

20 October 2025

Commerce Commission
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Dear members of the Board

Feedback from the Manawātū District Council on the Economic Regulation of Water Services – Information Disclosure – Draft Decision

Manawātū District Council (MDC) welcomes the opportunity to provide feedback on the Commerce Commission's Draft Decision package for Information Disclosure (ID) regulation of water services. We acknowledge the importance of transparency and benchmarking in driving improved performance and accountability in the water sector. In principle, we support the introduction of an ID regime that shines a light on how water services are managed and funded, as this can build public trust and enable informed community dialogue.

MDC generally supports a proportional, cost-effective approach to ID that achieves the Commission's objectives, providing this does not impose undue burden on smaller local authorities and their communities. MDC generally supports the submission prepared by Taituarā – Local Government Professionals Aotearoa, and agrees that, wherever possible, the economic regulator and other agencies (such as Taumata Arowai) should coordinate the timing and contents of information requests to minimise duplication and improve efficiencies.

To ensure successful compliance, the Commission must also support the implementation of the new ID requirements through adopting realistic timeframes, and publishing definitions, agreed methodologies, guidance and standard templates. We urge the Commission to release draft templates as early as possible, ideally alongside the final determination to enable us to begin mapping our data to them. MDC considers that written guidance on definitions, methodologies and expectations for each disclosure item is critical. For example, how capital project costs are apportioned across categories to enable uniform interpretation.

In addition to webinars, interactive workshops would be very useful to demonstrate common scenarios and understanding of the templates. MDC notes the reporting timelines are quite tight and would require the Commission to arrange this training as early as possible. MDC also encourages the Commission to establish a user forum or helpdesk to get consistent responses from the Commission's staff.

MDC sees value delaying start date for the implementation of the “additional disclosure” requirements until after the commencement of the 2027-37 Long-term Plan. This will allow time for any necessary upgrades to financial systems, and to set up new processes and systems, to meet the reporting requirements. MDC also advocates for a ‘softer’ or ‘education first’ approach to compliance in the initial years, with a focus on continuous improvement rather than penalising water suppliers who are learning to navigate financial disclosure requirements for the first time.

Section 1: Feedback on Draft Regulatory Framework Paper

MDC generally supports the overarching regulatory framework and decision-making approach the Commission has outlined for water services ID. We agree that the framework should be principles-based, transparent, and enduring, providing clarity on how ID requirements will be set and evolved over time. In particular, we endorse the emphasis on the purpose of ID – to promote transparency and ultimately the long-term benefit of consumers – and on ensuring the regime is proportionate and cost-effective.

Taituarā’s submission highlighted the importance of basing information disclosure on rigorous principles and making the regime as simple and efficient as possible. MDC strongly supports this focus on efficiency and non-duplication.

The Commission’s framework appropriately notes the need to leverage existing information sources, where possible. For example, the Local Government (Water Services) Act 2025 introduces new accountability documents (Water Services Strategy, annual Water Services Budget and Report) which will already require extensive information from councils. We are pleased to see the Commission intends to rely on and align with these documents where possible, rather than duplicate reporting requirements.

Clarity of Regulatory Roles

The framework paper sets out the legal basis for ID and how it fits with the broader economic regulation regime. We support the clear delineation that, initially, ID will apply to council water suppliers (“decision-making local government water service suppliers”) and that other regulatory tools (like price-quality or quality standards) may be considered later.

For MDC, this means our water supply and wastewater services will come under ID regulation, and we acknowledge the Commission’s role in administering the ring-fencing requirements in the new legislative environment. Given that under the Local Water Done Well reforms, councils retain ownership and control of water services, we appreciate that the Commission recognises monopolistic excess profits are less of a concern here; instead, the transparency and performance assurance aspects of regulation take precedence. MDC agrees with Taituarā’s observation that the primary benefit of ID in this context is shining a light on performance.

Future Intention to develop ID requirements for Stormwater

While stormwater is outside the current scope of ID, we note (as did Taituarā) that stormwater shares many natural monopoly characteristics with water and wastewater. We

generally support the Commission's decision-making framework leaving room to integrate stormwater into ID in the future, once enabled by legislation.

However, we note that the introduction of financial disclosures for stormwater will be more complex than for water supply and wastewater services given that stormwater drainage is often provided as part of the roading network, or as part of green spaces (e.g. stormwater detention areas). The development of any future ID requirements for stormwater will need to be carefully considered, developed in consultation with the sector, and be supported by clear methodology and guidance.

Decision sought:

- That any future framework for introducing financial disclosure requirements for stormwater be carefully considered and developed in consultation with regulated suppliers.

Measuring affordability

MDC recommends that household income data that is necessary for reporting on affordability be held and updated centrally. Household income is not information that is held by local authorities. When forecasting household income for inclusion in our Water Services Delivery Plan (as a means of projecting future affordability), MDC had to develop assumptions around using Statistics New Zealand median household income data for our region, and then forecast using CPI target bands. In the absence of household income information being published centrally, the Commission should provide a clear methodology to project future household income to ensure national consistency.

Decision sought:

- That median household income data be held centrally (by Statistics New Zealand?), regularly updated and made available for regulated suppliers free of charge for use in affordability calculations.

Basic Disclosures

Level of disaggregation required for the financial disclosures

MDC shares the concerns raised in the submission by Taituarā that the level of disaggregation for expenditure and revenue data is greater than what local authorities traditionally report against. We are particularly concerned about the proposal to separate capital expenditure for growth into four categories (capacity upgrade, network expansions, new connections, and other). We consider there to be potential overlap between these categories which may lead to inconsistencies in how they are applied by regulated suppliers.

MDC also agrees with the concerns raised in the Taituarā submission in relation to the network operating expenditure categories 'planned maintenance' 'predictive maintenance' and 'unplanned maintenance' (refer to B1 (d) – (f) – *Operating expenditure – network*). MDC currently only accounts for maintenance activities in terms of 'planned' and 'unplanned.'

There appears to be overlap between 'planned' and 'predictive' maintenance in particular, and the cost of accounting for this could outweigh the value.

Decisions sought:

- That the Commission reconsider the proposed level of disaggregation proposed for expenditure and revenue to remove any potential duplication, particularly in relation to capital expenditure for growth.
- That the Commission simplify the network operating expenditure categories by removing 'predictive maintenance' and broadening the scope of what is considered 'planned maintenance.'
- That the Commission provide regulated suppliers with clear definitions and guidance in relation to the proposed ID requirements for actual revenue and other income, to enable consistent reporting.

Methodology for inflating/deflating cost estimates

MDC agrees with the recommendation in the submission by Taituarā that *"The Commission should specify an acceptable methodology and methodologies for: cost allocation; inflating and deflating financial data; and (especially) calculating estimated charges as a percentage of household income."* MDC agrees with Taituarā's submission that the inflation factors to be used must be based on the cost of infrastructure provision, such as the Capital Goods Price Index or the Producer's Price Index, as opposed to the Consumer Price Index.

Without a clear methodology and standardisation around which inflation factors to use, there will inconsistency in financial reporting across regulated suppliers, reducing the ability to make comparisons or evaluate performance.

Decision sought:

- That the Commission standardise the methodology for inflating/deflating cost estimates and specify which inflation factors should be used (not CPI).

Asset Management

The Draft Decision Summary makes it clear that regulated suppliers are required to publish asset management plans (AMPs) for water supply and wastewater services. We understand that these AMPs must be split into three parts and that water supply and wastewater services may be presented together or in separate documents.

While MDC generally supports the proposed contents of each of the three asset management documents, we have concerns regarding efficiency. MDC has traditionally prepared a combined three waters asset management plan. There is already a high level of transparency in the asset management systems used by MDC and other local authorities. Our three waters asset management plan is audited three-yearly by Audit New Zealand as part of the Long-term Plan Project, and informs the development of our 30-year Infrastructure Strategy.

MDC is concerned that the requirement to produce a three-part asset management plan for water supply and wastewater will be less efficient than our current practice. It is also unclear from the documentation provided whether we have to also produce an AMP for stormwater services, even though stormwater is not subject to financial regulation at this time, and if so, what form this should take. As an in-house water services provider, it would likely be most efficient for MDC to produce a single, three-part AMP that includes water supply, wastewater and stormwater.

We also note potential overlap or duplication between the Strategic Asset Management Plan and the Water Services Strategy, particularly in relation to strategic priorities.

Decisions sought:

- That the Commission produce guidance documentation and a template for the new Asset Management Plan requirements, to help reduce potential inefficiencies.
- That the Commission clarify the asset management requirements for Stormwater, including whether this information can also be included within the three-part asset management plan we must prepare for drinking water and wastewater services.

Answers to the questions in Explanatory Paper

Financial question 4 – Should certain regulated suppliers only need to report expenditure in high-level categories – growth, levels of service, and renewals?

MDC would support small/regional suppliers or those newly forming CCOs to only be required to report at the high-level (growth/levels of service/renewals) for the first disclosure year, with a pathway to full sub-category detail by Year 2–3. This aligns with the staged approach signalled by the Commission and reduces transition cost while capability is built.

Commission-only disclosures - Are there other types of information proposed for public disclosure that you think should be disclosed to the Commission on a Commission-only basis because they are confidential, commercially sensitive or only relevant for compliance monitoring?

MDC recommends that the following types of information be disclosed to the Commission only:

- Contract pricing and procurement details;
- Detailed location or control system data (for security reasons);
- Individual customer or developer charges

If there are, please say what those types of information should be and explain why these should be disclosed to the Commission only.

Closing remarks

This is a public submission and does not contain confidential information. MDC consents to it being published on the Commerce Commission website.

Thanks again for the opportunity to provide feedback.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Shayne Harris', with a stylized flourish at the end.

Shayne Harris
Chief Executive