

# Watercare Pricing Review Plan

3 March 2026

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## Section 1.0: Executive summary

The Local Government (Water Services) Bill was introduced into Parliament in December 2024. Watercare is currently subject to interim regulatory oversight by a Crown monitor (the Commerce Commission), with requirements outlined in a ‘Watercare Charter’ (Charter).

Amongst other things, the Charter requires Watercare to prepare a plan under Clause 19 and then implement a review and redesign of its Infrastructure Growth Charges (IGCs). In particular, the Crown monitor anticipates and assumes that implementation of the Plan will rebalance our forecast Maximum Allowable Revenues (MAR) away from charges for water services provided; and towards IGCs.

The review required by Clause 19 follows up on Watercare’s commitment in the *Business Plan 2025-2034* that states “we will implement a new pricing methodology, due to take effect on 1 July 2027, to rebalance revenue so that *growth pays for growth*”. The pricing review anticipated in the Business Plan encompasses all of our revenue streams due to their interrelationships.

Delivery against this Plan and Watercare’s broader program of work is critical to ensure we:

- Align with the policy direction of central government and the strategies and policies of Auckland Council, who want Watercare to ensure “growth pays for growth”.
- Have pricing policies that are consistent with key pricing principles, to be identified and confirmed as part of this review.
- Appropriately consider mana whenua partnerships and existing commitments under relationship agreements and Kia Ora Tāmaki Makaurau – the Māori Outcomes Performance Framework.
- Address the current limitations of our existing pricing and IGC methodologies, processes, and systems so we:
  - are confident that we are spreading the costs of services and delivering capital infrastructure across generations in a fair and equitable manner; and
  - eliminate everyday obstacles our teams face in managing our policies and processes and engaging with customers.
- Have increased transparency around growth charging and an approach to funding bulk and local network improvements that more appropriately attributes the cost to those who benefit from the investment.
- Have a sustainable charging and cost recovery policy that generates sufficient revenue to recover our prudent and efficient costs while also allowing us to remain financially viable/financeable, i.e. maintains target credit rating and cashflows.
- Comply with our obligations under the Charter in relation to preliminary economic regulation while ensuring we are moving towards approaches that are likely to be consistent with permanent price-quality regulation to be applied to Watercare after 2028.

DIA announced its consultation on Development Levies in November 2025<sup>1</sup>, outlining a national approach to infrastructure funding. It is pertinent that this is considered in this pricing review, which means changes will more likely take effect from 1 July 2028.

## Section 2.0: Purpose

### 2.1 Purpose of this document

The purpose of this document is to set out a plan for the Watercare pricing review.

### 2.2 Legislative obligations

The Local Government (Water Services) Act 2025 includes enduring settings for a comprehensive economic regulation regime for the water sector in New Zealand, which is due to take effect in July 2028.

Under the permanent economic regulation regime, price-quality regulation will be applied to Watercare from the day after the interim regulatory regime in the Local Government (Water Services Preliminary Arrangements) Act 2024 ends.

Until then, Watercare is subject to interim regulatory oversight by a Crown monitor with requirements outlined in a 'Watercare Charter' (Charter).

Amongst other things, the Charter requires Watercare to prepare a plan and then implement a review and redesign its IGCs. The review is triggered under the Charter if the final version of the Business Plan that Watercare has submitted under section 82 of the Act includes a commitment to review and redesign its IGC policy (which it does).

Under Clause 19 of the Charter, the plan must include:

- Watercare's intended approach to all phases of the review and redesign of its IGC policy, including:
  - any design principles it proposes to use; and
  - how it will implement the redesigned policy in the 2026 and 2028 financial years.(Noting that, under the Charter, 'IGC policy' includes the methodology for determining IGCs and methodologies for allocating revenue or cost between relevant categories for the purpose of calculating IGCs).
- How Watercare intends to engage with the Crown monitor in the review and redesign process.
- A summary of the approach Watercare intends to take to explain to consumers and other stakeholders the expected impacts of the redesigned IGC policy on:
  - water services pricing and revenue, and
  - IGCs and revenue from IGCs.

Clause 19 of the Charter requires that, in preparing the plan, Watercare must:

- engage closely with the Crown monitor throughout the process;
- provide a draft of the plan to the Crown monitor for feedback by 30 September 2025; and
- incorporate the Crown monitor's feedback on the plan within 60 working days of receiving that feedback (if the Crown monitor's feedback is received with 60 working days) and publish the plan that incorporates that feedback on Watercare's website.

In addition to the requirement to conduct a review of IGCs, the Charter also imposes (amongst other things) *minimum* rates of increase in infrastructure charges over time to ensure that overall revenue becomes less dependent on revenue from water services. Minimum allowable rates of increase are 15.5% for FY26, 20% for FY27 and 11.2% for FY28.

Any changes to IGCs as a result of the work performed in this Plan, will therefore likely take effect from 1 July 2028.

For a legislative compliance map, refer to Appendix B.

Beyond the Charter, there is other relevant pieces of legislation that must be considered in performing this pricing review. These include, but are not limited to:

- [Local Government \(Auckland Council\) Act 2009](#)
- The [Water Services Act 2021](#)
- [Local Government \(Water Services\) Act 2025](#)
- [Resource Management Act 1991](#)

## 2.3 Scope of the Plan

As outlined in section 1 above, Watercare must review our growth charges (i.e. IGCs). However, IGCs cannot be reviewed in isolation. There is a nexus between IGCs and our retail tariff for water and wastewater. Given this, a broader review of Watercare’s cost recovery and charging framework is required to avoid sub-optimal outcomes and ensure we address key inter-relationships between IGCs and water and wastewater pricing. This means, all of Watercare’s revenue streams, including water, wastewater, trade waste, growth charges and ‘other revenue’ are in scope for this review to ensure they reflect the pricing principles to be introduced as part of this Plan. In addition, this pricing review applies to all the Auckland’s geographical service areas, (including the metro and non-metro areas) noting that the Papakura region is included in the metro IGC area.

## Section 3.0: Risks and complexities to be considered when reviewing this Plan

Watercare faces a number of uncertainties at the time of drafting this Plan, specifically:

### **Development Levies**

The Government has recently made decisions aimed at improving infrastructure funding and financing tools to help get more housing built. As part of this program of work the Government has signalled the replacement of development contributions with a development levy system. The Government Fact Sheet 2 notes that shifting to development levies will provide councils and other infrastructure providers, such as water council-controlled organisations, with increased flexibility to charge developers for the overall cost of growth infrastructure across an urban centre. It also highlights that infrastructure providers will be required to use a prescribed methodology to ensure consistent application of development levies, for example to determine growth costs.

These changes and improvements will be progressed through a Local Government (Infrastructure Funding) Bill. This legislation is expected to be introduced in September 2025 and enacted in mid-2026. There will be opportunities for public feedback as part of this process. The system will then be introduced from 2027.

As at the date of drafting this pricing review, the exposure draft for development levies did not include Watercare. We understand, however, that this may change and that development levies may be applied to Watercare as part of this process. Given the rest of New Zealand will be paying for water infrastructure via a development levy, it would seem sensible that even if development levies did not apply to Watercare, that the IGC and Development Levy regimes are consistent and aligned where possible.

Based on discussions with the Department of Internal Affairs (DIA), the secondary legislation on development levies is currently being drafted and this legislation will cover greater detail, including methodologies and policies, and will be consulted on widely during 2026. Watercare is therefore mindful of this timing and has chosen to delay any changes to IGCs until the future of development levies and their underlying policies and methodologies can be given due consideration. As noted above, if Watercare continues with IGCs, ideally the two regimes will follow similar principles and policies, meaning that our pricing options will evolve over the coming months as DIA further develop their development levy methodologies.

Watercare will therefore follow this Plan where it is sensible to do so.

### **Enduring Economic Regulation**

The Ministry of Business, Innovation and Employment (MBIE) in conjunction with the DIA have developed enduring economic regulation under Local Water Done Well. As part of this, Watercare will be subject to price-quality regulation under the Commerce Act 1986 from 1 July 2028. However, the full details of Watercare's price-quality path will not be known until the Commission determines it in 2028 and uncertainty will remain over any impacts it could have on Watercare's pricing.

This Plan will be reviewed regularly to ensure it remains appropriate to the price-quality path set as well as other future regulatory changes.

### **Stakeholder Expectations**

Meeting all of our stakeholder needs and expectations in the dynamic operating environment is a challenge. We need to ensure we implement pricing reform once, and properly, while also trying to meet customer and political expectations by enabling growth faster.

### **Implementation Timeline and Risk**

The Charter requires Watercare to specify 'how it will implement the redesigned policy in the 2026-2028 financial years'. A significant shift in pricing methodology begins with principle and methodology design. If the change is significant a new billing system may be required. Customers also need to be given sufficient time to adapt to any price changes. It is therefore likely that methodologies and price changes will be signalled earlier, with staged implementation starting in 2027 and any price changes likely taking effect from 1 July 2028.

During the implementation of this Plan, we will need to understand (and align if considered appropriate) the policies supporting development levies and permanent economic regulation as they are announced. Therefore, the implementation steps Watercare can undertake during the 2026-2028 period will be impacted by the timing of these key inputs.

Key workstreams of the implementation Plan include, but are not limited to:

- design of methodologies
- consultation on pricing principles and methodologies
- supporting billing system implementation
- customer interaction and journey mapping; and

- o updating customer contracts.

All of these will be advanced during this period, while trying to align to legislation not yet drafted or enacted. Therefore, exact milestones will need to be flexible. Watercare considers that taking any of these steps satisfies the requirements of the Charter to implement between 2026-2028.

### Infrastructure Funding and Financing

Watercare is required under clause 24 of the Charter (‘Infrastructure delivery and asset management improvement: planning’) to explore the use of alternative funding. Watercare therefore needs to ensure that our funding model gives us the ability to utilise other funding and financing mechanisms not currently employed by Watercare, such as those available under National Infrastructure Funding and Financing Act. This also has the potential to impact both IGC and tariff charges, adding further complexity for customers and the review process.

### Customer equity

We need to ensure we allocate the right costs to the services they enable so that they are recovered from the correct end customer. We need to be clear on our position of cross subsidisation and affordability, and we expect this will be guided by our pricing principles, see Section 6.

## Section 4.0: Background

### 4.1 Our current funding model

Our income comes directly from our customers. We therefore need to ensure our overall customer charges, including IGCs, are: sufficient to fund our expenditure and debt repayments in the most cost-effective manner possible; while also balancing sources and use of funds on an annual basis; and using the appropriate mechanisms to spread debt across the optimal period possible.

Watercare's current Funding Policy requires us to recover all operational expenditure (Opex) and the renewals component of capital expenditure (Capex) through our annual operating revenue from water and wastewater consumption charges as outlined below.

#### Funding Model

Capital Investment	Bulk	Local
Growth	Funded by debt. Partially recovered by IGC. Partially recovered by retail tariff.	Greenfields funded and constructed by Developers. Assets vest in Watercare. Brownfields funded by debt. Recovered by retail tariff.
Level of service	Funded by debt. Recovered by retail tariff.	Funded by debt. Recovered by retail tariff.

Capital Investment	Bulk	Local
Renewal	Funded by revenue. Recovered by retail tariff.	Funded by revenue. Recovered by retail tariff.

We need to review this model to ensure we:

- Appropriately balance our sources and uses of funds ensuring ‘growth pays for growth’.
- Address the challenges we face today (see section 4.3)
- Feel comfortable that our model will be fit for purpose and appropriate under enduring economic regulation.

## 4.2 Our current charges

Watercare provides water and wastewater services throughout the greater Auckland region. In addition, Watercare is responsible for the delivery of and maintaining the network, which includes extending and upgrading the network to provide for growth. The costs of these services are recovered through a number of charges as outlined in the table below.

Watercare currently charges IGCs to developers (and commercial customers who increase their demand on our networks) to allow us to recover the capital expenditure associated with growth. Attachment A includes more information on how IGCs are set and levied. Commercial customers who exceed their property’s baseline water allocation are required to pay additional IGCs to cover the capacity they are using in the system.

IGCs apply to bulk and transmission assets only. Developers are currently expected to provide all the local network, including upgrades, in existing built-out areas. The local assets are designed to Watercare standards and vest to Watercare.

Watercare currently has the following tariffs:

Watercare Revenue Streams		
Revenue Group	Revenue Stream	Description
<b>Revenue from Prices</b>		
<b>Retail Tariff</b>	Water revenue	Volumetric charge for water consumption
	Wastewater revenue	Volumetric charge for wastewater consumption (based on Water consumption) as well as the wastewater fixed charge
<b>Wholesale charges</b>	Wholesale revenue	Charges for wholesale water and wastewater services
<b>Revenue from IGCs</b>		
<b>Growth charges</b>	IGC Revenue	Growth capital revenue
<b>Other revenue</b>		
<b>New Development Revenue</b>	New Water Meters	Cost recovery of new meter installations, disconnections, and all associated works
	Development Connections	Recovery of cost of connecting a new network to an existing network

## Watercare Revenue Streams

Revenue Group	Revenue Stream	Description
	Development Approvals	Hour charges for the review of consents
	Development Inspections	Hourly charge for Compliance inspections of associated consents
	Service Connection Approvals	Hourly charge associated with reviewing connection applications
	Works Over Approvals	Hourly charge associated with reviewing works over applications
	Wastewater Service Connections	Cost recovery of boundary kit connections and all associated works
<b>Trade Waste</b>	Trade Waste	Charges for site visits and testing of customers with trade waste agreements
<b>Laboratory Revenue</b>	Laboratory Revenue	Revenue from various testing services provided to external customers
	Sundry retail charge	Cost recovery from a variety of sundry requests from customers - e.g. One off Meter read, copies of accounts etc
	Printed Bill Charge	Cost recovery from those customers who received printed water & wastewater bills
	Debt Collection	Cost recovery of debt collection charges
	Change of Ownership	Cost recovery from administration of changing the ownership details at an address
<b>Other Revenue</b>	MS External Revenue	Cost recovery of any maintenance or capital delivery works performed by the MSN group for external parties
	Sundry Income - Other	Income from various one-off receipts such as subvention payments, specific cost recovery on projects, commercial contract margin
	Rent Received	Rental income from properties owned by Watercare
	Interest Income	Interest income generated from Watercare retention balances

### 4.3 Challenges we face with our current pricing models

Watercare has experienced challenges with our current pricing and cost recovery models. As part of this Plan, we will look to address these challenges, some of which are outlined below.

#### **Growth – bulk and transmission network**

Growth in Auckland requires significant investment and there is a need to recover these costs in an appropriate way. When looking to recover these costs, we wish to:

- Consider the need for the IGC charge to take incremental operating costs into consideration.
- Consider the timeframe over which costs are best recovered, i.e. over the lifetime of the asset (often 50-100 years), the 15 years that we use today, or something different?
- Look at the timing of growth charging collection, i.e. should we charge an IGC at consent application versus connection?

- Review the level of geographic disaggregation of charges, including any distinctions between charges in ‘greenfield’ and ‘brownfield’ areas.
- Determine how to overcome the challenges we experience in recovering the cost of growth from existing commercial customers and residential customers (e.g. new granny flats) as their consumption increases.

### **Growth – the local network**

The current IGC charge adopted in April 2016 was designed to recover the growth share of treatment plants and bulk transmission only. The local network is funded and delivered by developers. However, only the developer who result in the network reaching or exceeding capacity is required to pay (i.e. the straw that breaks the camel’s back). Developers have regularly provided feedback around the inequity of this policy.

### **Trade Waste**

Commercial demand is increasing the volume of trade waste being discharged into our wastewater network. However, not all waste types are the same. Therefore, we wish to consider whether discharge quality, or load, is a more appropriate measure than volume alone.

### **Retail tariffs**

A large portion of our costs are fixed, i.e. operating the treatment plants and ongoing water quality testing. Our recurring water charges are volumetric. This disconnect does not support today’s operating environment, i.e. our proactive water efficiency initiatives drive demand down. This reduced demand results in reduced revenue, which has an adverse impact on our cost recovery. We therefore wish to explore if a two-part water pricing model with both a fixed and variable component would be better.

In addition, greater weather variability (droughts and floods) may lead to water restrictions and reduced revenue. We therefore wish to consider if scarcity pricing would support better cost recovery.

### **Other costs**

We need to ensure that our ‘other charges’, such as meter movement, or major development due diligence support, is cost reflective.

## Section 5.0: Outline of the Plan and how it will be implemented

### 5.1 Approach to the review

Due to the requirement to implement change between 2026-2028, Watercare needed to commence work on pricing immediately. For this reason, some workstreams have begun prior to this Plan being finalised and approved. In addition, due to the uncertainties that are outlined in section 2 above, the approach outlined below will be revisited regularly to ensure it reflects the most recent information. In broad terms we envisage the key steps of the Plan to include:

Deliverable	Indicative timeline
<p>Planning</p> <p>Perform a scan of pricing principles and methodologies both internationally and across other regulated utilities. Note that during the review of approaches applied elsewhere, the following will be considered:</p> <ul style="list-style-type: none"> <li>• <b>Key relevant contextual background</b> including the operating environment, for example the extent and nature of growth that is occurring and any emerging water supply and network constraints.</li> <li>• <b>The overarching charging and cost recovery arrangements</b> under price-quality regulation, including initial views of the pros and cons of each.</li> <li>• <b>The current arrangements for recovering the costs of infrastructure</b> from new development/connections (including gifted assets, specific connection/developer charges, and charges on the broader customer base)</li> <li>• <b>The journey</b> where relevant, the issues they were trying to address with previous models, how the new solutions were implemented, i.e. their transition programs, consultation processes, lessons learnt and any adjustments that have been made over time.</li> <li>• <b>The basis for setting periodic charges</b> water and wastewater (or energy).</li> </ul>	Complete
<p>Perform internal workshops across the group to:</p> <ul style="list-style-type: none"> <li>• Review best practise pricing principles and determine if anything relevant to Watercare is missing.</li> <li>• Workshop challenges currently faced with existing pricing and growth charging models.</li> <li>• Ensure alignment on understanding and options, and consistency with the proposed development levies with Auckland Council economic and financial specialists.</li> </ul>	Complete
Review our funding model and the costs that need to be recovered.	August 2025 – June 2026

Deliverable	Indicative timeline
<b>Planning</b>	
<p>Review existing pricing models and methodologies and their underlying assumptions and inputs, for example:</p> <ul style="list-style-type: none"> <li>Review allocation of revenue and costs between relevant categories</li> <li>Validate the definition of growth</li> <li>Confirm assumptions used in charging for growth, i.e. the Development Unit Equivalent (DUE)<sup>1</sup> is still appropriate.</li> <li>Consider what the correct period to recover the cost of growth is. I.e. is better to include the capacity life of assets rather than the current 15-year default.</li> </ul> <p>Update any assumptions and their underlying policies where appropriate.</p>	August 2025– June 2026
Build alternative pricing model options to address existing model issues identified, i.e. that ‘growth pays for growth’ and that all other prices are cost reflective.	September 2025– June 2026
Commence evaluation and modelling of pricing options against our objectives and draft principles. Consider any risks associated with options and their implementation. Select most appropriate options to consult on.	Jan 2025– December 2026
Receive feedback from the Crown monitor on this Plan and incorporate recommendations where appropriate.	Complete
Finalise this Plan and publish it on the Watercare website.	March 2026
<b>Implementation</b>	
<p>Public Consultation –: Commence public consultation regarding Watercare and our pricing - consult with our stakeholders including our shareholder Auckland Council on proposed pricing principles and pricing options, including the potential impacts of these options.</p> <p>This consultation will explain how proposed options address the key issues with the current approach, as outlined in 4.3 above. At this time, stakeholders will be given a full explanation of the issues we are trying to address.</p>	February – March 2027

<sup>1</sup> A Watercare Development Unit Equivalent (DUE) is a measure used to calculate Infrastructure Growth Charges (IGCs) for new developments or increases beyond a baseline. One DUE represents 220 kilolitres of water use per year or 209 kilolitres of wastewater discharge per year. This unit helps determine the IGC levied based on a development's demand on water and wastewater infrastructure.

Deliverable	Indicative timeline
<p>Planning</p> <p>This consultation will also include indicative pricing (i.e., estimates of pricing under the new approach compared to the status quo), so that consumers can understand the options and their implications.</p> <p>This information will be communicated in a way that is meaningful to stakeholders.</p>	
<p>Process and analyse feedback on pricing principles and pricing options, and refine options.</p>	April 2027
<p>Finalise the revised policies, obtain approval from Watercare Board, inform Auckland Council, and then announce changes to customers and key stakeholders, including appropriate phasing or transitional arrangements as per the Stakeholder Engagement Plan outlined in section 7 below.</p>	May 2027 – June 2027
<p>Implement the revised policies including the supporting billing system, updating of customer contracts and all other relevant customer journey touch points.</p> <p>Note: The Charter already requires minimum rates of increase in IGCs: 15.5% for FY26, 20% for FY27 and 11.2% for FY28.</p>	1 July 2027 – onwards (to reflect the appropriate transition period).

## 5.2 Roles and responsibilities

We have established a team to ensure the success of this project. The team structure at the time of drafting the Plan is outlined below. The team may evolve if further support is required:

- **Business Owner:** Chief Financial Officer
- **Project Manager:** Programme Manager
- **Team Lead:** Tier 3 management lead
- **Engagement team:** Head of External & Strategic Relations and Head of Communications with supporting project management, engagement support, event management and coordination, communication, collateral design and printing, insights specialist including data analytics.
- **Subject matter experts:**
  - Head of Strategy and Consenting
  - Head of Developer Services
  - Senior Commercial Manager
- **External Consultants:**
  - Frontier Economics, Australia. Frontier will provide technical support, on an as needed basis, in designing our funding and financing model, including the methodology for growth and retail tariffs.

- Part time stakeholder & reputation specialist with experience in regulatory communication and stakeholder engagement to support as required.
- **Other corporate support:** Te Rua Whetu, Legal & Governance, Digital.
- **Auckland Council Financial and Economic Specialists**

Any changes to Watercare pricing, including pricing principles, and all key decisions will be approved by both our Chief Executive and the Watercare Board.

### 5.3 Engagement with the Crown monitor

Throughout implementation of the Plan, there will be ongoing engagement with the Crown monitor. To date we have met with the Crown monitor weekly during the development of this Plan.

In line with the Charter, we have incorporated the feedback that the Crown monitor provided during the 60-day review period.

We will also keep the Crown monitor informed during implementation of the Plan and during policy development, via periodic updates and as key milestones are reached. Specifically, we will seek feedback on key components of our pricing early enough that it can be meaningfully incorporated into decision making, increasing the likelihood that the pricing redesign has the durability that customers, developers, and other stakeholders expect.

We anticipate that in their role as an economic regulator of enduring price-quality regulation from the end of the Charter period, the Crown monitor’s feedback will be valuable in supporting enduring price changes.

## Section 6.0: Draft design principles for pricing

The Charter requires this Plan to set out any design principles Watercare proposes to use in conducting its review of IGC charges. We wish to extend these design principles so that they can be applied to all of Watercare’s future pricing policies.

Watercare recognises the importance of ensuring that its revised growth charging policy and other water and wastewater charges are consistent with sound principles and informed by international best practise.

Watercare research conducted in 2020/21 on “willingness to pay” indicated that customer preferences and expectations were important for developing our pricing principles. We learnt that most customers wanted:

- **Predictability** – Stable, signalled price paths are preferred and there is an aversity to sudden changes.
- **Fairness** – Those who incur costs should bear them. There is support for the use of Infrastructure Growth Charges (IGCs), volumetric, and fixed charges.
- **Engagement** – Authentic engagement enhances acceptance of price changes and builds trust. International examples, such as Victoria’s Essential Services Commission, demonstrate that customer and community engagement lead to more informed and accepted pricing decisions. We plan to engage with all of our stakeholders, including our customers, communities, and iwi partners.

Since then, Watercare performed an international review in 2025 across water and energy utilities to further inform our draft pricing principles. In addition, we have looked to be consistent with principles for development contributions as set out in the Local Government (Water Services) Act and required contents of development contributions policy.

Finally, we will also consider central government’s approach to development levies once they are made public, which we expect to be in May 2026, and any pricing principles that the Commerce Commission may develop and apply in undertaking price-quality regulation of Watercare from 2028.

The following Draft Principles are proposed to be consulted on with our stakeholders. When applying these principles, Watercare must continue to comply with Central and Local government policies and strategies. Any levels of service above Watercare’s statutory obligations and/or local government strategies, such as water efficiency initiatives or climate/environmental solutions, will be reflected in increased costs, which will need to be supported by evidence of customers willingness to pay.

## 6.1 Draft design principles

The below set of draft pricing principles aim to ensure pricing is fair, transparent, and sustainable across all segments.

Rank	Pricing Principle
1	<b>Stability</b> – so that charges are reasonably predictable, and to the extent practicable, those paying them do not face price shocks.
2	<b>Equity</b> – to promote charging that is fair, reasonable, and takes into account the costs incurred in servicing different geographical areas and categories of customers over time.
3	<b>Simplicity</b> – so that charges are efficient to administer and implement to avoid undue costs and complexity to Watercare and customers.
4	<b>Cost recovery and financial sustainability</b> – to ensure there is sufficient revenue to provide the services customers need over the long-term.
5	<b>Cost reflectivity</b> – so revenue from customers correspond to the benefits the customer receives from the infrastructure and services provided and, to the extent practicable, charges signal the effect of additional usage on future network investment costs.
6	<b>Transparency</b> – to ensure that charges are easy for customers to find and understand.

## 6.2 Applying and balancing our design principles

It is worth highlighting that we recognise the need to achieve a suitable balance between potentially competing principles (such as cost-reflectivity and simplicity) and this will be considered during our modelling and stakeholder engagement phases. The example below illustrates trade-offs between pricing principles: Cost-reflective growth charges are important in promoting:

- Efficient development decisions (by signalling the cost of development and thereby ensuring development occurs where benefits exceed costs)
- Equitable cost recovery and financial sustainability: costs are recovered from those who create the need to incur them

However, we recognise other considerations include:

- Administrative/implementation costs: a pricing structure should not create a disproportionate level of administrative or implementation costs;
- The level of confidence in cost attribution/allocation: cost reflectivity can be undermined if the pricing structure requires a large amount of uncertain cost allocation;
- Price transparency and stability: developers and commercial customers should have a reasonable 'line of sight' of the charges they will likely face so they can factor this into their land purchase and investment decisions.

Watercare will seek feedback from our stakeholders on these trade-offs during the consultation process and will factor these into final decisions. These final decisions will shape the development of appropriate guidance for Watercare to reference, ensuring that the design principles are applied consistently to IGCs (and all other pricing) in different scenarios.

## Section 7.0: Stakeholder engagement

### 7.1 Engagement framework and plan

In line with the Charter, we will consult with our shareholder Auckland Council (, who sets the policy direction for growth), as well as our key stakeholders to obtain their views on future pricing principles, methodologies, and policy options. The term stakeholder refers to anyone who has an interest in, is affected by, or can influence our operations, decisions, infrastructure projects, or strategic direction including our pricing. A particular focus will be on those customers who pay directly and indirectly for our services along with associated advocacy and interest groups.

During consultation and engagement, we will explain the expected impacts of shortlisted options and the redesigned IGC policy on:

- Water and wastewater services recurrent price and revenue from that pricing (i.e., the potential impacts on the broader customer base); and
- IGCs and revenue from IGCs.

Our engagement plan will support Watercare's pricing framework by gathering feedback from relevant stakeholders.

A comprehensive price review will help us reach more people, build trust, and clarify our pricing. Feedback from stakeholders will support better decisions and show our commitment to stakeholder engagement, which is vital for the journey towards full economic regulation.

## The framework

The programme is aligned with principles set by the [Engagement Institute](#) (IAP)<sup>2</sup> an internationally recognised authority on best practice in community engagement and will be implemented according to the following framework:

- **Identify** our current stakeholders including customer sectors.
- **Share** information about our business, including challenges, and the way pricing works.
- **Design** engagement that considers pricing principles and scenarios while reflecting the diversity of stakeholders and customer sectors.
- **Deliver** engagement which is genuine and respectful of the diverse views of our customers and communities.
- **Listen** to feedback and **learn** from insights balancing views and perspectives.
- **Integrate** engagement information into our decision-making process.
- **Inform** the final pricing showing how input from the consultation was considered and integrated.

## Delivery principles

The way we will achieve this is by leveraging our leaders and subject matter experts delivering in the following way:

- **Authentic:** Be genuine and respectful, listening and valuing feedback.
- **Transparent:** Be open about the purpose, process, and limitations of the engagement, including how feedback will be used.
- **Inclusive:** Ensure diverse voices are heard, especially those from underrepresented or vulnerable customers or communities.
- **Accessible:** Provide clear, understandable information and multiple ways for people to participate.
- **Accountable:** Commit to report back on what was heard and how it influenced decisions, maintaining trust throughout the process.

## Methods

In developing this approach, we have reviewed best practice pricing review examples from the regulated Australian water services sector, including an award-winning example from Wannon Water (South-West Victoria) that was recognised by the Engagement Institute:

Recent engagement on Watercare's metropolitan servicing strategy and customer insights have also helped shape the methods that will be used for this pricing review. We will continue to collaborate with Auckland Council and use their community advisory panels as appropriate.

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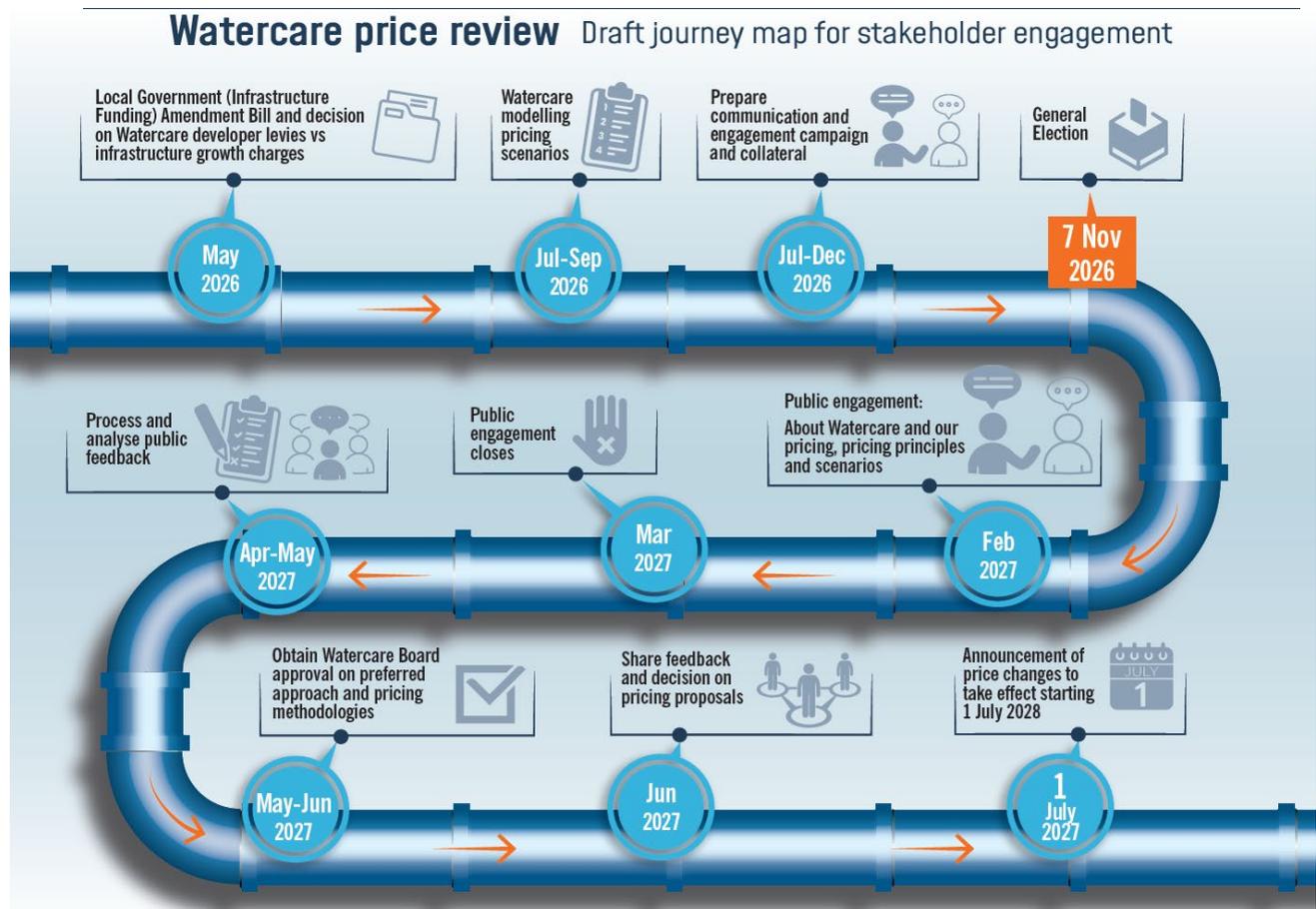
<sup>2</sup> The Engagement Institute (formally IAP2 Australasia) is Australasia's leading authority for community engagement and industry association for engagement professionals across Australia and New Zealand.

Engagement methods will be chosen using the Engagement Institute’s tool to suit each stage and stakeholder need. Watercare has set "collaborate" as the maximum level of stakeholder influence—while final decisions rest with us, we are committed to integrating stakeholder feedback into our pricing decisions.

## 7.2 Engagement timeline

The draft Engagement Plan outlines the process to engage customers and stakeholders on the pricing review. This Plan is adaptable yet focusses on several key steps sequenced as follows:

<b>July -December 2026</b>	Prepare communication and engagement campaign and collateral
<b>February -March 2027</b>	Engagement: About Watercare and our pricing, pricing principles and scenarios
<b>April -May 2027</b>	Process and analyse consultation and feedback
<b>May-June 2027</b>	Obtain Watercare Board approval on preferred approach and pricing methodologies to be implemented.
<b>June 2027</b>	Share feedback and decision on pricing proposals.
<b>1 July 2027</b>	Announcement of price changes to take effect starting 1 July 2028



## 7.3 Engagement framework and plan

### What we will do:

- We will engage with our owner Auckland Council to ensure our pricing principles and proposed policies and methodologies align with council’s strategies and plans.
- We will ensure we are appropriately considering our Mana Whenua relationships and responding to He Whenua Makaurau and Kia Ora Tāmaki Makaurau Frameworks. We will invest in a comprehensive engagement programme across our diverse stakeholders including our domestic customers, developer, commercial and retail segments, giving those communities genuine input into shaping Watercare’s pricing methodologies. We will engage stakeholders throughout the process ensuring the right people are engaged in the right way at the right time, ensuring that feedback does not overrepresent specific stakeholders.
- We will run a phased engagement process which helps educate about Watercare and our pricing, and then seeks specific feedback on pricing scenarios and finally shares feedback and decisions made.
- We will use the engagement as an opportunity to tell the story of substantial changes at Watercare, the challenges ahead, and the impact of financial independence – effectively making it a key lever of a reputation transformation programme.

An example of how the different customer segments and stakeholder groups could be engaged is provided below.

### Pricing consultation: Draft segmentation

	DEVELOPERS	COMMERCIAL	RESIDENTIAL	BULK
<b>Charges</b>	<ul style="list-style-type: none"> <li>• IGC charges</li> </ul>	<ul style="list-style-type: none"> <li>• IGC charges</li> <li>• Water and wastewater</li> <li>• Trade waste charges</li> </ul>	<ul style="list-style-type: none"> <li>• Retail water and wastewater charges</li> </ul>	<ul style="list-style-type: none"> <li>• Bulk supply arrangements</li> <li>• Wholesale services</li> <li>• IGC charges</li> </ul>
<b>Categories</b>	<ul style="list-style-type: none"> <li>• Large / Major Developers</li> <li>• Small developers</li> <li>• ‘Mum and dad’ developers</li> </ul>	<ul style="list-style-type: none"> <li>• Large industry water and wastewater</li> <li>• Laundromats, restaurants, hotel, café, retirement homes, data centres)</li> <li>• Shops, retail, small business</li> <li>• Education facilities</li> <li>• Trade waste customers</li> </ul>	<ul style="list-style-type: none"> <li>• Separate dwellings</li> <li>• Apartment blocks</li> <li>• Shared bulk meter</li> <li>• Retirement village units</li> <li>• Wastewater only</li> <li>• Irrigation only</li> </ul>	<ul style="list-style-type: none"> <li>• Veolia</li> <li>• Waikato District Council</li> </ul>
<b>Methods</b>	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• 1:1 interview</li> <li>• Co-design workshop</li> <li>• Webinar</li> <li>• Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• 1:1 interview</li> <li>• Co-design workshop</li> <li>• Webinar</li> <li>• Survey</li> </ul>	<ul style="list-style-type: none"> <li>• Panel</li> <li>• Presentation</li> <li>• Drop in centre</li> <li>• Global café</li> <li>• Mailout &amp; newsletter</li> <li>• Webinar</li> <li>• Survey</li> </ul>	<ul style="list-style-type: none"> <li>• 1:1 interviews and engagement</li> </ul>
<b>Phases of engagement</b>	<ul style="list-style-type: none"> <li>• About Watercare &amp; our pricing</li> <li>• Pricing principles and scenarios</li> <li>• Report back and decision</li> </ul>	<ul style="list-style-type: none"> <li>• About Watercare &amp; our pricing</li> <li>• Pricing principles and scenarios</li> <li>• Report back and decision</li> </ul>	<ul style="list-style-type: none"> <li>• About Watercare &amp; our pricing</li> <li>• Pricing principles and scenarios</li> <li>• Report back and decision</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing principles and scenarios</li> <li>• Report back and decision</li> </ul>
	<b>Interested parties</b>	<b>Interested parties</b>	<b>Interested parties</b>	<b>Interested parties</b>
	<ul style="list-style-type: none"> <li>• Developers and commercial property owners</li> <li>• Mana whenua and Māori trusts</li> <li>• Kāinga Ora</li> <li>• Lawyers</li> <li>• Advocacy groups – UDINZ, Property Council</li> </ul>	<ul style="list-style-type: none"> <li>• Auckland Council</li> <li>• Kāinga Ora</li> <li>• Ministry of Education</li> <li>• Ministry of Health</li> <li>• Lawyers</li> <li>• Industry associations</li> <li>• Business associations</li> <li>• Environmental &amp; public health advocates</li> </ul>	<ul style="list-style-type: none"> <li>• Kāinga Ora</li> <li>• Property Managers</li> <li>• Lawyers</li> <li>• Community groups and residents associations</li> <li>• Water Utility Consumer Assistance Trust</li> <li>• Consumer advocacy groups</li> <li>• Grey power</li> <li>• Disability services</li> </ul>	<ul style="list-style-type: none"> <li>• Veolia Australia and New Zealand</li> <li>• Waikato District Council</li> </ul>
	<b>Stakeholders</b>			
	<ul style="list-style-type: none"> <li>• Mana whenua partners</li> <li>• Auckland Council Shareholder</li> <li>• Auckland Council governing body</li> <li>• Ministers and government officials</li> <li>• Commerce Commission</li> <li>• Department of Internal Affairs and associated ministries</li> </ul>			

The Plan can be revised and adapted depending on the extent of the pricing discussion required and will guide development of the campaign to engage our stakeholders in the price review.

Ultimately, this engagement will be about improving transparency and making sure Watercare's future decisions reflect the needs and values of the communities we serve.

## Appendix A: Current IGC charges

To calculate the Metropolitan IGC charge, Watercare uses the following steps:

- The average bulk growth capex per development unit equivalent (DUE) is determined, by dividing total bulk growth capex (in today's dollars) over a 15-year period (4 past, current, and 10 years forecast) by the number of DUEs over the same period. This is the amount that has to be recovered from a DUE.
- The NPV of interest (debt funding) and depreciation recovered by future water and wastewater tariff revenue for a DUE over average asset life is determined, based on existing charges. This is the amount which will be recovered from each growth DUE over time (in today's dollars), therefore ensuring that the new customer is not charged twice for the same asset over its life.
- The difference between the average bulk growth capex per DUE and the NPV of future tariff revenue (covering debt funding and depreciation) per DUE is determined. This is the notional amount which needs to be collected from each growth DUE as an IGC if all bulk growth capex is to be recovered from new customers. This places new customers on an equal footing with existing customers, with both groups contributing equally to recovery of operating costs, depreciation, interest and debt repayment through a common tariff.
- The actual metropolitan IGC rate is currently less than the notional IGC rate as Watercare seeks to gradually increase the level of the IGC to something close to the full rate.

## Appendix B: Charter requirements compliance table

### Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025

Clause 19 - IGC policy review and redesign		
#	Definition	Reference
(1)	This clause applies if, when this charter comes into force, the final version of the Business Plan that Watercare has submitted under section 82 of the Act includes a commitment to review and redesign its IGC policy.	Page 31 of the Watercare Business Plan 2025-2035, linked <a href="#">here</a> .
(2)	Watercare must prepare a document describing its review and redesign of its IGC policy.	Section 5.1
(3)	The document must include—	Section 5.1
	(a) Watercare’s intended approach to all phases of the review and redesign, including—	
	(i) any design principles it proposes to use; and	Section 6
	(ii) how it will implement the redesigned policy in the 2026–2028 financial years; and	Section 5.1
	(b) how Watercare intends to engage with the Crown monitor in the review and redesign process; and	Section 5.3
	(c) a summary of the approach Watercare intends to take to explain to consumers and other stakeholders the expected impacts of the redesigned IGC policy on—	Section 7.1
	(i) water services pricing and revenue from that pricing; and	
	(ii) IGCs and revenue from IGCs.	
(4)	In preparing the document, Watercare must—	
	(a) engage closely with the Crown monitor throughout the process; and	Watercare met with the Crown monitor on a weekly basis between May – September 2025.  The Crown monitor have the opportunity to provide feedback during the 60 days from 1 October 2025 to 24 December 2025.

## Clause 19 - IGC policy review and redesign

#	Definition	Reference
	(b) by 30 September 2025, give a draft of the document to the Crown monitor for feedback; and	This is the Plan.
	(c) if the Crown monitor's feedback is received within 60 working days, do the following within 60 working days after receiving that feedback:	To be completed between 24 December 2025 and 24 March 2026.
	(i) incorporate the Crown monitor's feedback into the document:	
	(ii) publish the document that incorporates that feedback on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.	
(5)	In this clause, IGC policy includes— (a) a methodology for determining IGCs; and	Section 5.1 and Section 6
	(b) methodologies for allocating revenue or costs between relevant categories for the purpose of calculating IGCs.	Section 5.1 and Section 6

## Disclaimer

While all reasonable care has been taken in relation to the preparation of this Plan, to the maximum extent permitted by law, no representation or warranty (express or implied) is made as to any of the information in the Plan or the ability to deliver on the Plan. The Plan may change at any time without notice.

The information contained in this Plan is considered to be up to date at the time of preparation but may subsequently change at any time. While we anticipate that there may be future changes, neither Watercare nor any other person is under any obligation to update or revise this Plan at any time after its completion, whether as a result of new information, future events, or otherwise, except as required by law.

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