required by Watercare for their consumers to contribute to the upstream cost of increased demand<sup>58</sup>
  - > other standardised fees and charges, and
  - > other individually negotiated charges.

### What information is needed to better understand performance?

- 5.45 There are existing requirements on regulated suppliers to publicly report some information on pricing, but in some cases, these are inconsistent or do not give stakeholders the full picture.
- 5.46 All regulated suppliers must include their intended prices and charges in their water services strategy, and the methodologies that support these.<sup>59</sup>

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<sup>51</sup> Local Government (Rating) Act 2002.

<sup>52</sup> Local Government (Water Services) Act 2025, s 86.

<sup>53</sup> Local Government (Water Services) Act 2025, s 86(6)(b).

<sup>54</sup> Local Government (Water Services) Act 2025, s 89.

<sup>55</sup> Local Government (Water Services) Act 2025, s 84.

<sup>56</sup> Local Government (Water Services) Act 2025, s 113.

<sup>57</sup> Resource Management Act 1991, s 108.

<sup>58</sup> See Watercare “[Infrastructure Growth Charge](#)” webpage.

<sup>59</sup> Local Government (Water Services) Act 2025, sch 3 cl 5 (4).

- 5.47 Under the LGWS Act, water organisations (excluding Watercare) are required to publish a list of charges that apply to their annual billing period (excluding any customised or otherwise unusual charges).<sup>60</sup> However, there is not an equivalent requirement for in-house council models or Watercare.
- 5.48 The requirement under the LGWS Act for water organisations to publish a list of charges does not specify the level of detail or how it must be presented. This may make it difficult for stakeholders to fully understand the lists of charges and compare them between water organisations, in addition to them not being required under the LGWS Act for council in-house models.
- 5.49 Under the LGWS Act, suppliers must publish their development contributions policy. However, that policy does not cover other charges and fees that are related to new connections, so it does not always give the full picture of the costs that consumers face when seeking a new connection.

#### **What information will be required under our proposed ID requirements and why?**

- 5.50 Regulated suppliers would be required to publish specific information about their charges (including the requirement to report this information within specified charge categories), and in the case of new connection charging, how they came up with these charges. This should improve transparency for consumers and stakeholders, enabling them to understand how prices are set and compare charges across regulated suppliers.
- 5.51 Price disclosures provide information about the structure of prices and the resulting price signals that consumers face. This is an important aspect of efficiency in the water sector because efficient price structures create price signals that encourage efficient use of the service by the consumer. For example, a higher reliance on volumetric charging by a regulated supplier could provide greater encouragement to consumers to use less volume, which may be more or less efficient depending on the costs of supply and the local context.
- 5.52 Table 5.5 summarises our ID requirements relating to pricing and gives examples of some of the key questions that this information can help to answer. These disclosures are designed to be relatively easy for regulated suppliers to comply with, building on existing reporting requirements.

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<sup>60</sup> Local Government (Water Services) Act 2025, s 91.

**Table 5.5 Summary of our proposed ID requirements for pricing with example performance questions**

Summary of ID requirements	Example performance questions
All standard prices, fees, and charges	<ul style="list-style-type: none"> <li>• How does the price I pay compare to other regulated suppliers?</li> <li>• Are different prices charged for different locations, or does everyone pay the same price?</li> <li>• What is the structure of charges, or the rates component?</li> <li>• How does the regulated supplier decide on charges for new connections?</li> </ul>
Approach to funding growth, including how regulated suppliers set charges related to new connections	
Non-standard prices, fees, and charges	

- 5.53 This disclosure of information on pricing that we are proposing would also be supported by our proposed requirements for revenue. We are proposing to require revenue information to be broken down by each disclosed charge. More information on our proposed requirements for information on revenue is in para 5.28-5.31.
- 5.54 We are not currently proposing to require a full explanation of each regulated supplier’s pricing structure (known as pricing methodologies) like we do for other sectors that we regulate under Part 4 of the Commerce Act. However, we may consider adding a requirement like that in the future if we find that the information that is otherwise made public is not sufficient for stakeholders to understand how prices are set.
- 5.55 Our Explanatory Paper (see Chapter 3) provides further information on charges payable by consumers and regulated suppliers’ approach to funding growth, including a question we are seeking stakeholder feedback on.

## Financial sustainability indicators

### Ngā tohu whakauka ahumoni

#### Why is this important?

- 5.56 As outlined in para 3.25-3.30, understanding whether regulated suppliers are financially sustainable or not, is a key focus of our proposed ID requirements. There are a range of ‘financial indicators’ that can support stakeholders in assessing financial sustainability. These include metrics and financial ratios such as the net debt to revenue ratio.



### **What information is needed to better understand performance?**

- 5.57 We think that there is the potential that stakeholders will not have good enough information available to easily assess (and compare) if regulated suppliers are financially sustainable now and in the future. While the LGWS Act requires regulated suppliers to demonstrate compliance with the financial sustainability principle in their accountability documents, it does not mandate specific metrics or ratios, which means regulated suppliers may choose different approaches.<sup>61</sup>
- 5.58 The water services delivery plans will include information on financial sustainability (including specific metrics and ratios), but these plans are one-off (or published only every five years in the case of in-house council models), so stakeholders will not have access to updated information after those plans are published in late 2025.<sup>62</sup> The template for the water services delivery plans also did not give specific definitions for some of the terms relevant for financial sustainability. This means it could be difficult to compare between regulated suppliers as they may have interpreted the requirements differently.

### **What information will be required under our proposed ID requirements and why?**

- 5.59 We are proposing that regulated suppliers publish a range of information (including metrics and financial ratios) to help demonstrate whether they are financially sustainable. This information is important as it will help stakeholders to assess whether regulated suppliers are operating in a way that means they can achieve the required long-term investment in regulated services while meeting all relevant regulatory requirements and Treaty settlement obligations.
- 5.60 Our proposed financial sustainability indicators include metrics and ratios from the water services delivery plans. Where necessary, we have further defined these so that they should be consistently calculated between regulated suppliers. This should support stakeholders to compare across regulated suppliers.
- 5.61 Table 5.6 summarises our ID requirements relating to financial sustainability indicators and gives examples of some of the key questions that this information can help to answer.

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<sup>61</sup> Local Government (Water Services) Act 2025, s 18(2).

<sup>62</sup> Local Government (Water Services) Act 2025, s 76-83.

**Table 5.6 Summary of our proposed ID requirements for financial sustainability indicators with example performance questions**

Summary of ID requirements	Example performance questions
<p>Investment indicator:</p> <ul style="list-style-type: none"> <li>Asset consumption ratio</li> </ul> <p>Revenue indicators:</p> <ul style="list-style-type: none"> <li>Average household charges—on its own and as a proportion of household income</li> <li>Operating surplus ratio and operating cash ratio</li> <li>Total revenue from charges and rates</li> </ul> <p>Financing indicators:</p> <ul style="list-style-type: none"> <li>Net debt</li> <li>Debt to revenue ratio</li> <li>Headroom or shortfall against borrowing limit</li> <li>Free funds from operations to debt ratio</li> </ul>	<ul style="list-style-type: none"> <li>Is planned revenue sufficient to cover the costs of the regulated service, including enabling necessary investment?</li> <li>Is the regulated supplier investing sufficiently to replace ageing assets?</li> <li>Will the regulated supplier have the ability to service its debt?</li> </ul>

5.62 Our Explanatory Paper (see Chapter 3) provides further information on indicators for investment, revenue and funding, and financing, including questions we are seeking stakeholder feedback on.

## Ring-fencing and related parties

Te wehewehe me te hunga e pā mai

### Why is this important?

5.63 Regulated suppliers may have financial or organisational ties with other groups, such as related companies or other parts of their own council, that could influence the decisions they make. If these relationships are not able to be scrutinised, there is a risk that money collected from customers might not be fully spent on providing regulated services, or that customers are not getting the best value for money.

5.64 This is particularly true in areas where there could be competing incentives, such as:

- > A council-controlled organisation (**CCO**) supplier paying dividends to its parent council(s)—there could be an incentive to pay a higher dividend at the expense of investment in regulated services.
- > A council deciding how much of its debt to allocate to a new CCO water organisation—there could be an incentive to over-allocate debt to the water organisation to reduce the council’s financing costs.

- > An in-house council water business unit paying another council business unit for call centre services—there could be an incentive for the water business unit to pay more than their fair share of the call centre service to keep other council rates down.
- > A CCO supplier providing non-water services to its parent council—there could be an incentive for these to be provided for free or at below market rates, with water customers paying the difference.

### What information is needed to better understand performance?

5.65 We consider that, even with the reporting requirements under the LGWS Act, there is a risk stakeholders will not be able to fully see where competing interests may be influencing a regulated supplier's financial decisions. These decisions may not be consistent with sustainable arm's-length terms, not be in the long-term interest of consumers, or be inconsistent with the ring-fencing principle. For example:

- > **Approach to dividends**—regulated suppliers are required to publish their allowed dividend for the upcoming year (where relevant), but not their longer-term dividend policy (on how they decide what dividend will be paid and when).<sup>63</sup>
- > **Ring-fencing compliance**—all accountability documents must demonstrate compliance with the ring-fencing principles but there is not an explicit requirement to clearly articulate how they have done this.<sup>64</sup> For example, they are not required to specifically identify how they have allocated shared costs between water services and other services they might provide, for instance in the case of a council, services such as parks and roading.
- > **Approach to transactions within an entity**—reporting required under the LGWS Act daylight transactions between related parties that are separate entities. However, regulated suppliers do not have to reveal transactions that are within an entity, but are outside of the regulated services part of the entity (for example, payments from a water department to the broader council).
- > **Approach to initial debt allocation**—while a transfer agreement will outline the liabilities (such as debt) being passed on to another regulated supplier, it is not required to disclose the methodology used to calculate those liabilities. This lack of transparency poses a risk that the calculations may not align with the long-term interests of consumers of regulated services.

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<sup>63</sup> Local Government (Water Services) Act 2025, sch 4 cl 3.

<sup>64</sup> Local Government (Water Services) Act 2025, s 18(2).

## **What information will be required under our proposed ID requirements and why?**

- 5.66 We propose that regulated suppliers publish a range of information annually on related party transactions (including within an organisation where relevant), the allocation of shared debt and assets to regulated services, the allocation of costs and revenue to regulated services, dividends policies, and an explanation of how a regulated supplier has met the ring-fencing principle.
- 5.67 This information should give stakeholders more information to understand whether regulated suppliers are acting consistently with the ring-fencing principle. For a council that provides regulated services to its community in-house for example, stakeholders should be able to see whether any payments from the regulated service part of the council to the rest of the council are reasonable.
- 5.68 Regarding the allocation of costs to regulated services, we propose that regulated suppliers will have to publish detailed breakdowns and explanations as to how they have allocated shared costs between regulated services and other activities. This is important, especially in areas where there might be assets (such as vehicles or buildings) that are acquired and used to provide more than just a regulated service. For example, an office building may house water staff, and also those from the wider council. This cost allocation information should help stakeholders to assess whether customers of the regulated services are only paying their fair share of shared costs.
- 5.69 We are also proposing ID requirements about relevant decisions regulated suppliers have made whenever responsibilities for regulated services are transferred to a different regulated supplier.
- 5.70 This includes an explanation of how any decisions were made to allocate any debt or assets to the new regulated supplier, and a copy of any confidential version of a transfer agreement (provided to the Commission only, not published).
- 5.71 This information should help to daylight the decisions being made through the establishment process and provide further incentive for regulated suppliers to make decisions that are in the long-term interests of their consumers (such as allocating an appropriate amount of debt to regulated services).
- 5.72 Table 5.7 summarises our ID requirements relating to ring-fencing and related parties and gives examples of some of the key questions that this information can help to answer.

**Table 5.7 Summary of our proposed ID requirements for ring-fencing and related parties with example performance questions**

Summary of ID requirements	Example performance questions
Statement and explanation of consistency with the principle of ring-fencing including any planned changes in approach	<ul style="list-style-type: none"> <li>• Are revenues from providing regulated services being spent on regulated services?</li> <li>• What is the regulated supplier's approach to paying dividends to its shareholders?</li> <li>• What plans does the regulated supplier have to make changes to its approach to ring-fencing?</li> <li>• Are the regulated supplier's costs higher or lower than are sustainable, or, than necessary, due to its arrangements with related parties?</li> <li>• To what extent does the regulated supplier engage in transactions with related parties at a price or terms that aren't consistent with those that would be agreed with non-related parties?</li> <li>• Are the costs of shared assets being fairly allocated to the regulated services?</li> </ul>
Details of any transactions with related parties if the price and terms are not the same as would be set for non-related parties	
Diagram showing relationship with related parties	
Cost allocation and revenue allocation	
Explanation of how debt and asset value is allocated to a new organisation when regulated services are transferred to a new organisation	
Confidential version of any transfer agreements	
Explanation of how shared debt and assets are allocated between the regulated services part of an entity and the rest of an entity	
Dividend policy	

- 5.73 These requirements are focused on transparency and providing an incentive for the regulated suppliers to take reasonable actions. If the information suggests that a regulated supplier's actions are not reasonable, then there are a range of actions that we can take.<sup>65</sup>
- 5.74 At this stage, we are not prescribing a particular methodology for allocating costs to regulated services, we are simply interested in how regulated suppliers are allocating costs currently. However, we may revise this approach in future and introduce prescribed cost allocation methodologies.
- 5.75 Our Explanatory Paper (see Chapter 3) provides further information on related party transactions, ring-fencing, dividends and allocation of liabilities and assets, including questions we are seeking specific stakeholder feedback on.

<sup>65</sup> Commerce Act 1986, sch 7 cl 3.

## Chapter 6 How it works in practice

### Ngā tikanga whakahaere

6.1 This chapter describes some of our key proposed ID requirements and sets out how the determination would work in practice including:

- > which services and suppliers our proposed ID requirements will apply to
- > when regulated suppliers must publish the information
- > how regulated suppliers must assure the quality of the information
- > how regulated suppliers must publish the information
- > what information can be kept confidential, and
- > how we monitor and enforce the requirements.

### Which suppliers and services our proposed ID requirements will apply to

Ko ngā kaituku me ngā ratonga ka pāngia e ā mātou herenga ID

6.2 In general, our proposed ID requirements would apply to regulated suppliers as suppliers of regulated services where:

- > **Regulated services**—are water supply services and wastewater services that are supplied by a decision-making local government water service supplier (ie, a local government water service supplier that makes decisions about expenditure and/or charging and revenue in respect of the service).<sup>66</sup>
- > **Regulated suppliers**—are decision-making local government water service suppliers.<sup>67</sup>

6.3 We are also proposing that regulated suppliers will have to notify us if they become, or are going to stop being, a regulated supplier. This is so that we know who is regulated at any point in time, given the likely changing organisational arrangements.

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<sup>66</sup> Commerce Act 1886, s 57D.

<sup>67</sup> Commerce Act 1986, s 57D.

- 6.4 We are proposing not to tailor our ID requirements to different regulated suppliers, or groups of regulated suppliers, other than for a split decision-making model (as outlined below). This is because at this stage, we think that they are appropriate for all regulated suppliers, however we are still building an understanding of the sector. As outlined in the ‘how to have your say’ section, we welcome feedback on this approach, and whether there are any ID requirements we should consider applying only to certain regulated suppliers (based on scale, complexity or the risks they manage).<sup>68</sup>

### Split decision-making model

- 6.5 Under a ‘split decision-making model’, there may be more than one regulated supplier in relation to the same regulated service(s).<sup>69</sup> In this situation, all regulated suppliers would be subject to our ID requirements. For example, both a ‘parent’ council (that makes decisions on revenue) and its council-controlled water organisation (that makes decisions on expenditure) would be required to meet all our proposed ID requirements for the regulated service(s). However, we have a proposed ID requirement that would exempt one of the regulated suppliers from providing the relevant information if the other regulated supplier has already provided this information. This means that the regulated suppliers under a split decision-making model would be able to coordinate such that only one of them is required to disclose the information.

- 6.6 We are also proposing that regulated suppliers in a split decision-making model would have to publish the following:

- > **Consolidated information**—across the regulated service(s) and at an aggregated regulated services level. This is to ensure that there is a comprehensive set of information available to stakeholders, in respect of those regulated services. A consolidated disclosure will prevent the potential issue where regulated suppliers disclose transactions with each other. This could result in information which is misleading to stakeholders, such as double counting some transactions if the different disclosures are simply added together without appropriate adjustments to remove the effect of inter-entity transactions.
- > **Geographical disaggregation**—information for individual council service areas. This aims to improve transparency and help stakeholders assess whether the Part 4 purpose is being met, given that council-specific decisions may lead to performance differences across service areas. Our Explanatory Paper (see Chapter 4) provides further information geographic disaggregation, including questions we are seeking stakeholder feedback on.

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<sup>68</sup> Commerce Act 1986, sch 7 cl 6(2).

<sup>69</sup> A split decision-making model means an arrangement for providing water services where a local government water service supplier makes 1 or more, but not all, decisions about capital and operating expenditure on a regulated water service or the level of charges or revenue recovery for a regulated water service. See Commerce Act 1986, sch 7 cl 2(1).

## When regulated suppliers must publish the information

### Te wā tika mā kaituku waeture hei whakaputa pārongo

6.7 The Draft Determination requires regulated suppliers to publish different types of information at different times. Table 6.1 sets out the frequency regulated suppliers would have to publish information, and the start date for doing so.

**Table 6.1 When regulated suppliers would be required to publish the information**

Frequency and start date	Relevant ID requirements	Key reasons
<b>Ongoing within 5, 10 or 30 working days—immediate start</b>	Transfer agreement	Provide transparency of the decisions being made through transfers as soon as possible
	Value of assets and liabilities transferred	
	Date of becoming or ceasing to be a regulated supplier	Regulated suppliers should already have the information readily available
		Facilitate compliance monitoring
<b>Ongoing within 10 working days—starting 30 June 2026</b>	Changes to dividends policy	Information stakeholders should have immediate access to when updates are made
	Changes to policy for funding growth	
	Information about charges	Gives regulated suppliers time to prepare their systems and processes
<b>Annually on or before 30 June—starting 30 June 2027</b>	10 year forecast financial information	Aligns with LGWS Act water services strategy and water services annual budget
	IDP—updates to align with water services annual budget (in the years an IDP is not published)	
<b>Annually on or before 30 November—starting 30 November 2027</b>	Previous financial year actual information	Provides five months from the end of the financial year to allow for auditing where needed
<b>Annually on or before 30 November—starting 30 November 2028</b>	Annual delivery report	Aligns with disclosure of actual information
		First report will cover 2026-2027 which aligns with the first AMP and IDP



Frequency and start date	Relevant ID requirements	Key reasons
<b>Annually in a water services annual report<sup>70</sup></b>	Asset values – network asset values roll-forward  Asset values – carrying value of work in progress  Asset values – capitalised borrowing costs	Build upon the disclosures already provided in the notes to the financial statements in regulated suppliers' water services annual reports
<b>On or before the date a water services strategy is adopted (generally every three years)—starting 30 June 2027</b>	30-year forecast capital expenditure  AMP  IDP	To give stakeholders a clear line of sight between the water services strategy and the more detailed information published through our ID requirements.  Gives regulated suppliers time to prepare the information for the first time.
<b>On or before the date a water services strategy is adopted (generally every three years) for the first two, then reducing to every second water service strategy – starting 30 June 2027</b>	SAMP	Aligns with the AMP requirements, but since this is a strategic document and it is less likely to change once a regulated supplier has bedded in its asset management approach, the timing reduces to every second water services strategy (generally every six years).

## How suppliers must assure the quality of the information

### Ngā tikanga whakatūturu kounga mā te kaituku

- 6.8 Table 6.2 sets out the different types of assurance regulated suppliers would have to carry out on the different types of information they provide through ID.

<sup>70</sup> However, under cl 5.1(2) of the Draft Determination, if a regulated supplier is not required to prepare a water services annual report for a financial year, they would be required to disclose the specified information with their information disclosures under cl 3.2 of the Draft Determination.

**Table 6.2 Proposed assurance requirements**

Type of assurance	What it is	What information it applies to
<b>Assurance report</b>	<p>An independent auditor's opinion on whether a regulated supplier's disclosed information is sourced and accurately compiled from proper records, complies with regulatory requirements, and highlights any key audit matters identified during the audit.</p> <p>The OAG is the auditor for all regulated suppliers.<sup>71</sup></p>	Actual (historical) quantitative data and related supporting information.
<b>Director's certificate</b>	<p>A certificate signed by two directors (or councillors for an in-house council model) that confirms, to the best of the directors' knowledge after making reasonable enquiries, that the disclosed information:</p> <ul style="list-style-type: none"> <li>• complies with regulatory requirements; and</li> <li>• in respect of historical information, is properly extracted from the entity's accounting and other records, and sufficient appropriate records have been obtained; and</li> <li>• in respect of forecasts, is based on objective and reasonable assumptions that align with the entity's water services strategy, and has been measured on a basis consistent with regulatory requirements or recognised industry standards.</li> </ul>	<p>Actual (historical) and forecast quantitative data and related supporting information</p> <p>Qualitative information and forecasts including SAMP, AMP, IDP and ADR.</p>

6.9 We are proposing to include these assurance requirements to ensure that the published information is an accurate reflection of the performance of the regulated suppliers. Having access to reliable data is essential for stakeholders to be able to analyse performance and compare different regulated suppliers. Our proposed assurance requirements should help to build stakeholder confidence in the data.

6.10 The audit process can also help highlight areas for improvements to internal processes for regulated suppliers. The Auditor-General is the auditor for regulated suppliers, and the OAG may also use information from audits to make insights into supplier practices.<sup>72</sup>

<sup>71</sup> Commerce Act 1986, sch 7 cl 6(5).

<sup>72</sup> Commerce Act 1986, sch 7 cl 6(5).

- 6.11 We are proposing certification from two individuals (rather than one) which is consistent with ID regulation in other sectors.
- 6.12 We acknowledge that assurance activities will incur some additional costs and that stakeholders are concerned about this.<sup>73</sup> We consider that the benefits justify the level of assurance proposed. There are also potential synergies with other OAG audits, which could reduce costs, and the timeline (disclosures not being required until late 2027) provides sufficient time for suppliers and OAG to prepare.
- 6.13 Although we considered also requiring verification of regulated suppliers' disclosures under some ID requirements (that is, where an independent expert reviews the disclosed information to assess how reasonable and robust it is), we decided not to include this obligation at this stage given the potential costs involved and the newness of the regime. However, we may revisit this in the future, noting that the Infrastructure Commission recommended that suppliers should undertake independently verified asset management maturity assessments.<sup>74</sup>
- 6.14 Our Explanatory Paper (see Chapter 4) provides further information on assurance, including questions we are seeking stakeholder feedback on.

## How regulated suppliers must publish the information

### Te huarahi whakaputa pārongo mā te kaituku

- 6.15 The Draft Determination requires regulated suppliers to publish the information on their website and also make copies available in person or by post. The information would be required in the following formats:
- > A text-searchable format (eg, Word or PDF)—all information.
  - > An easily accessible tabular form in a commonly used electronic file type (for example, a CSV or XLSX file).
- 6.16 We decided not to include a mandatory Excel template for regulated suppliers to fill in as part of the Draft Determination. Instead, we intend to develop a voluntary template over the next year to support regulated suppliers in presenting the required information. This is because we want to have flexibility to be able to alter the voluntary template as required.

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<sup>73</sup> This is noted in Commerce Commission “Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses” (28 May 2025), see [here](#).

<sup>74</sup> New Zealand Infrastructure Commission/Te Waihanga “[Taking care of tomorrow today: Asset Management State of Play](#)” (November 2024), p. 14.

- 6.17 We note that some submissions on our ID Discussion Paper suggested the use of a data submission portal, perhaps at a later stage. We can see some benefit in a portal, but at least initially, we intend to issue Excel-based templates because we will be able to develop these more quickly and easily, as well as being able to adapt them more easily to changes in the future as needed. In addition to these advantages, Excel-based templates are simple and practical, while adequately serving the purpose for regulated suppliers, the Commission, and other stakeholders.

## **What information can be kept confidential**

### **Ko ngā momo pārongo ka noho matatapu**

- 6.18 In general, the Draft Determination requires regulated suppliers to publish (on their website) all the information covered in the Draft Determination. However, the following information is allowed to remain confidential and be provided only to the Commission:
- > cybersecurity
  - > unredacted version of any transfer agreement, and
  - > information to support us to monitor compliance with ID requirements, such as cost allocation methodologies.
- 6.19 We made this decision because the purpose of the ID regime is to allow stakeholders to assess performance, which requires them to be able to access the information. So, our starting point is that regulated suppliers' information should be publicly accessible.
- 6.20 However, we recognise that the information outlined above is likely to be considered confidential or commercially sensitive, or is required to support our assessment of the regulated suppliers' compliance with disclosure requirements rather than their performance. So, it could be risky or unnecessary for regulated suppliers to publicly disclose this information. Feedback in submissions on our ID Discussion Paper were highly supportive of the transparency that would be created by ID requirements, so we have a high threshold for what we have proposed to be able to be provided to the Commission only.<sup>75</sup>
- 6.21 If a regulated supplier considers that other information they are required to publish is also confidential or commercially sensitive, they can also apply for an exemption on those grounds.<sup>76</sup>
- 6.22 Our Explanatory Paper (see Chapter 4) provides further information on confidential information, including a question we are seeking stakeholder feedback on.

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<sup>75</sup> Commerce Commission "Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses" (28 May 2025), see [here](#).

<sup>76</sup> Commerce Act 1986, s 53ZG.

## How we monitor and enforce the requirements

### Ko ā mātou tikanga hei aroturuki, hei whakaū hoki i ngā herenga

- 6.23 We expect regulated suppliers to comply with our ID requirements. To enable this, once we finalise our ID requirements, we intend to provide clear guidance and support to help regulated suppliers implement them effectively. Our goal is to ensure a smooth transition and build capability across the sector. This guidance and support may include:
- > holding webinars on the ID requirements (once finalised)
  - > meeting directly with individual regulated suppliers to answer questions, and
  - > keeping a questions and clarifications register on our website.
- 6.24 We will monitor compliance by checking the information regulated suppliers publish (and provide to us) meets our ID requirements, and by asking regulated suppliers to provide further statements or information if needed.
- 6.25 If regulated suppliers are not complying, we will consider taking appropriate enforcement action. Our enforcement tools include the following:<sup>77</sup>
- > **Compliance advice letters**—aims to inform and encourage voluntary compliance, not a legal finding.
  - > **Warning letters**—state the Commission’s view that a breach has likely occurred. Used to deter future non-compliance and educate both the recipient and the public. Not a legal determination.
  - > **Agreed outcomes, including negotiated settlements and enforceable undertakings**—agreed enforcement outcomes to address non-compliance, typically without litigation. May include agreement to carry out corrective actions, or binding commitments to change behaviour.
  - > **Court proceedings (civil or criminal)**—may involve injunctions and result in penalties or compensation. Only courts can determine legal breaches.
- 6.26 In addition to our enforcement powers, the Minister of Local Government also has powers to intervene if there is a significant or persistent failure by a regulated supplier to comply with Part 4 of the Commerce Act.<sup>78</sup>

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<sup>77</sup> Our enforcement powers are set out in our Draft Regulatory Framework Paper, see [here](#). We can take enforcement action against an individual or an entity. We follow our enforcement guidelines set out on the Commerce Commission “[Enforcement Response Guidelines](#)” webpage.

<sup>78</sup> Local Government Act 2002, s 256.

### **We may issue exemptions in limited circumstances**

- 6.27 The Draft Determination would give us the power to issue exemptions to regulated suppliers (or groups of regulated suppliers). Regulated suppliers could apply to the Commission to be exempt from meeting certain ID requirements. This could be done, for example, when despite reasonable efforts, a regulated supplier is unable to meet the requirement at first (perhaps if more time is needed to develop the relevant systems and practices).
- 6.28 We can place conditions on our exemptions that the relevant regulated supplier(s) must meet. For example, the regulated supplier may have to put in place the relevant systems to meet the ID requirements by a certain date.

# Attachment A – How to read the Draft Determination

## What is the Draft Determination?

- A.1 The Draft Determination is a draft of the legal document that will (once finalised) set out the ID requirements (or rules) that will apply to all regulated suppliers of regulated services. We make these rules under specific parts of the Commerce Act 1986.
- A.2 The Draft Determination (once finalised) will establish legally enforceable obligations. It is important that you understand these obligations and how they may apply to you. This section is a guide and does not replace legal advice.
- A.3 The Draft Determination is made up of seven parts (Parts 1 – 7) and five schedules (Schedules A - E).
- A.4 As described in the ‘how to have your say’ section, we have grouped our proposed ID requirements into two categories in the Draft Determination to make feedback easier:
- > **Basic disclosures**—information that we think is essential to support a basic understanding of our initial focus areas (asset management, financial sustainability and ring-fencing), and to identify issues that may need further scrutiny.
  - > **Additional disclosures** (shaded grey)—information that would provide deeper insight. We are considering not including these in our first set of ID requirements (and potentially introducing them later as sector capability improves), only applying them to certain regulated suppliers where needed, or giving all or some regulated suppliers more time to comply (eg, a delayed start). We are interested in your views on these options.

## Part 1 General provisions

- A.5 Part 1 is where you will find preliminary matters of the determination and it is where you will find things like application of the determination, key definitions and rules of how to interpret some of what you will find in the determination. Understanding them (especially the definitions and rules of interpretation) is key to making sense of the ID requirements.
- A.6 When reading a clause in other parts of the determination, it is a good idea to check back to Part 1 if you are unsure about whether you are reading a requirement correctly or if you are unsure about the meaning of something in a particular requirement.

## Part 2 Information disclosure requirements

- A.7 Part 2 sets the scene for the more detailed requirements that you will find in later parts and schedules of the determination and it is where you will find who has to disclose information, the information that must be disclosed and how some information can be presented.

- A.8 When reading through Part 2, it is important to note that it is not the only place you will find ID requirements as our proposed ID requirements can be found in the other parts and schedules of the determination.

### **Part 3 Periodic disclosure requirements and Part 4 Occasional disclosure requirements**

- A.9 Parts 3 and 4 set out when different types of information must be disclosed. These are split into annual disclosures, periodic disclosures, and occasional disclosures.

### **Part 5 Information to be disclosed in a water services annual report**

- A.10 Part 5 deals with slightly different kinds of disclosure because this part specifies certain information which must be disclosed in a water services annual report. When reading clauses in this part, you will notice that they often refer to specific clauses in other parts and schedules and so these are important cues to check what information is required in those other clauses.

### **Part 6 Financial matters**

- A.11 Part 6 sets out the detailed requirements for financial disclosures. You will also find some clause-specific definitions that apply only within individual clauses to clarify how certain words or terms should be interpreted. As with other parts, keep an eye out for cross-references to other clauses and schedules as some of these things may affect what regulated suppliers have to do under this part. This also includes checking back on Part 1 on the additional requirements relating to money as it may be relevant to the requirement you are interested in.

### **Part 7 Audit and assurance**

- A.12 Part 7 is the final part of the main body of the determination and sets out when regulated suppliers will need to provide an assurance report and a director's certificate, which are things which assure the quality of the information being disclosed.
- A.13 Not all information needs assurance so it is important to check against the types of information requiring assurance. Where disclosed information requires a director's certificate, the form required can be found in Schedules D or E.

### **The schedules**

- A.14 The schedules are where you will find practical details about what needs to be disclosed. Schedule clauses are numbered differently from those in the main parts and use the schedule letter as a prefix. Where the parts tell you what information needs to be disclosed, the schedules provide more details on how to do it including the structure, categories and breakdowns you are expected to use.



- A.15 As you go through the determination, you will also find in some clauses the words “despite clause” or “despite paragraph”. These phrases indicate that the determination is making an exception to the rule. It means even though that other clause or paragraph says one thing, this applies instead.
- A.16 If on reading the different parts and schedules, you come across something in a schedule that does not match up with something in a part, the part will overrule the schedule but only in the areas that do not match up. This means that for any areas that do not match up, the content in a part takes priority.

### Detailed summary tables of ID requirements

- A.17 We have created tables that provide more details of our proposed ID requirements. Each table includes a short description of what is covered under each topic and points you to the relevant sections in the Draft Determination. In some cases, the requirements are spelled out directly in specific parts of the Draft Determination but in others they are woven into broader provisions that span multiple clauses. The tables are meant to be a guide only and are not a substitute for reading the full Draft Determination or the relevant parts of the Draft Determination.
- A.18 We have summarised the proposed ID requirements for asset management in Table A.1

**Table A.1 Asset management ID requirements in the Draft Determination**

Topic	Draft Determination reference	
Strategic Asset Management Plan	Periodic disclosure	Clause 3.4
	Minimum requirements	Schedule C, clauses C1–C5
Asset Management Plan	Periodic disclosure	Clause 3.5
	Minimum requirements	Schedule C, clauses C6–C15
Investment and delivery plans	Periodic disclosure	Clause 3.6
	Minimum requirements	Schedule C, clauses C16–C19
Annual delivery report	Annual disclosure	Clause 3.7
	Minimum requirements	Schedule C, clauses C20–C23

- A.19 We have summarised the proposed ID requirements for financial information in Table A.2.

**Table A.2 Financial ID requirements in the Draft Determination**

<b>Topic</b>	<b>Draft Determination reference</b>	
<i>Preliminary matters</i>	Forecast amounts to be in nominal NZ dollars	Clause 1.8
	Amounts to be GST exclusive	Clause 1.9
<b>Expenditure</b> Capital expenditure	Annual disclosure requirements for forecast and actual information	Clauses 3.1-3.2
	Periodic disclosure requirements for 30-year forecast information	Clause 3.3
	Detailed disclosure requirements on capex	Clauses 6.15-6.21
	Capex categories and components	Schedule B, clauses B4-B6
<b>Expenditure</b> Operating expenditure	Annual disclosure requirements for forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements on opex	Clauses 6.7–6.11
	Opex categories and components	Schedule B, clauses B1–B3
<b>Expenditure</b> Depreciation	Annual disclosure requirements for forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements on depreciation	Clause 6.12
<b>Expenditure</b> Financing costs	Annual disclosure requirements for forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements on financing costs	Clause 6.13
<b>Expenditure</b> Impairment of network and non-network assets	Annual disclosure requirements for actual information	Clause 3.2
	Detailed disclosure requirements on impairment of network and non-network assets	Clause 6.14
<b>Expenditure</b> Changes to entities	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements on changes to entities	Clause 6.26
<b>Asset values</b>	Detailed disclosure requirements for asset values: Disclosure in water services annual reports	Clause 5.1
	Detailed disclosure requirements on asset values	Clauses 5.2- 5.4

Topic	Draft Determination reference	
<b>Vested assets</b> Value of vested assets	Annual disclosure requirements for actual information	Clause 3.2
	Detailed disclosure requirements on value of vested assets	Clause 6.22
<b>Actual revenue and other income</b>	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements on actual revenue and other income	Clauses 6.1-6.5
	Detailed disclosure requirements on IFF levies	Clause 6.6
<b>Allocation of revenue and funding</b>	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements	Clause 6.24
<b>Financing and funding arrangements</b>	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements on financing and funding arrangements	Clause 6.36
<b>Pricing</b>	Detailed disclosure requirements on information about charges	Clause 4.8
	Detailed disclosure requirements for content of information about charges, IFF levies, and development contributions	Clause 4.9 – 4.10
	Detailed disclosure requirements for policy for funding growth	Clause 4.7
<b>Ring-fencing and related parties</b> Related party transactions	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements for related party transactions	Clause 6.27
<b>Ring-fencing and related parties</b> Ring-fencing of revenue	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements for ring-fencing of revenue	Clause 6.28
<b>Ring-fencing and related parties</b> Cost allocation	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements for cost allocation	Clause 6.23
<b>Ring-fencing and related parties</b> Dividends	Detailed disclosure requirements for dividends policy	Clause 4.6

Topic	Draft Determination reference	
<b>Ring-fencing and related parties</b> Establishment (or change) of new organisation	Disclosure of transfer agreements	Clause 4.1
	Disclosure of information on the value of transferred assets and liabilities	Clause 4.2
	Disclosure stating the date that an entity becomes or ceases to be a regulated supplier	Clauses 4.3–4.4
	Disclosure relating to a regulated supplier taking over the drinking water supply from another provider	Clause 4.5
<b>Ring-fencing and related parties</b> Allocation of assets and liabilities	Annual disclosure requirements of actual information	Clause 3.2
	Detailed disclosure requirements for allocation of assets and liabilities	Clause 6.25
<b>Financial sustainability indicators</b> Investment indicators	Annual disclosure requirements for forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements for investment indicators	Clauses 6.29, 6.34-6.35
<b>Financial sustainability indicators</b> Revenue and funding indicators	Annual disclosure requirements of forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements for revenue and funding indicators	Clauses 6.30-6.32, 6.34-6.35
<b>Financial sustainability indicators</b> Financing indicators	Annual disclosure requirements of forecast and actual information	Clauses 3.1-3.2
	Detailed disclosure requirements for financing indicators	Clauses 6.33, 6.34-6.35

A.20 We have summarised the proposed requirements for implementation settings in Table A.3.

**Table A.3 Implementation settings ID requirements in the Draft Determination**

Topic	Draft Determination reference	
Who is regulated	Regulated suppliers	Clause 1.6
What is regulated	Regulated services	Clause 1.6
Timing	Annual disclosure of forecast information due	Schedule A1
	Annual disclosure of actual information due	Schedule A2

Topic	Draft Determination reference	
	Periodic disclosure of forecast information due	Schedule A3
	Periodic disclosure of SAMP due	Schedule A4
	Periodic disclosure of AMP due	Schedule A5
	Periodic disclosure of IDP due	Schedule A6
	Periodic disclosure of ADR due	Schedule A7
	Occasional disclosure of transfer agreement due (for transfer agreements entered into before commencement of the determination)	Schedule A8
	Occasional disclosure of dividends policy, policy for funding growth and information about charges due	Schedule A9
Assurance	Assurance report requirements	Clause 7.1-7.2 Clause 2.9(4)(e)(i)
	Director's certificate requirements	Clause 7.3-7.4 Schedule D Schedule E Clause 2.9(4)(e)(ii)
Confidential disclosures	Requirement to disclose to the Commission only	Clause 2.5
	Commission-only disclosed information	Clause 1.7 (6) Clause 3.1(5) Clause 3.2(5) Clause 4.1(4) Clause 4.2(5) Clause 6.23(4) Clause 6.24(2) Clause 6.25(2)
Public disclosures	Requirement to publicly disclose	Clause 2.5
Retention of information	Requirement to retain	Clause 2.7
Exemptions	Process for exemptions	Clause 2.8
Form of disclosures	Format, mode and availability of disclosures	Clause 2.5
	Combined disclosures	Clause 2.6

## Attachment B – Basic disclosures vs additional disclosures

**Table A.4 Basic and additional disclosures relating to asset management information**

Basic disclosures:	Additional disclosures:
<b>Strategic asset management plan:</b> <ul style="list-style-type: none"> <li>• Asset management objectives</li> <li>• Approach to asset renewals</li> <li>• Asset renewal backlog</li> </ul>	<b>Strategic asset management plan:</b> <ul style="list-style-type: none"> <li>• Asset management framework</li> <li>• Risk management</li> <li>• Lifecycle asset management</li> <li>• Governance and organisation</li> </ul>
<b>Asset management plan:</b> <ul style="list-style-type: none"> <li>• Consumer information</li> <li>• Networks, assets and critical infrastructure</li> <li>• Performance indicators relating to assets</li> <li>• Asset enhancements and improvements</li> <li>• Network asset maintenance and renewals</li> <li>• Non-network assets</li> <li>• Risk and resilience</li> <li>• Asset management maturity and improvement planning</li> </ul>	<b>Asset management plan:</b> <ul style="list-style-type: none"> <li>• Consumer engagement and practices</li> <li>• Map(s) of critical assets</li> <li>• Integration of criticality into decision-making</li> <li>• Information management</li> <li>• Performance indicators relating to service provision</li> <li>• Interdependencies between maintenance and renewals</li> <li>• Innovation</li> </ul>
<b>Investment and delivery plan:</b> <ul style="list-style-type: none"> <li>• Prioritisation</li> <li>• Forecast investment</li> </ul>	<b>Investment and delivery plan:</b> <ul style="list-style-type: none"> <li>• Procurement, delivery and performance</li> </ul>
<b>Annual delivery report:</b> <ul style="list-style-type: none"> <li>• Asset management plan performance assessment</li> <li>• Investment and delivery plan performance assessment</li> <li>• Asset management improvement plan</li> </ul>	<b>Annual delivery report:</b> <ul style="list-style-type: none"> <li>• Delivery risks and benefits realisation for material projects and programmes</li> <li>• Supply chain performance and lessons learnt</li> </ul>

Note: To accommodate any changes to the ID requirements resulting from stakeholder feedback, we may have to reconsider the disclosure of the suite of asset management planning and reporting documents, including content, timing and potentially combining documents.

**Table A.5 Basic and additional disclosures relating to financial information**

Basic requirements:	Additional requirements:
<ul style="list-style-type: none"> <li>• General provisions, definitions, administration (Part 1, Schedule A, 2.1-2.3, 2.5, 2.7-2.9) <ul style="list-style-type: none"> <li>○ Annual forecast expenditure and financials (3.1)</li> </ul> </li> <li>• Forecasts in nominal terms (1.8)</li> <li>• Annual actual operating expenditure and variance from forecast (3.2, 6.7-6.8, 6.11) - categories are: <ul style="list-style-type: none"> <li>○ condition and performance assessments (network opex)</li> <li>○ planned maintenance including predictive maintenance (network opex)</li> <li>○ unplanned maintenance (network opex)</li> <li>○ other network opex</li> <li>○ non-network opex</li> </ul> </li> <li>• Annual actual capital expenditure and variance from forecast (6.15-6.17, 6.19-6.20)</li> <li>• Forecast of annual 30-year capex (3.3)</li> <li>• Capex components (6.18 / B6): <ul style="list-style-type: none"> <li>○ value of assets acquired under a lease</li> <li>○ consideration paid for vested assets</li> </ul> </li> <li>• Transfer agreement (4.1)</li> <li>• Value of assets and liabilities transferred (4.2)</li> <li>• Notifying changes to organisations, like ceasing to be a regulated supplier (4.3-4.5)</li> <li>• Dividends policy (4.6)</li> <li>• Policy for funding growth (4.6)</li> <li>• Current prices and charges faced by consumers (4.8-4.10) <ul style="list-style-type: none"> <li>• Total revenue (6.1)</li> </ul> </li> <li>• Revenue broken down by charge and associated demand/volume (6.2-6.4)</li> <li>• Other income, by type (6.5)</li> <li>• Value of vested assets (6.22)</li> </ul>	<ul style="list-style-type: none"> <li>• Disaggregation of reporting for split decision-making models to each council area (2.4)</li> <li>• Forecasting expenditure in real terms (3.1(4))</li> <li>• Asset values by specified classes and related detail (Part 5)</li> <li>• Further detail on other income (6.5(2)-6.5(3))</li> <li>• IFF (Infrastructure Funding and Financing Act) levies collected by the regulated supplier on behalf of the IFF special purpose vehicle (6.6)</li> <li>• Opex categories (6.8 / B1, 6.9 / B2) <ul style="list-style-type: none"> <li>○ more detailed breakdown</li> </ul> </li> <li>• Opex components (6.10 / B3)</li> <li>• Depreciation, financing costs, impairment of network and non-network assets (6.12-6.14)</li> <li>• Unit cost of renewals (6.21)</li> <li>• Expenditure on entity changes, eg, establishing a CCO (6.26)</li> <li>• Related party transactions on arm's-length terms (6.27(3))</li> <li>• Indicators for investment, revenue and funding, financing, and financial sustainability (note: stakeholders can likely calculate most indicators from other disclosed information) (6.29-6.35)</li> <li>• Capital expenditure component —cybersecurity (B6(c))</li> </ul>

**Basic requirements:****Additional requirements:**

- Cost allocation, revenue allocation, and asset and debt allocation (6.23-6.25)
- Related party transactions (6.27, except 6.27(3))
- Ring-fencing (6.28)
- Financing and funding arrangements (6.36)
- Audit and assurance (Part 7)
- Forecast of annual 30-year (3.3)



## Attachment C – Submission process

### How you can provide feedback

- A.21 Responses must be emailed to [wai@comcom.govt.nz](mailto:wai@comcom.govt.nz) with ['Feedback on Economic Regulation of Water Services – Information Disclosure – Draft decision'] in the subject line. Please say in your email that you consent to your submission being made public, or if not – why not (see the next section below).
- A.22 Please state whether you are submitting as an individual or on behalf of an organisation.
- A.23 To ensure we can consider your feedback, please provide this to us by **5pm on 20 October 2025**.
- A.24 We prefer submissions in both a format suitable for word processing (such as Microsoft Word document) as well as a 'locked' format (such as a PDF) for publication on our website. Please ensure that any submitted documents are not 'password protected'.

### Confidential submissions

- A.25 We intend to publish your feedback on our website to ensure our process is transparent. However, we understand that it is important to parties that confidential, commercially sensitive, or personal information (confidential information) is not disclosed, as disclosure could cause harm to the provider of the information or a third party.
- A.26 Where your feedback includes confidential information, we request that you provide us with a confidential and a public version. We propose publishing the public versions of your feedback on our website. We note that responsibility for ensuring that confidential information is not included in a public version rests on the party providing the feedback.
- A.27 Where confidential information is included in feedback:
  - A.27.1 the information should be clearly marked and highlighted in yellow, and
  - A.27.2 both confidential and public versions of feedback should be provided by the due date.
- A.28 All information we receive is subject to the principle of availability under the Official Information Act 1982 (**OIA**). There are several reasons that we may withhold information requested under the OIA from disclosure. This includes, most relevantly, where:
  - A.28.1 release would unreasonably prejudice the commercial position of the supplier or subject of the information
  - A.28.2 withholding the information is necessary to protect the privacy of natural persons, and

A.28.3 we received the information under an obligation of confidence, and if we were to make that information available it would prejudice the supply of similar information to us (by any person) where it is in the public interest that such information continues to be supplied to us.

A.29 We will not disclose any confidential or commercially sensitive information in a media statement, public report, or in response to a request, unless there is a countervailing public interest in doing so in a particular case. Such cases are likely to be rare and would be discussed with you in advance of any publication.

## **We have provided a template for submissions**

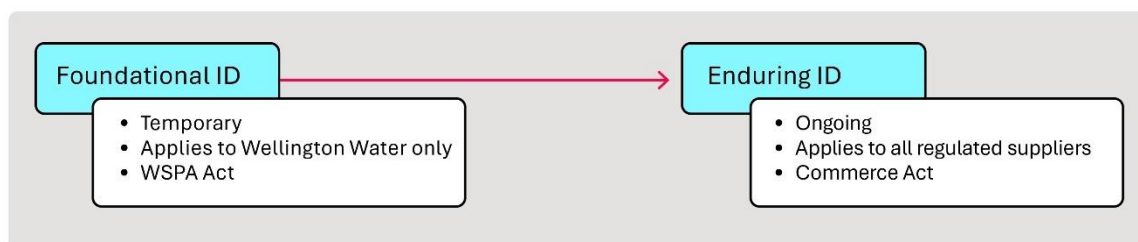
A.30 We have provided an optional submission template to make it easier for stakeholders to give feedback and to help us process responses more efficiently. While use of the template is not required, we encourage you to use it. You can download the submission template by accessing it [here](#).

## Attachment D – Relevant features of the Local Government (Water Services Preliminary Arrangements) Act 2024

### Foundational information disclosure

- A.31 Foundational ID is a transitional form of ID that only applies to ‘specified suppliers’ of water services, until the enduring ID regime is in place. In February 2025, we published a discussion paper outlining our potential approach to setting foundational ID requirements.<sup>79</sup> We sought feedback from stakeholders on that paper.<sup>80</sup> Stakeholder input has informed both the development of our foundational ID requirements and the enduring ID requirements discussed in this paper.
- A.32 We have already set foundational ID requirements for Wellington Water, which is the only specified supplier. We set foundational ID requirements that are targeted at problems specific to Wellington Water.<sup>81</sup>
- A.33 Now, we are moving to a broader, long-term system of ID, which will apply to more suppliers across the country.

**Figure A.1 Moving from foundational ID to enduring ID**



<sup>79</sup> Commerce Commission “Economic Regulation of Water Services – Information Disclosure – Discussion Paper” (12 February 2025), see [here](#).

Commerce Commission “Economic Regulation of Water Services – Information Disclosure Discussion Paper – Summary of Responses” (28 May 2025), see [here](#).

<sup>81</sup> *Water Services (Preliminary Arrangements) Act (Wellington Water Foundational Information Disclosure Determination 2025)* [2025] NZCC 18.

## Water services delivery plans

- A.34 Every council that provides water services must prepare a water services delivery plan by 3 September 2025. Water services delivery plans are a way for councils to demonstrate their commitment to deliver water services that meet regulatory requirements, support growth and urban development, and that are financially sustainable. These plans include information on performance, investment and financing.<sup>82</sup> Under the WSPA Act, these plans are one-off. However, under the LGWS Act, councils that keep water supply and/or wastewater services in-house will have to complete a water services delivery plan every five years.<sup>83</sup>
- A.35 The WSPA Act defines financially sustainable as ‘the revenue applied to the authority’s delivery of those water services is sufficient to ensure the authority’s long-term investment in delivering water services; and the authority is financially able to meet all regulatory standards and requirements for the authority’s delivery of those water services’.
- A.36 To assess whether a council’s water services delivery is financially sustainable, the water services delivery plan guidance asks councils to provide information about three components:<sup>84</sup>
- > **Revenue sufficiency**—is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
  - > **Investment sufficiency**—is the projected level of investment sufficient to meet regulatory requirements and provide for growth?
  - > **Financing sufficiency**—are funding and finance arrangements sufficient to meet investment requirements?
- A.37 We can use the information in these plans, alongside information disclosed in accordance with our ID requirements, to analyse performance.

## Interim regulation for Watercare

- A.38 The Government has appointed the Commission as the Crown monitor for the interim regulation of Watercare. The role of the Crown monitor is to monitor and report on Watercare’s performance against (and enforce compliance with) the Watercare Charter, which was made law in March 2025.<sup>85</sup> The Charter period started on 1 April 2025 and is expected to remain in place for three years, after which price-quality regulation will apply to Watercare.<sup>86</sup>

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<sup>82</sup> See Department of Internal Affairs “[Water Services Delivery Plans](#)” webpage.

<sup>83</sup> Local Government (Water Services) Act 2025, s 76-83.

<sup>84</sup> Department of Internal Affairs “[Guidance for preparing Water Services Delivery Plans](#)” (September 2024).

<sup>85</sup> Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025.

<sup>86</sup> Commerce Act 1986, sch 1AA cl 30.

- A.39 The Watercare Charter sets out minimum service quality standards and financial performance objectives for Watercare. It aims to ensure efficient, high-quality service delivery while protecting consumers from excessive price increases, and includes reporting requirements for infrastructure investment and operational efficiency (among other things).
- A.40 Under our proposed ID requirements, Watercare would temporarily be subject to both the Crown Monitor and enduring ID regimes until the Charter expires.