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COMMERCE COMMISSION NEW ZEALAND
Te Komihana Tauhokohoko

Which tool when

Our approach to applying our regulatory toolkit for water services

20 August 2026

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Chapter 1 What this paper is about

Purpose of this paper

Te pūtake o tēnei pepa

1.1 This paper:

1.1.1 outlines our ‘toolkit’ for regulating water services under Parts 4 and 4A of the Commerce Act (the **Act**), and

1.1.2 provides guidance on our approach to considering which regulatory tool to use when.

1.2 Over time, we expect to refine our guidance, based on learning and experience with the regime. This could include providing case studies of our ‘real-world’ application of the regulatory toolkit.

1.3 We would notify stakeholders if or when we republish this paper, and remain open to feedback and updates in the future. If you wish to provide feedback, email us at wai@comcom.govt.nz with the subject line “Which tool when: feedback”.

1.4 Alongside this paper, we have published a companion document, “Statutory criteria and processes for our regulation of water services”. That document summarises the key statutory processes and criteria we are required to apply in amending, adding, removing or extending requirements for regulating water services under Part 4 and Part 4A of the Act, and gives an overview of our general approach to compliance and enforcement.

Our role in the regulatory system for water services

Tō mātou kawenga i te pūnaha waeture mō ngā ratonga wai

1.5 We are the economic regulator for water services and also have complementary consumer protection powers for those services. What this means, in terms of our roles and functions in these areas, is set out in Parts 4 and 4A of the Act, which we expand on below.

1.6 Our role is one part of the broader regulatory system for water services in New Zealand, which includes various other agencies. These include:

1.6.1 the Water Services Authority—Taumata Arowai, whose role includes regulating the safety of drinking water, environmental performance of wastewater and stormwater services, and engineering design standards for water services networks, and

1.6.2 consenting authorities, such as regional councils, with responsibilities for sustainable resource management and resource consent requirements.

1.7 The Act recognises this wider context, by requiring us, in exercising our functions and powers under Parts 4 and 4A, to take into account duties owed by suppliers of water services under other legislation, instruments, or Treaty settlement obligations. Examples include drinking water quality standards, requirements to support and enable planning processes, growth, and housing and urban development.[1]

1.8 This does not mean we are required to give effect to suppliers' duties or obligations, or that we have a role in enforcing them. Suppliers remain responsible for understanding and complying with their own duties and obligations. However, those duties and obligations are among the factors we consider in assessing performance concerns and making decisions. How we take account of suppliers' duties and obligations will depend on the specific context. Approaches we can use to inform ourselves about relevant supplier obligations include information disclosure, engagement (eg, with mana whenua) and consultation on draft decisions.

1.9 We would also consider any relevant actions being taken by other regulators and would liaise with them where appropriate.

The regulatory regime for water services under Part 4 and Part 4A

Te tātai waeture mō ngā ratonga wai i raro i Wāhanga 4 me Wāhanga 4A

1.10 In August 2025, the Government introduced changes to Part 4 of the Act (**Part 4**) that established the Commerce Commission's enduring role as the economic regulator for water services. At the same time, the Government introduced a new Part 4A of the Act (**Part 4A**), providing the Commission with complementary consumer protection powers for water services.

[1] Sections 57S and 57ZW of the Commerce Act.

1.11 These changes were part of wider reform of water sector regulation, including organisational change for many water services providers, new planning and accountability requirements and more. We recognise the significant mahi of local government and water organisations in responding to the reform.

1.12 Economic regulation under Part 4, and consumer protection regulation under Part 4A of the Act initially apply to water supply and wastewater services provided by decision-making local government water service suppliers (**regulated suppliers**). The Act provides the option of extending this to other suppliers of water services, or to other water services (eg, stormwater services) if the Minister agrees.[2]

1.13 As regulator, our main concern is whether the statutory purposes in Part 4 and Part 4A of the Act are being promoted as effectively as they could be. These statutory purposes are:[3]

1.13.1 The purpose of Part 4 of the Act, which is to promote the long-term benefit of consumers, by promoting specified outcomes:[4]

1.13.1.1 that regulated suppliers have incentives to innovate and invest, to improve efficiency, and to provide services at a quality that reflects consumer demands

1.13.1.2 that those suppliers share the benefits of efficiency gains with consumers, including through lower prices, and

1.13.1.3 that those suppliers are limited in their ability to extract excessive profits.

1.13.2 The purpose of Part 4A, which is to provide for consumer protection by water services suppliers, including improvements in the quality of service provided to consumers by those suppliers, to reflect consumer demands.[5]

1.14 We have a flexible range of tools for regulating water services, some of which are available now, some that require the Minister's agreement before we can implement them.

[2] The companion paper "Statutory criteria and processes for our regulation of water services" (available on our website) sets out the process and criteria that would apply. The relevant Minister is the Minister responsible for the administration of the Commerce Act. At the time the water regulatory regime came into force, the relevant Minister was the Minister of Commerce and Consumer Affairs.
[3] We provide the full wording of these statutory purposes in the companion paper "Statutory criteria and processes for our regulation of water services" (available on our website).
[4] Section 52A(1).
[5] Section 57X.

1.15 This paper does not detail how we would implement the tools. The hypothetical examples we provide in chapters 4 and 5, of circumstances when we might apply these tools in practice, are illustrative only and do not prejudge future decisions. Where additional regulation is appropriate, we would tailor implementation to the relevant supplier(s), service(s), and other circumstances. We would consult with stakeholders on draft proposals before making final decisions.

1.16 In other infrastructure sectors that are subject to economic regulation, we are required to set 'input methodologies' (**IMs**) to promote regulatory certainty. These are underlying methodologies, rules, requirements and processes that underpin information disclosure (**ID**) and price-quality (**PQ**) regulation.

1.17 We must set IMs for regulated water service suppliers by 2035.[6] As we have discussed elsewhere,[7] we do not intend to set IMs in the early stages of the regulatory regime for water services. We consider there is real value in being able to adapt our approach to setting ID regulation or PQ regulation, based on learning and experience with the regime, where doing so would better promote the Part 4 purpose.

Information disclosure plays a key role

1.18 Our first ID determination for water services under the Act came into force on 27 February 2026. ID plays a key role in the regulatory regime.

1.19 The Act implicitly recognises the fundamental importance of ID to improving water sector performance and required us to implement ID regulation for all regulated suppliers within six months of the new regime coming into force. ID regulation will continue to apply to all decision-making local government water services suppliers—the Act does not allow us to recommend its removal for those suppliers. ID regulation is 'enduring'.

1.20 ID shines a light on the performance of regulated suppliers. This helps interested persons assess whether the Part 4 purpose is being met and informs our monitoring. Our regular summary and analysis of disclosed information will play an important role in helping stakeholders understand suppliers' past, current and likely future performance, as well as how suppliers' performance compares with each other. As a result, ID not only helps with understanding performance—it also provides incentives on suppliers for better performance over time.

[6] Under cl 32 of Schedule 7 of the Commerce Act, we must determine initial IMs within ten years of 27 August 2025 (being the date the Act was amended to include cl 32), or before an earlier or a later date that we and the Minister agree on.

[7] Commerce Commission "Price-Quality Path for Watercare Approach Paper" (26 November 2025), para 1.20 to 1.23; open letter from Charlotte Reed (Head of Water Regulation, Commerce Commission) "Process update on setting the price-quality path for Watercare" (9 March 2026), available here.

1.21 ID regulation is therefore the 'ground floor' of our regulation of water services. For many regulated suppliers, ID may continue to be the only type of regulation that ever applies, if there are no performance concerns that might justify the use of other regulatory tools.

We take a proportionate, risk-based approach to regulation

1.22 The Act provides for a flexible regulatory toolkit, which enables us to target proportionate additional regulation and resources in response to identified performance concerns. Particular types of regulation, and the tools provided for under those types of regulation, can be targeted to specific suppliers or services. Also, in implementing most tools, the Act explicitly provides for us to have regard to the scale, complexity, and risk profile of a supplier or type of service.

1.23 Our overall philosophy in applying this toolkit is to use the least intrusive regulatory response that is able to cost-effectively address specific performance concerns and promote the statutory purposes. We will target resources to where they make the most difference, to keep the overall costs of regulation proportionate.

1.24 By proportionate, we mean ensuring the costs of regulation are commensurate with the benefits, ie, the long-term benefit to consumers from addressing particular performance concerns.[8]

1.25 We will do this by taking a 'risk-based' approach. Risk-based regulation involves identifying the greatest 'risks' to desired outcomes, and prioritising the regulatory response to those risks.

1.26 The Ministry for Regulation suggests risk-based regulation as a way for regulators to target resources to the highest areas of risk.[9] Some other water sector regulators have applied a risk-based approach.[10] Their experience highlights the importance of having sufficient information to identify and assess risks,[11] emphasising the key role of ID in the New Zealand context.

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[8] This aligns with the Government's guidance, which includes the expectation that regulatory strategies be "proportionate to the risk or harm they're trying to manage" (New Zealand Government "Government Expectations for Good Regulatory Practice" (April 2017), p. 5).

[9] Ministry for Regulation "Regulatory Approaches, Models and Tools Quick Guide" pp. 5-6.

[10] For example: Ofwat, the water regulator for England and Wales, introduced a risk-based approach in 2012, to focus its activities on areas presenting the greatest risks to customers and the outcomes they value (Ofwat "Delivering proportionate and targeted regulation—Ofwat's risk-based approach" (2012); the final report by the Independent Water Commission on water sector regulation in England and Wales (21 July 2025) recommends a risk-based approach in several areas (para 542, 888, 977, 995); the Independent Pricing and Regulatory Tribunal (IPART) in New South Wales has adopted a risk-based model in performing its regulatory functions (IPART "Compliance and Enforcement Policy" (December 2017).

[11] For example: Water UK "A Reset for Water: Water UK's response to the Independent Water Commission's Call for Evidence", p. 114-115; M Rink "Regulatory Risk Strategies: The Impact of Risk-Based Regulation in the Provision of Safe Drinking Water in England and Wales" Doctor of Business Administration thesis (2025), p. 65.

Structure of this document

Te takotoranga o tēnei tuhinga

1.27 Here's what you will find in this document:

1.27.1 **Chapter 2** gives an overview of our 'regulatory toolkit', ie, the types of regulation the Act provides for our regulation of water services

1.27.2 **Chapter 3** describes our risk-based approach to applying our regulatory toolkit for water services

1.27.3 **Chapter 4** illustrates how we might apply the tools provided in Part 4 of the Act, for economic regulation of water services

1.27.4 **Chapter 5** discusses how our approach applies to decisions on consumer protection regulation under Part 4A

1.27.5 The attachments provide supporting information:

1.27.5.1 **Attachment A** lists the performance areas we use to monitor the performance of regulated suppliers, and to assess whether the statutory purposes are being promoted as effectively as they could be, with the current mix of tools in force.

1.27.5.2 **Attachment B** provides a glossary of terms we use in this paper.

Chapter 2 Our regulatory toolkit for water services

Tā mātou aratohu mō ngā ratonga wai

2.1 This chapter gives an overview of our toolkit for regulating water services. We:

2.1.1 distinguish between 'types of regulation' and the 'regulatory tools' those types of regulation each provide, and

2.1.2 describe each type of regulation, including the nature of the regulatory response each involves and the areas of performance they target.

"Type of regulation" *versus* "regulatory tools"

"Tūmomo ture" ki "ngā taputapu waeture"

2.2 The Act includes various types of regulation for water services, which we outline further below. Each type of regulation provides for a set of regulatory tools. Examples include reporting requirements, output requirements, quality standards, or revenue limits. In some cases, we must apply specific tools when implementing a particular type of regulation.[12] Other tools are discretionary, giving us flexibility to apply them (or not), as appropriate.

2.3 This 'regulatory toolkit' gives us the flexibility to select the most appropriate tool(s) so that we target any additional regulation:

2.3.1 to a particular supplier or suppliers

2.3.2 to a particular service or services, and

2.3.3 to a specific area of performance where we identified concerns, or more broadly.

2.4 We also have the flexibility to tailor how we apply the regulatory tools, for example to take account of the particular circumstances of the supplier or suppliers concerned,[13] alongside other relevant factors.

[12] For example, in applying quality regulation we must set quality standards, in applying PQ regulation we must specify the regulatory period, the price path that applies, and quality standards.
[13] Schedule 7, clause 6(2), 13(3), 19(3), and 23(4).

2.5 There is some overlap in the tools available through the different types of regulation. Examples include:

2.5.1 we can impose reporting requirements through several types of regulation, including ID regulation, performance requirement regulation, or PQ regulation,

2.5.2 we can impose performance requirements either through performance requirement regulation or through PQ regulation.

2.6 When considering the type of regulation that is most appropriate to access a particular regulatory tool, we will take account of the purpose of Part 4 or Part 4A as applicable, as well as the purpose of that type of regulation.

Types of regulation for economic regulation of water services (Part 4)

Ngā tūmomo whakaritenga mō te waeture ohaoha i ngā ratonga wai

2.7 We provide a brief description of each type of regulation below, including the nature of the regulatory response each involves and their scope, ie, the areas of performance they target. Chapter 4 provides hypothetical examples to illustrate how the types of regulation in Part 4 of the Act could be tailored to specific performance concerns.

2.8 We have grouped the types of regulation under Part 4 as follows:

2.8.1 regulation all regulated suppliers are subject to from the start of the regime. This is ID regulation only.

2.8.2 types of regulation available but not in force at the start of the regime. This is revenue threshold regulation and requirements for ring-fencing of revenue.

2.8.3 types of regulation that require the Minister's agreement before we can implement them. These are quality regulation, performance requirement regulation, and PQ regulation (with the exception of Watercare Services Ltd (**Watercare**)).[14]

[14] Watercare will be subject to price-quality regulation once the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 expires in mid-2028 (see our website for updates on setting the first price-quality path for Watercare). Agreement from the Minister is required before price-quality regulation can apply to any other regulated supplier.

Regulation in force from the start of the regime

Information disclosure

2.9 As we have noted, ID regulation is the 'ground floor' of our regulatory regime for water services.[15] It is our usual starting point when considering how to respond to prioritised performance concerns, and provides a baseline for considering the most appropriate treatment.

2.10 ID regulation is the least intrusive type of regulation available to us. We cannot use ID regulation to direct any decisions made by regulated suppliers. Rather, ID regulation shines a light on suppliers' decision making and performance, by requiring regulated suppliers to disclose specified information to us and to the public. This can influence suppliers to improve performance, for example, through the reputational effect this transparency provides.

2.11 The scope of ID regulation is broad. We may prescribe disclosure and associated assurance requirements across all areas of performance, and must specify methodologies for preparing or compiling the information.[16] For water services, ID may cover additional requirements, eg, independent assurance or verification of disclosed information.[17]

2.12 By providing information on performance that is consistent over time, ID regulation plays a key role in our monitoring of whether the statutory purposes are being promoted as effectively as they could be. This will be supported by our summary and analysis of disclosed information, which helps us monitor whether the statutory purposes are being promoted and enables us, where appropriate, to publicly highlight key issues.

2.13 We can set sector-wide ID regulation or apply ID in a targeted way to place additional, tailored requirements on one or more suppliers. You can find current ID requirements, as well as any updates, on our website.

Types of regulation available, but not yet implemented

2.14 Part 4 gives us powers from the start of the regime to implement two further types of regulation. Both focus on revenue, including how revenues received from water services are applied.

[15] The purpose of ID regulation, and what it may include in relation to water services, are set out in section 53A; Part 4A, Subpart 2; and Schedule 7, Part 2 of the Commerce Act.
[16] Section 53C of the Act.
[17] The Act sets out the types of information we may require under ID regulation in s 53C and (for water services only) in Schedule 7, Part 2.

Revenue threshold regulation

2.15 The scope of revenue threshold regulation is relatively narrow, focused on revenue sufficiency so that regulated suppliers invest in water services infrastructure to meet consumer demands.[18]

2.16 Like ID regulation, revenue threshold regulation indirectly influences suppliers' decisions; it is not directive. It does not require regulated suppliers to comply with the specified revenue thresholds.[19]

2.17 Rather, this type of regulation allows us to set one or more 'thresholds' that reflect our expectations of the minimum and/or maximum revenue a regulated supplier (or suppliers) should be recovering from providing one or more services. We may then exercise any of our powers under the Act to monitor actual performance against each threshold.

2.18 Because of its light-touch nature, revenue threshold regulation may not be the most effective way to address concerns that prices might be too high or too low. We can monitor prices and revenues effectively through ID regulation. If revenue sufficiency or other pricing-related concerns are significant, then PQ regulation (which lets us set enforceable limits and/or floors on revenues and/or prices) may be more effective.

2.19 The effectiveness of revenue threshold regulation depends on how responsive a supplier is to the additional monitoring, and the reputational effect arising from recovering a level of revenue inconsistent with the expectations provided by a threshold. That effect may be strengthened by the requirement on us to take account of performance against a revenue threshold (where applied) in considering whether an additional type of regulation needing the Minister's approval is appropriate.

Ring-fencing of revenue

2.20 Local councils are responsible for a range of functions, including responsibility for ensuring the provision of water services in their cities and districts. They may provide water services directly, or by transferring their responsibilities in this area to a water organisation, which may be co-owned with a number of other councils.[20]

[18] Schedule 7, Part 3.
[19] Schedule 7, clause 10(a).
[20] LGWS Act, s. 9 and 10.

2.21 Councils' role in relation to water supply creates the potential that revenue collected for water services might be used to fund other council activities, undermining the financial sustainability of water services. This concern applies in particular where a council retains some or all of the operational and financial responsibility for providing water services, alongside its other roles. The Local Government (Water Services) Act 2025 (**LGWS Act**) addresses this through a set of financial principles providing for ring-fencing of revenue and funding for water services.[21] The Act gives us a role in ensuring regulated suppliers act in accordance with certain of those financial principles.

2.22 Ring-fencing has its own statutory purpose in addition to the broader purpose of Part 4. The ring-fencing purpose is to ensure that regulated suppliers act in accordance with the financial ring-fencing principle in section 18(1)(a) of the LGWS Act and the dividends requirement in section 18(3) of that Act.[22]

2.23 In line with its purpose, ring-fencing focuses on how a regulated supplier (or suppliers) applies revenues received from water services. The intent is to ensure that regulated suppliers, whether councils or water organisations, spend revenues and funding received from (or for) water services on the services they provide. In addition, any payment of dividends by a water organisation to its parent council(s) should not compromise that organisation's ability to sustain long-term investment in its water services while meeting all regulatory requirements.

2.24 While we can use ID regulation to promote this purpose, ring-fencing regulation also provides us with more directive tools. For example, should it prove necessary, we may limit the payment of dividends, or (similar to provisions under performance requirement regulation) require revenues to be invested in specified outputs. This can include investment in particular assets, expense categories, projects or programmes.

2.25 You can find updates on our approach to ring-fencing, including any consultations and feedback received through submissions, on our website.

Types of regulation that require the Minister's agreement before we can apply them

2.26 Quality regulation, performance requirement regulation and PQ regulation are provided for in the Act. Should we consider them necessary, we must seek and obtain the Minister's agreement before implementing them. The exception is PQ regulation for Watercare, which we must implement before the end of the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 (**Watercare Charter**).[23]

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[21] LGWS Act, s. 18

[22] The purpose of ring-fencing, and what it may include, are set out in the Commerce Act in Schedule 7, Part 1.

[23] Section 57F and Schedule 1AA, clause 30.

Quality regulation

2.27 As the name suggests, the scope of quality regulation is limited to the quality of water services supplied by regulated suppliers.[24] In implementing quality regulation, we must set quality standards that a regulated supplier (or suppliers) must meet, and the supplier(s) must apply those standards in their decision making.

2.28 In regulating the quality of water services, under quality regulation or other types of regulation in our 'toolkit', our focus is on:

2.28.1 The quality of water service outcomes delivered to consumers through water infrastructure, including suppliers' ability to meet levels of service and enable growth, and

2.28.2 The quality of consumers' experience in interacting with their supplier, eg, responsiveness to complaints, and the effectiveness of communication.

2.29 Our role does not include regulating the safety of drinking water. [25] As chapter 1 notes, the safety of drinking water falls within the role of the Water Services Authority—Taumata Arowai.

2.30 We have considerable flexibility in the quality standards we set, and how we prescribe them. For example, quality regulation could include standards relating to any aspect of network and service performance, and consumer experience. We may also include additional incentives to maintain or improve quality of supply, such as consumer compensation schemes.

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[24] The purpose of quality regulation, and what it may include, are set out in the Commerce Act in Schedule 7, Part 4.

[25] Sections 57T and 57ZX.

Performance requirement regulation

2.31 Performance requirement regulation can apply to any area of performance other than revenues and pricing.[26] This type of regulation enables us to place specific requirements on a regulated supplier (or suppliers), which the supplier(s) must then comply with. The range of tools is broad, providing for a spectrum of incentives, from influencing to directing supplier decision making, including requirements:

2.31.1 for reporting and verification, similar to disclosure and assurance requirements under ID regulation

2.31.2 for consulting with the Commission and engaging with consumers

2.31.3 to adopt asset management policies and practices or risk management approaches

2.31.4 in relation to asset condition and remaining asset life, and

2.31.5 to deliver particular outputs or make particular investments.

2.32 Like quality regulation, performance requirements may also include incentives for a regulated supplier to maintain or improve its performance, such as consumer compensation schemes.

Price-quality regulation

2.33 PQ regulation can be both directive and broad in scope.[27]

2.34 In implementing PQ regulation for water services, we must specify maximum and/or minimum revenues and/or prices. The regulated supplier(s) must comply with these, as well as quality standards they must meet, for a regulatory period of three to six years. This compares to the other sectors we regulate under Part 4, where we may only set maximum, not minimum, values and, to date, we have set revenue limits rather than price limits.

2.35 The information needed to set maximum or minimum prices is substantial. This does not prevent us recommending PQ regulation, where the tools it provides offer the most effective response to performance concerns, and are proportionate to the magnitude of risk to the promotion of the Part 4 purpose. The robustness of the information available to set revenue or price limits, as well as the potential information burden, are factors we would take into account in the timing and design of any PQ requirements.

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[26] The purpose of performance requirement regulation, and what it may include, are set out in the Commerce Act in Schedule 7, Part 5.

[27] The purpose of PQ regulation of water services, and what it may include, are set out in the Commerce Act in Schedule 7, Part 6.

2.36 PQ also allows us to set performance requirements on a regulated supplier (or suppliers), drawing from the same flexible set of tools provided under performance requirement regulation. Like quality regulation and performance requirement regulation, we may also set incentives for a regulated supplier to maintain or improve its performance. However, under PQ regulation these may also include penalties (or rewards) given effect through lower (or higher) maximum revenues or prices.

Types of regulation for consumer protection (Part 4A)

Ngā tūmomo waeture hei whakamaru i te kiritaki (Wāhanga 4A)

2.37 Part 4A of the Act provides for consumer protection by regulated suppliers, and improvements in service quality to reflect consumer demands. Consumer protection might include complaints processes, how suppliers consult with or provide information to consumers, billing practices, dispute resolution processes, the availability of redress where appropriate service standards are not met, and how suppliers treat vulnerable consumers.

2.38 We have three avenues for addressing consumer protection concerns across regulated suppliers:

2.38.1 information disclosure relating to consumer protection

2.38.2 service quality codes, and

2.38.3 consumer protection regulations.

Information disclosure

2.39 As part of 'ground floor' ID regulation, our ID requirements made under Part 4 may also include disclosure requirements about consumers' experience of the services provided by their supplier.[28]

Service quality codes

2.40 Part 4A encourages the development of service quality codes for consumer protection, by the sector or by us.

[28] Section 57ZA.

2.41 We have several options to encourage service quality codes that provide for consumer protection and for improvements in the quality of service provided to consumers of water services.[29] We may:

2.41.1 issue guidelines to the industry about service quality codes[30]

2.41.2 review an industry service quality code, or[31]

2.41.3 make a Commission service quality code, in relation to one or more regulated service(s), which regulated suppliers must comply with.[32]

2.42 A Commission service quality code may include requirements for communication and consultation with consumers, consumers' rights when making complaints or when the quality of services does not meet appropriate standards, rules relating to billing practices, or any other matter we consider is appropriate. We may also set out what happens when consumers are experiencing hardship or have other vulnerabilities (eg, obligations of suppliers when consumers are unable to pay their bills).

2.43 If we decide to develop a Commission service quality code, we must take reasonable steps to identify classes of vulnerable consumers. For example, this might involve considering whether consumer protection issues affect particular communities differently (eg, impacts on communities with specific service access, affordability, communication or complaints needs), and taking account of duties owed by suppliers of water services under other legislation, instruments, or Treaty settlement obligations.

2.44 We must consider the impact of service provision on those vulnerable consumers and take their interests into account when making the code.[33]

Consumer protection regulations

2.45 We may recommend consumer protection regulations to the Minister, or the Minister may choose to make regulations without a recommendation from us.[34]

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[29] Sections 57ZC to 57ZI set out the purpose of service quality codes, and the tools we may use in relation to them.
[30] Section 57ZD.
[31] Section 57ZE.
[32] Sections 57ZF TO 57ZI.
[33] Section 57ZI(3).
[34] Section 57ZB sets out provisions and requirements for regulations relating to protecting consumers of water services.

2.46 Consumer protection regulations may cover: [35]

2.46.1 requirements for consumer complaints processes or external dispute resolution

2.46.2 information that suppliers must give their consumers, or

2.46.3 other matters that support consumer protection.

2.47 One of the considerations here is whether consumer interests are adequately protected and the purpose of Part 4A is adequately promoted, or if the proposed regulations would better protect consumers than other relevant requirements. This includes whether regulations would deliver more effective consumer protection by water services suppliers than any existing service quality code.

[35] Section 57ZB(1).

Chapter 3 Our approach to applying our regulatory toolkit for water services

Ā mātou tikanga e pā ana ki ngā taputapu waeture mō ngā ratonga wai

3.1 This chapter provides an overview of our approach to regulating water services under Parts 4 and 4A of the Act. It covers:

3.1.1 how we use regulation to effect change by applying incentives

3.1.2 potential escalation pathways for considering the most appropriate type of regulation, and

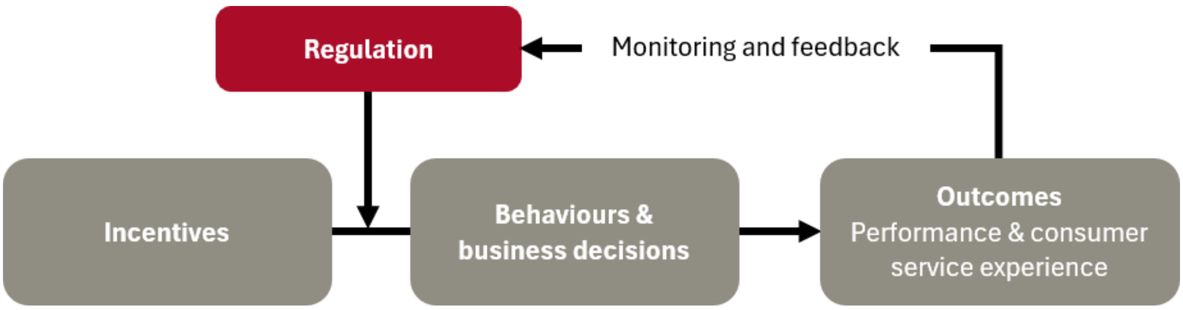
3.1.3 the process we will follow in applying a risk-based approach to regulating water services.

Regulation effects change by applying incentives

Mā te waeture me te poapoa e huri ai

3.2 Regulation drives changes in the outcomes regulated suppliers provide to consumers, as the figure below shows. Regulation applies reputational and/or financial incentives to suppliers, leading to changes in behaviours and business decisions, which influence performance and ultimately consumer service and experience. Just as the prospect of adding a type of regulation can provide incentives for performance improvement, so too can the prospect of removing a type of regulation.

Figure 3.1 How regulation affects behaviour and outcomes



3.3 Our main concern is whether the statutory purposes in the Act are being promoted as effectively and efficiently as they could be, with the mix of tools in force. This means our approach is to provide incentives to influence decisions, with the aim of promoting the relevant statutory purpose(s).

3.4 We balance this concern against the cost and impact of regulation. In choosing the most appropriate regulatory response to particular performance concerns, we aim to select the regulatory tool that will address those concerns in the most cost-effective and least intrusive way (compared to other options).

Incentives provided by the regulatory tools

3.5 Each type of regulation provides a set of regulatory tools—with some overlap in the tools provided. We can select from this 'toolkit' to target regulation to specific performance areas of concern, helping to keep regulation proportionate.

3.6 Regulated suppliers are accountable for how they run their businesses, and they have the discretion to do this as they see fit. However, they are also subject to the regulatory requirements we set under the Act. Those requirements provide incentives for suppliers to make decisions that improve their performance. The relative effectiveness of the regulatory tools depends on the strength of incentives affecting supplier decision making, and how suppliers respond to those incentives.

3.7 Our starting point is to use tools that improve transparency such as ID, reporting requirements and our analysis of disclosed information. These influence, rather than direct, particular supplier decisions by shining a light on how suppliers are performing and making decisions, creating reputational incentives for improvements.

3.8 Where transparency by itself is not sufficient, our toolkit includes more prescriptive tools that nonetheless can leave significant discretion for the regulated supplier, for instance:

3.8.1 PQ regulation provides the option of setting revenue limits (as an alternative to setting limits on individual prices). Where we do this, suppliers are still able to choose how to set prices for particular consumers and consumer groups in recovering allowed revenue, as well as how to spend that revenue (subject to meeting quality standards, and any other relevant requirements).

3.8.2 Quality standards (under either quality regulation or PQ regulation) require particular outcomes relating to network or service performance. The supplier retains discretion on what it needs to do or spend for those outcomes to be achieved (subject to any other relevant requirements).

3.9 The regulatory regime can also provide financial incentives for improved performance:

3.9.1 maximum revenue limits under PQ regulation can provide incentives for improved cost efficiency and effectiveness, if suppliers deliver services at a lower cost than expected

3.9.2 we may include explicit financial incentives in PQ regulation, such as rewards (or penalties) through increasing (or decreasing) revenue limits, and

3.9.3 in the event of non-compliance with our regulatory requirements, we can apply for court-order penalties.

3.10 Quality regulation, performance regulation, and PQ regulation all give us the additional option of prescribing consumer compensation schemes to provide stronger incentives for suppliers to deliver prescribed outcomes.

3.11 Finally, where other approaches are ineffective in incentivising improved performance, we may consider escalation to more directive tools such as:

3.11.1 requiring a supplier to deliver particular outputs or make particular types of investments (eg, through performance requirement regulation, as part of PQ regulation, or by ring-fencing revenues)

3.11.2 restricting the use of cashflows or level of dividends (through ring-fencing),

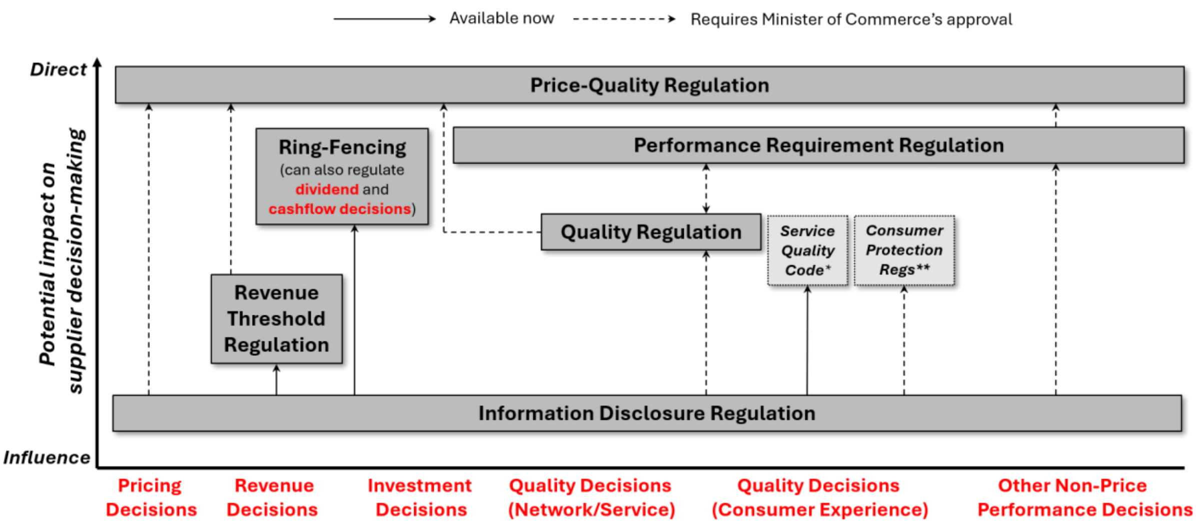
3.11.3 setting limits on individual prices (through PQ regulation).

3.12 We can move directly to recommending or implementing a stronger tool, where warranted, based on the evidence, urgency, and the level of risk in terms of promoting the Part 4 purpose, and where the statutory criteria support doing so.

Potential escalation pathways

3.13 The figure below illustrates potential escalation pathways for considering the most appropriate type of regulation. As we noted above, in identifying the most appropriate type of regulation and escalation pathway we will take account of the level and nature of risk based on available evidence, urgency and relevant statutory criteria.

Figure 3.2 Escalation pathways for our regulation of water services



* If an industry code does not exist or does not achieve the purpose as well as a Commission code could ** Minister can impose without our recommendation

3.14 Figure 3.2 shows the types of regulation provided for regulating water services in both Parts 4 and 4A of the Act, distinguishing between those that are available to us now, and those that require the Minister's approval before they become available.[36]

3.15 Types of regulation toward the bottom of the figure influence suppliers' decision making. For example, ID regulation influences decisions by shining a light on performance, processes and decisions. ID regulation is already in force and applies to all regulated suppliers. As noted above, considering options under ID regulation is therefore our starting point, before turning to other types of regulation.

3.16 The types of regulation that are higher in the figure provide for stronger incentives on supplier decision making. PQ regulation provides for the broadest and most direct form of regulation in our toolkit, as it allows for us to specify individual prices and particular outputs. We can also implement PQ regulation with less directive incentives, for instance through the reliance on revenue limits and quality standards, combined with tools that influence performance such as additional reporting requirements.

3.17 The categories along the bottom of the figure indicate the primary areas of supplier decision making directly able to be targeted by each type of regulation:

3.17.1 some target one particular area, eg, revenue threshold regulation focuses solely on revenue decisions, quality regulation focuses on quality-related decisions (whether affecting network and service performance or consumers' experience),

3.17.2 other types of regulation may be applied across all areas of a supplier's decision making (ID regulation through transparency and influence, or PQ regulation through more directive requirements).

Our approach to applying risk-based regulation

Ā mātou tikanga mō te waeture he tūraru tōna takenga mai

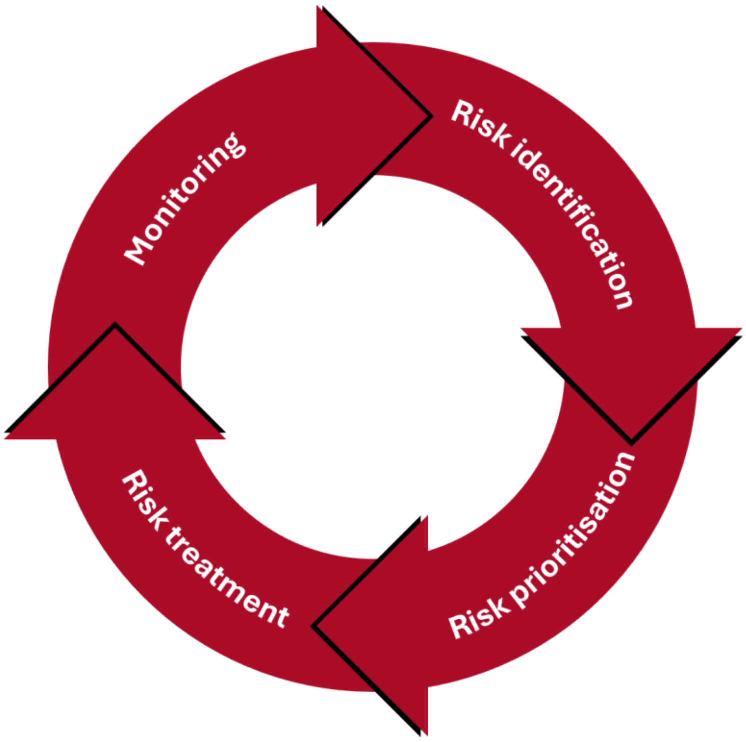
The risk we are addressing

3.18 The main risk we are concerned with in our role is the risk that the statutory purposes in the Act are not being promoted as effectively as they could be, with the current tool, or mix of tools, in force. In addition, where relevant, we also consider if the ring-fencing purpose is being promoted effectively. This is the lens we consider in applying the approach described below.

[36] We describe each type of regulation in chapter 2.

3.19 The figure below illustrates the process involved in applying our regulatory toolkit for water services. The steps below are conceptual, rather than a prescriptive sequential process as there are some overlaps between them.

Figure 3.3 Process for applying our risk-based approach



Monitoring

3.20 We monitor the performance of regulated suppliers across various performance areas, which are derived from the statutory purposes (Attachment A lists these performance areas).

3.21 In monitoring performance, we are considering the performance of individual suppliers and the effectiveness of the current mix of regulatory tools more generally. We are also looking at underlying trends, alongside current or historic performance.

3.22 Information disclosed under ID regulation, and our summary and analysis of that information, will be an important part of monitoring. We may also draw on other sources of information as appropriate, eg, water services delivery plans, water services strategies, suppliers' Treaty settlement obligations, and information from other regulators.

Risk identification

3.23 We identify areas of performance where there is a risk the statutory purposes are not being promoted as effectively as they could be. This includes whether they are being promoted in as timely a manner as they could be.

3.24 Performance concerns may be:

3.24.1 already realised, or

3.24.2 likely to become realised, without some additional targeted regulatory response.

Risk prioritisation

3.25 As we noted in chapter 1, our philosophy is to keep the overall costs of regulation proportionate by targeting resources to where they make the most difference. We also recognise that it might not be appropriate to address certain concerns, once we take account of the impact of the concern and potential costs of our regulatory response.

3.26 Accordingly, we focus our attention on those areas where additional regulation can have the greatest potential benefit. We do this by prioritising areas of concern before considering an additional tool, taking account of:

3.26.1 the magnitude of the impact (or potential impact) on the long-term benefit to, or protection of, consumers, or on the achievement of the financial ring-fencing principle or dividends requirement

3.26.2 the likelihood that the impact will materialise, continue or worsen without additional regulation from us, and

3.26.3 where relevant, other duties and obligations owed by suppliers under other legislation or instruments, or Treaty settlement obligations.

3.27 **Magnitude** includes asking:

3.27.1 In the case of an individual supplier, are performance concerns limited to a single performance area? Or are we seeing concerns across multiple areas of the supplier's operations (in which case this is a higher priority)? What is the scale and complexity of the supplier, eg, how many consumers are affected, how many services are affected?

3.27.2 Are we seeing concerns in relation to the same performance areas across multiple suppliers? Or across the sector as a whole? Again, we would treat this as a higher priority. This could include re-examining the effectiveness of the regulatory tools currently in force.

3.28 **Likelihood** includes consideration of:

3.28.1 underlying trends, and any actions being taken by the regulated supplier(s), the sector, other regulators, and other agencies with a role in the sector, that may remedy the performance concerns

3.28.2 the likelihood that the relevant supplier(s) will respond to existing incentives, and resolve the issue without additional tools, and

3.28.3 the broader likelihood that, as regulation currently in force takes effect (eg, ID regulation), the performance concern will resolve in a timely manner.

3.29 The aim of prioritisation is to focus resources to where they make the most difference, in promoting the statutory purposes. We also take costs into account in considering how best to treat prioritised concerns.

3.30 This means that in some circumstances we might consider the removal of a tool that currently applies, if doing so is likely to reduce costs with no detrimental impact to desired performance outcomes.

Risk treatment

3.31 Where we identify performance concerns that have a high impact and are likely to persist in the absence of additional regulation by us, our next step is to consider how best to treat those concerns.

3.32 If a performance concern appears to affect all suppliers, then the first step is likely to be considering whether our common ID requirements could be amended to help better understand and influence performance in that area. As discussed in the next chapter, Part 4A tools may be appropriate for addressing industry-wide consumer protection concerns, particularly in respect of quality of service.

3.33 We have a flexible regulatory toolkit that enables us to target regulation to the specific performance concerns. This is not a 'one size fits all' regime. We can and will target our focus, and any recommendations on which type(s) of regulation to apply, to the particular supplier(s) and service(s) in question, and to the circumstances.[37]

[37] This includes, for example, the nature of the supplier(s) concerned, their scale, complexity and risk profile, and how likely they are to respond to the incentives additional regulation provides.

3.34 How we apply our approach in practice will depend on the context, and the nature of the concern and of the regulated supplier(s) in question. We will generally consider the following:

3.34.1 Do the types of regulation already in force, for example ID regulation, provide tools that can address the performance concern(s), either in full or in part? If so, we will consider targeted changes to existing tools, potentially starting with tailored changes to ID.

3.34.2 If the types of regulation already in force do not provide appropriate tools to fully address the concern(s):

3.34.2.1 what is the nature of the concern we cannot address with current regulation? and

3.34.2.2 which type(s) of regulation provide a tool that does address that element?

3.35 For example, if the nature and magnitude of the performance concern, and the likelihood that it will persist without additional regulation, warrant stronger incentives than ID regulation can provide, we will consider alternative types of regulation.

3.36 Where the appropriate tool is provided for under more than one type of regulation, we will take account of:

3.36.1 the purpose of each type of regulation, and

3.36.2 how effectively they allow us to target our response to the particular concern(s) we are addressing.

3.37 Some types of regulation are provided for in the Act, but are not currently available to us.[38] Where we consider a tool provided by one of these types of regulation is appropriate, we must go through a two-step process:[39]

3.37.1 Following consultation, recommend to the Minister that this additional type of regulation be made available, and

3.37.2 If the Minister agrees to make the type of regulation available to us, we would then have access to the full set of regulatory tools it provides. Only then would we proceed with the more detailed process of:

3.37.2.1 considering which tool(s) is most appropriate and how to implement it, and

3.37.2.2 consulting on the implementation of the tool(s) in a regulatory determination under section 52P of the Act.

Ongoing monitoring provides feedback

3.38 The conceptual process we have outlined in this chapter forms an ongoing cycle. Our monitoring reveals how performance is changing, as well as the effectiveness of the mix of regulatory tools in force. This process includes monitoring of our overall approach and, where appropriate, refining it over time.

[38] These are quality regulation, performance requirement regulation and PQ regulation.
[39] The companion paper "Statutory criteria and processes for our regulation of water services" (available on our website) sets out the processes we must follow, and factors we must consider, for both steps.

Chapter 4 How we might apply our approach to economic regulation of water services

Ā mātou tikanga pea ka whāia mō te waeture ohaoha o ngā ratonga wai

4.1 This chapter illustrates how we might apply our regulatory toolkit to economic regulation of water services. We use hypothetical examples to show how the tools in Part 4 of the Act could be tailored to specific performance concerns.

4.2 Whether we apply further regulation to a single supplier, multiple suppliers, or to all regulated suppliers would generally depend on what our monitoring reveals about the extent of the performance concern: is it limited to a single regulated supplier, multiple suppliers, or the sector as a whole?

4.3 We have the flexibility to set additional, tailored, **ID requirements** on one or more suppliers, where appropriate. As an example, if we had concerns about a supplier's investment planning and delivery, we might:

4.3.1 require independent verification of publicly disclosed information about that supplier's most significant investment proposals, to assess the degree to which those proposals are consistent with good industry practice, and

4.3.2 require disclosure of the supplier's progress in delivering those significant investments.

4.4 **Revenue threshold regulation** might play a role where our monitoring indicates that one or more suppliers are not recovering sufficient revenue to invest in and maintain their infrastructure. This may be resulting in (or be likely to result in) a growing backlog of renewals and maintenance. Or it may be limiting the suppliers' ability to meet statutory and regulatory duties, including relevant Treaty settlement obligations.

4.5 In these circumstances, we could set a minimum revenue threshold reflecting the revenue we consider necessary to support efficient investment and sustain service quality over time. While not enforceable, the threshold would provide a clear public signal of our expectations and create a reputational and monitoring-based incentive for the supplier(s) to adjust their target revenue decisions.

4.6 If revenue threshold regulation proved ineffective, we might consider escalating to a more direct type of regulation of revenue levels, such as recommending to the Minister that PQ regulation be made available.

4.7 A hypothetical scenario where we might consider **quality regulation** is if our monitoring identifies that one or more suppliers have persistently high rates of unplanned outages, or long service restoration times.

4.8 We could introduce quality regulation to set minimum standards for reliability and responsiveness. This could include a quality path requiring progressive improvements in outage duration, frequency, or restoration times over time. We could strengthen the quality path by including incentives, such as public performance rankings or consumer compensation for extended outages.

4.9 **Performance requirement regulation** provides for a range of tools, with a lot of scope for tailoring to specific areas of concern. For example:

4.9.1 If our monitoring identifies that a regulated supplier's asset management capability is contributing to poor performance outcomes, we could use performance requirements to require the supplier to adopt specific asset management and risk management practices. This could include requirements to implement fit-for-purpose asset management systems, undertake regular condition assessments, strengthen risk management frameworks, and/or obtain independent verification of their asset management approach.

4.9.2 Where operational issues are driving poor performance, we could set performance requirements for the regulated supplier to implement targeted maintenance programmes, asset inspections, or renewal activities, to address the identified performance concern(s).

4.10 Although given effect under the Local Government (Water Services Preliminary Arrangements) Act 2024 (**WSPA Act**), and not Part 4 of the Act, the Watercare Charter provides an illustrative example of how **PQ regulation** can be tailored to a supplier's specific circumstances.[40]

4.11 The WSPA Act provided for interim economic regulation of Watercare which is in place until 2028. It includes price-quality requirements to specify maximum and/or minimum revenues and/or prices, as well as similar performance requirements to Part 4.[41]

4.12 The circumstances at the time were unique to Watercare, following its financial separation from Auckland Council. The concerns the Charter addressed include:

4.12.1 the rate of previously projected revenue increases immediately following financial separation without the Charter, and

4.12.2 Watercare's ability to fund and deliver on investment for growth.

[40] Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025.
[41] Local Government (Water Services Preliminary Arrangements) Act 2024, section 83(1) & (4).

4.13 The Charter addresses these concerns through (among other things):[42]

4.13.1 Limits on the maximum revenue Watercare can receive from prices for water supply and wastewater services, for each year of the Charter's regulatory period (reinforcing Watercare's commitment to targeting lower than previously projected revenues in the three years following financial separation). In effect this reduces and smooths the rate of price increases for existing customers, compared to previous projections.

4.13.2 Minimum rates of increase in average infrastructure growth charges for each year of the Charter, plus a requirement for Watercare to begin a review and redesign of its infrastructure growth charges. This is intended to address the concern that revenue from infrastructure growth charges was not keeping pace with the cost of growth to Watercare's networks, meaning existing customers were increasingly paying for growth that benefits developers and new customers.

4.13.3 Planning and reporting requirements to provide greater transparency on other performance areas of concern, including operating cost efficiency, infrastructure delivery and asset management improvements, and operating and capital expenditure delivery.

[42] The Charter also includes minimum service quality standards, and other financial and non-financial performance requirements.

Chapter 5 Applying our approach to consumer protection regulation of water services

Te whakamahi i ā mātou tikanga mō te waeture whakamaru kiritaki o ngā ratonga wai

5.1 In this chapter, we highlight key elements of Part 4A of the Act relating to consideration of vulnerable consumers and the role of service quality codes. We also provide an overview of how our risk-based approach to regulation applies to consumer protection regulation under Part 4A.

Part 4A highlights consideration of vulnerable consumers

Ko tā Wāhanga 4A he tautuhi i te aronga ki ngā kiritaki e noho whakaraerae ana

5.2 The purpose of Part 4A is to provide for consumer protection by water services suppliers, including improvements in the quality of service provided to consumers by those suppliers, to reflect consumer demands.[43]

5.3 This includes the interests of vulnerable consumers. For example, as we noted in chapter 2, if we decide to make a Commission service quality code the Act requires us to consider the impact of the provision of services on vulnerable consumers and take those persons' interests into account.[44]

5.4 Chapter 2 describes the types of regulation provided for consumer protection regulation. If implemented, they would likely apply to all regulated suppliers, although they may be targeted to a subset of regulated suppliers and services.

[43] Section 57X.
[44] Section 57ZI(3).

Part 4A encourages the industry to develop its own service quality code

Ko tā Wāhanga 4A he tautuhi i te aronga ki ngā kiritaki e noho whakaraerae ana

5.5 We may only make a Commission service quality code applying to a type of water service (or services) if the industry has not made a service quality code applying to that service(s), or if, we (or the Minister) consider:[45]

5.5.1 the industry code does not achieve the Part 4A purpose of providing for consumer protection and improvements in the quality of service consumers receive, or

5.5.2 a Commission service quality code would better achieve this.

5.6 Similarly, our main consideration before recommending consumer protection regulations is whether consumer interests are adequately protected, and the purpose of Part 4A is adequately promoted, or if the proposed regulations would better protect consumers than other relevant requirements.[46] An aspect of this consideration would be whether an industry code exists, and if so whether it adequately protects consumers and encourages improvements in service quality.

How our risk-based approach applies to consumer protection regulation

Te pānga o ā mātou tikanga waeture ā-turaru ki te waeture whakamaru kiritaki

5.7 In general, we expect to apply the same conceptual process that we described in chapter 3. We expect that, to some extent, we will do this in conjunction with our oversight of economic regulation under Part 4, given the complementary nature of some of the tools.

5.8 In chapter 3 we discussed how we assess whether the statutory purposes are being promoted effectively, through monitoring across identified performance areas. One of those performance areas is consumer experience and protection.

5.9 In addition to looking at this performance area, we expect to monitor any actions by the water sector to develop an industry service quality code, or that might justify consumer protection regulations being made.

[45] Section 57ZF(3).
[46] Sections 57ZB(3)(a)(i) and 57ZB(4)(a).

5.10 Where we identify performance concerns in the area of consumer experience and protection, we will consider how broad the performance concerns are, ie:

5.10.1 are the concerns limited to a single regulated supplier or a small group of suppliers? If so, and depending on the nature and magnitude of the concern, a regulatory response under Part 4A might not be appropriate,[47] or

5.10.2 are we seeing more systemic, or sector-wide, concerns? If so, consideration under Part 4A might be appropriate.

5.11 We will prioritise our resources and focus across both Part 4 and Part 4A. Therefore, where we see systemic concerns relating to consumer experience and protection, we would consider what priority to give this alongside other concerns arising from our wider performance monitoring.

5.12 One of the factors we would consider is whether the industry is already taking action that might improve sector performance in this area, eg:

5.12.1 is the industry already developing an industry service quality code or is one in place?

5.12.2 what other actions are regulated suppliers taking that might improve consumer experience and protection?

5.13 Where we see systemic, sector wide concerns our response will depend on what action the industry is already taking (or not).

5.14 We have the option of developing ID requirements specifically relating to consumer protection. For instance, we could require reporting on the number and nature of complaints, and how those complaints were resolved.

5.15 In addition to information disclosure, we may consider:

5.15.1 options relating to service quality codes, or

5.15.2 recommending consumer protection regulations.

Where an industry service quality code is not yet in place

5.16 We have the option of issuing guidelines to the industry. In this way, we could highlight the areas in which we have identified performance concerns and convey our expectations for how an industry service quality code might address them.

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[47] For example, if we identify significant concerns relating to the quality of service consumers experience from a single supplier, and depending on the nature of those concerns, targeted performance requirements or quality standards (under Part 4 of the Act) may provide a more proportionate response than the tools available under Part 4A.

If the industry has already developed an industry service quality code

5.17 We have the option of reviewing an industry service quality code and recommending changes to it. We might do this, for example, if such a code exists and our monitoring is still revealing performance concerns in relation to consumer protection.

We may develop a Commission service quality code

5.18 Chapter 2 includes a summary of what a Commission service quality code might include. Where we consider a Commission service quality code will be more effective than an industry code, or if the industry has not developed a service quality code for the service in question, we may develop a Commission service quality code, for example:

5.18.1 if the industry has not addressed recommendations from a previous review of an industry service quality code, or

5.18.2 where regulated suppliers are not complying with an industry code.[48]

5.19 The Minister may also recommend to us that we develop a Commission service quality code.

Consumer protection regulations provide for additional tools

5.20 We have the option of recommending consumer protection regulations to the Minister,[49] where we consider regulations would better protect consumer interests, or promote improvements in the quality of services provided to consumers. For example, this may be appropriate if we are concerned about the adequacy of consumer complaints processes or external dispute resolution across the sector, as well as any other consumer protection matters.

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[48] Part 4A requires regulated suppliers to comply with a Commission service quality code (section 57ZH).
[49] The Minister may also make consumer protection regulations on their own initiative (section 57ZB(2)).

Attachment A Performance areas we monitor

Ngā tutukitanga ka aroturukingia e mātou

Primary link to Part 4/4A	Performance area	Description of scope
Quality and consumer protection	Service and network performance	Performance of water networks, including in delivering water service outcomes to consumers. The ability to meet levels of service and enable growth.
	Consumer experience and protection	The experience of consumers, including vulnerable consumers, of their interactions with the service provider.
Investment	Asset management	Stewardship and management of assets through all phases (plan, acquire, operate, maintain, renew, and dispose) in a way that uses prioritisation to maximise service delivery while optimising costs and risks over the assets' lifecycle.
	Delivery	Translation of priorities and planned expenditure into outputs and outcomes, on time, to scope and budget.
Innovation and efficiency	Cost efficiency and effectiveness	Water services outcomes are delivered at the lowest sustainable cost.
	Innovation	Whether activities and practices incorporate the creation, development, or application of modern methods of construction, new or improved technology, processes, or approaches to improve water service delivery and/or efficiency.
Pricing and efficient water use	Efficient water and infrastructure use	Prices and activities send the right signals to support efficient use of infrastructure and water resources in relation to water services.
	Pricing predictability and stability	Whether consumers have appropriate visibility on how prices are going to change over time and price shocks are avoided where possible.
Financial sustainability	Financial sustainability – investment sufficiency	Whether the level of investment over time is sufficient to meet levels of service, regulatory requirements and provide for growth.

	Financial sustainability – financing sufficiency	Whether funding and financing arrangements are sufficient to meet investment requirements.
	Financial sustainability – revenue sufficiency	Whether there is sufficient revenue to cover the costs of water service delivery including servicing debt, at an appropriate level of profit.
Ring-fencing and dividends	Ring-fenced revenues	Whether revenue and funding received from providing water services is spent on water services.
	Dividends	Whether dividends paid to shareholders compromise financial sustainability.

Attachment B Glossary

Kupu taka

Term/Abbreviation	Definition
Commission	Commerce Commission
Act	Commerce Act 1986
determination	In this document 'determination' means a determination made under section 52P of the Commerce Act, specifying how the relevant forms of regulation apply to regulated suppliers (eg, the Water Information Disclosure Determination 2026). Determinations made under section 52P, and amendments to determinations, are secondary legislation (*see* the Legislation Act 2019)
ID	Information disclosure
LGWS Act	Local Government (Water Services) Act 2025
Minister	The Minister responsible for the administration of the Commerce Act. At the time the water regulatory regime came into force, the relevant Minister was the Minister of Commerce and Consumer Affairs
Part 4	Part 4 of the Commerce Act 1986
Part 4A	Part 4A of the Commerce Act 1986
PQ regulation	Price-quality regulation
Regulated services	Water supply and wastewater services, and any stormwater services declared to by regulated by Order in Council, *see* section 57C of the Commerce Act
Regulated supplier	Means a decision-making local government water supplier (as defined in section 57D(2) of the Commerce Act), or any supplier of water services declared to be regulated by Order in Council under section 57L of the Commerce Act
Treaty settlement obligations	Has the meaning given in section 4 of the Local Government (Water Services) Act 2025
Water services	Services provided to consumers by water service suppliers including drinking water, stormwater and wastewater services as defined under section 4 of the LGWS Act
Watercare	Watercare Services Limited
Watercare Charter	Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025
WSPA Act	Local Government (Water Services Preliminary Arrangements) Act 2024