

Information Disclosure for Water Services

New Zealand Commerce Commission

IAWAI – Flowing Waters Submission

20 October 2025



Introduction

1. IAWAI Flowing Waters, the Council Controlled Organisation (CCO) established by Hamilton City Council and Waikato District Council, along with staff from its shareholder councils, welcomes the opportunity to respond to the Commerce Commission's (the Commission) Draft Information Disclosure (ID) Determination for Water Services (September 2025). This submission has been jointly made with input from IAWAI Flowing Waters, Hamilton City Council, and Waikato District Council staff.
2. IAWAI was established to deliver water and wastewater services, including stormwater as a contracted service, across the region from 1 July 2026 and will manage over 90,000 connections and oversee a projected \$3.3 billion investment programme over the next decade. As a newly formed entity operating within the Local Water Done Well framework, IAWAI is committed to delivering safe, sustainable, and financially responsible water services.
3. Hamilton City Council and Waikato District Council are working together through the establishment of IAWAI to achieve the best outcome for our communities. This partnership reflects a shared commitment to regional collaboration, long-term infrastructure planning, and transparent service delivery. The councils recognise that the success of IAWAI depends not only on operational excellence, but also on the ability to meet the expectations of our communities and regulatory obligations in a way that is practical, proportionate, and future-focused.
4. We understand the Commission's challenges in accommodating the diverse circumstances of local providers, aligning and collaborating with other regulators, and adhering to legislative timeframes during the development of the proposed requirements.
5. We support the intent of the proposed ID to improve transparency, enable informed decision-making, and incentivise better performance across the water sector. However, we believe the success of the regime depends on its ability to balance ambition with practicality, particularly during the sector's transitional phase. It will also depend on the extent to which it reflects operational realities of newly formed entities like IAWAI. We encourage the Commission to continue engaging with councils and water organisations to ensure the ID requirements are practical, scalable, and aligned with the sector's capacity to deliver.
6. In its consultation documents and engagement, the Commission has acknowledged the significant work already underway across the water sector as councils and new entities respond to the transformation required under Local Water Done Well. The establishment of new water organisations, the development of water services strategies, and the implementation of new governance and operational models represent a substantial undertaking. We appreciate the Commission's recognition of this context and its commitment to supporting the sector through a staged and proportionate approach to regulation.

Key Messages

7. Support for ID Intent

8. We support the Commission's goal to improve transparency and performance across the sector. The ID framework is a positive step, but its success depends on practical implementation and alignment with sector capability.

9. Clearer Implementation Pathway Needed

10. The staged approach is welcome, but more detail is needed on timing, sequencing, and expectations for compliance, especially for "additional" disclosures. This will help both councils and new water organisations plan effectively and avoid uncertainty.

11. Systems and Capability Constraints

12. Many councils, and subsequently water organisations, lack the systems and data granularity required. Meeting ID expectations will require additional investment in technology, business and operational processes, and associated resourcing. Support mechanisms and flexibility are essential to enable expectations to be met.

Information Disclosure Feedback

Implementation, Timeframes, and Staging

13. While the Commission has indicated a phased approach to implementation, the actual pathway remains unclear. It is essential that the Commission provides detailed guidance on the timing and sequencing of disclosures, particularly for items that are decided by the Commission to be treated as "additional" in the Determination, as a result of this consultation. In relation to this, we recommend that all of the grey-shaded disclosure requirements with the Determination be treated as "additional" to help in the staging of disclosures and to reduce initial regulatory burden. It would be beneficial for these disclosures to be removed from the Determination and introduced later when sector capability for disclosures improves.
14. It is also recommended that the Commission outline the timeframes not only for the implementation of the disclosures themselves, but also the expectations of the Commission in relation to and timeframes for full compliance with the required disclosures. Some of the required information is currently either not recorded to the detail stipulated in the Determination or at all. We understand there is an expectation for improvement in subsequent disclosures and that improvement plans will be necessary, but we require further information for informed and effective planning and action towards compliance. A timeframe for the introduction of other regulatory tools, such as price-quality, would also be appreciated to reduce uncertainty around future obligations.
15. We support the Commission's goal of standardising reporting to improve consistency and comparability across the sector; however, there is a balance that is needed. A completely standardised approach risks overlooking the unique operating environments, cost drivers, and governance models of individual regulated suppliers, e.g. Hamilton is New Zealand's fastest growing city and Waikato District is also experiencing rapid growth, which significantly increases the challenge of improving existing waters infrastructure and providing sufficient new infrastructure to respond to population growth. Flexibility is essential to ensure disclosures accurately reflect local conditions and do not lead to misleading comparisons. We welcome the use of narrative disclosures during the transition and recommend the development of clear, standardised templates to support consistent implementation while allowing space for local context. Supplying the standardised templates early will also allow regulated suppliers to implement them as systems are created, instead of reworking systems and processes after they're created.

Systems and Capability Constraints

16. As briefly mentioned in the Implementation Timeframes, and Staging section, many councils do not currently hold the level of detailed asset management and financial data required under the proposed ID framework. Meeting these requirements will likely necessitate a comprehensive review of existing accounting systems and upgrades to align with the new standards. Significant investment in systems, processes, and capability development will be required to meet disclosure expectations, which may be particularly challenging for smaller councils or organisations. Ideally, this will be implemented over a 10-year period to match the likely timing for the procurement, implementation, and operationalising of new digital asset management systems.
17. We acknowledge the framework's intention to adopt a proportionate and staged approach to implementation. However, further details on the specific support mechanisms to enable this transition would be helpful. Smaller councils may face particular challenges due to limited technical, financial, and human resources, especially in areas such as asset condition reporting and financial disclosures.
18. As water organisations and councils work to embed the new regulatory framework, there will be a period of adjustment as we align fit-for-purpose systems, transfer and build internal capability, and explore opportunities to collaborate and share resources across the sector. With appropriate support and flexibility, water organisations and councils will be better positioned to meet the new requirements while continuing to focus on delivering essential services and investing in infrastructure.
19. While we understand the rationale for requiring disclosed information to be retained for 15 years – particularly to support long-term transparency, trend analysis, and regulatory oversight – the expectation that all underlying data and documentation used to generate those disclosures must also be retained for the same duration is disproportionate. This requirement significantly expands the scope of compliance and introduces unnecessary complexity and cost, especially for newly formed entities like IAWAI. The volume of supporting material – ranging from internal calculations and draft reports to system-generated outputs – can be vast and often not relevant beyond the immediate disclosure context. We recommend that the Commission reconsider this aspect of the retention requirement and provide clearer guidance on what constitutes essential supporting information, with a more practical and risk-based approach to retention timeframes.

Materiality

20. Although the Commission has indicated that regulated suppliers have the ability to decide what is considered material, we recommend that the Commission establish high-level parameters for materiality, scaled to the size and complexity of the regulated supplier. This could be achieved by setting a percentage of asset value or expenditure as a baseline.
21. The Determination places considerable emphasis on variance reporting, but without defined thresholds for materiality, suppliers may be required to explain minor variances that have no meaningful impact on performance or consumer outcomes. For example, a \$100,000 variance within a \$10 million programme should not trigger detailed reporting. Additionally, variance reporting should be considered over the duration of a programme or Water Services Strategy, rather than annually, to account for real world project phasing and deliverability. This allows for projects to be accelerated or delayed within the given timeframe without skewing the disclosed information. This flexibility enables efficiencies to be identified and possible savings to be realised, particularly through delivery partnerships with third parties that recognise delivery timing needs.
22. The lack of clarity around what is considered material also applies to errors within the information disclosure, which affects the requirement for disclosure. If an error is considered material, it must be reported within seven months, but if it is not material, it may be disclosed within the same timeframe. Further clarification in this space would be appreciated to ensure these requirements are applied consistently across organisations.

Duplication Across Agencies

23. The ID framework must be carefully coordinated with existing reporting obligations to avoid duplication and inefficiency. The Memorandum of Understanding between the Commission and the Water Services Authority is a positive step, but further alignment is needed, including with the Department of Internal Affairs (DIA). For example, information reported to DIA should instead be captured by the Commission to streamline reporting.
24. Where duplication is unavoidable, the Commission should ensure consistency in units of measure, presentation formats, and data definitions. This will reduce the burden on regulated suppliers.

Assurance and Audit Requirements

25. The Determination introduces expectations for independent assurance aligned with ISAE (NZ) 3000 standards, including budgets and reports, applying to both forecasts and historical information, on both planned and actuals. This represents a significant shift from current council practice, where assurance is typically undertaken on a three-yearly cycle as part of the long-term plan process. Transitioning to annual assurance will result in significant costs and administrative overhead.
26. We recommend that assurance efforts be focused on actuals annually, while limiting assurance on forecasts and plans to a three-year cycle as part of the Water Services Strategy. The Commission should also provide clear guidance on acceptable methodologies for cost allocation, inflation adjustments, and affordability metrics to support consistency and comparability.

Consumer Focused Disclosures

27. IAWAI supports the use of narrative-based disclosures in the initial years to support accessibility and context. This approach would allow regulated suppliers to explain gaps in data, outline improvement plans, and build capability over time. To support IAWAI in providing this narrative format, an initial simplified information disclosure could allow time for regulated suppliers to collate and form these narrative explanations. Alternatively, the Commission could assist through forming a unified narrative to be included with the disclosure.
28. We support the Commission's intent behind the proposal for geographically disaggregated information; however, we prefer Alternative 2, which enables disaggregation to be guided by shareholder expectations or transfer agreements. This approach provides flexibility and allows councils or water organisations to weigh the cost and benefit of disaggregated reporting before imposing it. The current proposed framework still allows for information to be presented in a geographically disaggregated way – either by scheme, council area, or other means – if a regulated supplier feels it is necessary outside of a council mandate.
29. We understand the importance of reflecting local conditions, investment priorities, and community expectations, and acknowledge the concerns that have been expressed by smaller communities about losing visibility within amalgamated structures

Stormwater Inclusion

30. Although supplying stormwater services is not a regulated service, the Determination stipulates that if the regulated supplier also supplies stormwater services, the combined services level disclosures for various plans will treat stormwater services as a regulated service. Since councils will maintain responsibility for stormwater services, IAWAI will be contracted to supply these services. It is unclear the level of information that IAWAI may need to require from its shareholding councils to achieve this. It may necessitate disaggregation of information at the council level, by IAWAI, adding further complexity and increasing the likelihood of duplication across reporting and data management processes.
31. The Commission has also indicated that there are mechanisms within the Commerce Act to include additional services, like stormwater, into its economic regulation and outlined that it would seek

feedback on any proposed material changes. In this instance, it is recommended that the Commission engage with the sector as early as possible and recognise the additional complexity and regulatory burden that additional services, especially stormwater, will have. We also recommend that the Commission clarify its intended pathway (including likely timing) and criteria for incorporating stormwater into the ID regime.

Benefits Realisation and Project Drivers

- 32.** The Determination requires reporting on benefits realisation for material projects, yet does not specify an end date for this reporting. This creates a risk of an ongoing compliance burden for completed projects. Additionally, the success of benefits realisation depends on the clarity and measurability of project drivers.
- 33.** We recommend that the Commission allow for closure of benefit reporting once outcomes are achieved or justified. This encourages clearly defined project drivers to support future reporting and evaluation.

Capital and Operating Expenditures

- 34.** The categories for capital expenditure are consistent with the approach taken in other regulated industries; however, we do recommend that the network asset categories also be further split by activity (water and wastewater).
- 35.** It's important to note that asset components have mixed drivers for investment, particularly for high-growth areas in New Zealand. For example, capital expenditure may be both renewal and growth driven, and this will require professional judgement to decide the proportions.
- 36.** The apportionment of expenditure between categories is appropriate as it assists with setting infrastructure growth charges; however, this can be difficult for auditors to validate, especially when there is a significant difference between planned and actual capital expenditure.
- 37.** For operating expenditure, consideration should be given to separating staff salaries and wages from those costs to third parties, e.g. consultants and contractors. Consents and (Designations) could also be considered as a capital expenditure because they mostly relate to projects, or the Commission could allow for the consent to be considered as both operating and capital expenditure, with guidance on the allocation to each expenditure. This would allow for the maintenance or management necessary to comply with particular consent conditions to be captured within operating expenditure, and the consent project itself to be captured within capital expenditure.
- 38.** The difference between planned and predictive maintenance is unclear, and could be combined under the title of "planned maintenance," with little impact. For those categories of expenditure that are below a certain materiality threshold, there should be an allowance for them to be combined, but the threshold itself will need to be proportionate, as mentioned in the Materiality section.
- 39.** Also, as mentioned in the Materiality section, the Determination places considerable emphasis on variance reporting, but without defined thresholds for materiality, suppliers may be required to explain minor variances that have no meaningful impact on performance or consumer outcomes. For example, a \$100,000 variance within a \$10 million programme should not trigger detailed reporting. Additionally, variance reporting should be considered over the duration of a programme or Water Services Strategy, rather than annually, to account for project phasing and deliverability. This allows for projects to be accelerated or delayed within the given timeframe without skewing the disclosed information. This flexibility enables efficiencies to be found and possible savings to be realised.

Further Information and Opportunity to Discuss our Feedback

41. Should the Commerce Commission require clarification of the joint feedback from IAWAI – Flowing Waters, Hamilton City Council, and Waikato District Council staff, or additional information, please contact **Jade Watene** (Environmental Policy Analyst – Three Waters) in the first instance on **07 838 6852**, or email jade.watene@hcc.govt.nz.
42. IAWAI – Flowing Waters representatives would welcome the opportunity to discuss the content of this feedback in more detail with the Commerce Commission.

Your faithfully,



Kevin Lavery
IAWAI Executive Chair



Lance Vervoort
Hamilton City Council Chief Executive



Craig Hobbs
Waikato District Council Chief Executive