

22 December 2025

Jamie Sinclair
CEO
Watercare Services Ltd.
73 Remuera Road
Newmarket
Auckland 1050
By email: jamie.sinclair@water.co.nz

Tēnā koe Jamie,

Acknowledgement of the Pricing Review Plan

1. Thank you for providing Watercare's 'Pricing Review Plan - Draft' (**the plan**).
2. We received the plan on 30 September 2025, on time and completed as required by clause 19 of the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 (**the Charter**).

Purpose of this letter

3. In our role as Crown monitor to Watercare, the Commerce Commission is writing to provide our feedback on the plan.
4. As you know, Watercare must incorporate our feedback into its final plan and publish that plan as required by Charter clause 19(4)(c)(i) and (ii).
5. Our feedback promotes the purpose of the Charter, which in turn is to promote the purposes of Part 4 of the Local Government (Water Services Preliminary Arrangements) Act 2024.¹

Context

6. Watercare is subject to interim economic regulation under the Charter, which came into force on 1 April 2025.² As the economic regulator of water services, we oversee the Charter in our role as Crown monitor.
7. Watercare's Business Plan 2025 included a commitment to pricing reform, including a focus on how to recover the cost of growth, so that growth pays for growth. As Watercare committed to the review and redesign of its pricing, including its

¹ Local Government (Water Services Preliminary Arrangements) Act 2024, section 70.

² Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 2.

infrastructure growth charge (**IGC**) policy, Watercare is subject to clause 19 of the Charter.³

8. Consistent with clause 19 of the Charter, Watercare provided its plan to us for feedback by 30 September 2025.⁴ Watercare must publish its final plan, incorporating our feedback, within 60 working days of receiving this letter.⁵
9. This letter sets out our feedback on the plan, as required by clause 19 of the Charter. We expect the final plan to address our feedback.

Our feedback on the plan

Seek Crown monitor feedback in a timely manner on key reforms

10. Watercare has stated, in section 5.3 of the plan, that it will keep us informed as it reaches key milestones during policy development and implementation, and that there will be ongoing engagement with us throughout the implementation.
11. We require the final plan to further clarify that Watercare intends to:
 - 11.1 seek our feedback on key components of its pricing reform, and
 - 11.2 seek this feedback at a time when it can be meaningfully incorporated into its decision on each key component.
12. Seeking our feedback at an appropriate time increases the likelihood that the pricing redesign has the durability that customers, developers, and other stakeholders expect. Since the pricing reform laid out in the plan is enduring, where appropriate we may provide general comment on pricing reform in our role as an economic regulator of enduring price-quality regulation from the end of the Charter period.

Consider options for bespoke arrangements

13. Given the diversity of developments in Auckland, we expect Watercare to consider an appropriate range of feasible pricing approaches including options for bespoke arrangements. Bespoke arrangements enable applicants to negotiate site-specific terms. These can be particularly relevant when developments occur outside of areas that are deemed to be standard, or when developments are of a larger scale.
14. We are encouraged that Watercare is considering pricing methodologies used internationally and across other regulated utilities. We also welcome that Watercare's plan considers options for how it can have regard to the Government's proposed approach to development levies.

³ Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 19(1).

⁴ Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 19(4)(b).

⁵ Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025, clause 19(4)(c).

15. Considering a range of approaches where appropriate, including bespoke arrangements, will ensure Watercare’s final plan includes an appropriate range of options for stakeholder feedback.

Problem definition to be addressed by the pricing reform

16. To ensure stakeholders understand the case for change that is driving the pricing reform, there needs to be an explanation of the key issues with the current approach, communicated in a way that is meaningful to stakeholders. The extent to which pricing approaches address current issues may differ between approaches. Articulating how options perform in addressing issues with the existing methodology will help stakeholders engage with Watercare’s proposals.
17. We note that the plan already includes some of this information. In section 4.3, Watercare acknowledges that it has experienced challenges with its current pricing and cost recovery models and sets out ‘some’ of those challenges. In section 5.1 of the plan, Watercare also sets out its approach to the review. The final plan should either include a fuller explanation of the key issues or say when this explanation will be shared with stakeholders.

Explain how Watercare’s design principles will apply to IGC pricing

18. The plan does not explain clearly how Watercare will apply its design principles to IGCs consistently across different scenarios. Watercare has designed the plan to be high-level to enable the principles to apply to all types of revenue (revenue from prices, revenue from IGCs, and other revenue). Watercare has also indicated that it will evaluate the pricing model options against its objectives and principles.
19. We expect Watercare to explain in the plan how it will ensure that the design principles are applied consistently to IGCs in different scenarios. One way to achieve this could be by developing appropriate guidance and referencing it in the plan.⁶

Pricing reform implementation steps during the Charter period

20. The plan states that implementation between the 2026 and 2028 financial years will include (but is not limited to):
 - 20.1 design of methodologies,
 - 20.2 consultation on pricing principles and methodologies
 - 20.3 supporting billing system implementation
 - 20.4 customer interaction and journey mapping, and
 - 20.5 updating customer contracts.

⁶ As an example of guidance on principles, please refer to Essential Services Commission of South Australia “Pricing principles guidance fact sheet” <<https://www.escosa.sa.gov.au/industry/water/licensee-information/small-scale-water-networks>>. (Viewed on 5 December 2025)

21. We agree that the above are reasonable steps to include during the Charter period.
22. Watercare has stated that during consultation and engagement it will explain the expected impacts of the options on the IGCs and revenue from IGCs. For the avoidance of doubt, the plan should set out when Watercare intends to share indicative pricing (ie, estimates of pricing under the new approach compared to the status quo), so that consumers can understand the options and their implications.

Specify the geographic areas and service types that are in scope of the review and redesign

23. To increase transparency for stakeholders, we expect Watercare to specify the geographic areas and service types that are in scope of the review and redesign.⁷ This will ensure that stakeholders will understand if the plan applies to them.

Acknowledgement of Watercare's longer term implementation steps

24. In our role as economic regulator of enduring price-quality regulation, applicable from 30 June 2028 onwards, we currently intend to require Watercare to apply any updated/new pricing methodologies, including for the purposes of growth charges.⁸
25. As set out in the Commission's paper on the approach to Watercare's price-quality path, there are regulatory choices that are yet to be determined by the Commission which may interact with growth costs, revenue, and pricing. Aligning the timing between when new growth charges apply and when the price-quality path starts in 2028, provides for a smooth transition between regimes.

Contact us

26. If you have any queries about this letter, please contact crown.monitor@comcom.govt.nz.

Wishing you a Merry Christmas and happy holiday season.

Nāku noa, nā

⁷ Clause 17 of the Charter lists Watercare's current geographic areas and service types included in the scope of the minimum IGC increases.

⁸ Refer to the section 'Seek Crown monitor feedback in a timely manner on key reforms' to see our expectations on how Watercare engages with us, in our role as the Crown monitor between the 2026-2028 financial years.