



COVERSHEET

Minister	Hon Cameron Brewer	Portfolio	Commerce and Consumer Affairs
Title of Cabinet paper	Additional Economic Regulation for Tiaki Wai Limited	Date to be published	5 October 2026

List of documents that have been proactively released

Date	Title	Author
August 2026	Additional Economic Regulation for Tiaki Wai Limited	Office of the Minister of Commerce and Consumer Affairs
18 August 2026	Additional Economic Regulation for Tiaki Wai Limited EXP-26-MIN-0033 Minute	Cabinet Office
29 June 2026	Recommendation to impose further economic regulation on Tiaki Wai Limited	Commerce Commission
27 August 2026	Hon Cameron Brewer letter to Commerce Commission - expectations in relation to performance requirement regulation	Office of the Minister of Commerce and Consumer Affairs
24 September 2026	Commerce Commission response to Hon Cameron Brewer on performance requirements for Tiaki Wai Limited	Commerce Commission

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of privacy of natural persons and confidential advice to Government.

In Confidence

Minister of Commerce and Consumer Affairs

Cabinet Expenditure and Regulatory Review Committee

Additional economic regulation for Tiaki Wai Limited

Proposal

- 1 I seek authorisation to issue drafting instructions for an Order in Council to impose performance requirement regulation on Tiaki Wai Limited (**Tiaki Wai**) with respect to its water supply and wastewater services, and approval of funding for implementation costs.

Relation to government priorities

- 2 This paper supports the Government's priorities to rebuild the economy, decrease the cost of living, and deliver better public services. Economic regulation also plays a vital role in safeguarding the long-term interests of consumers and providing incentives for water suppliers to improve levels of investment and performance.

Background

- 3 In August 2025, Part 4 of the Commerce Act 1986 (**the Act**) was amended to make the Commerce Commission (**the Commission**) responsible for the economic regulation of water supply and wastewater services supplied by local government authorities or water organisations (**regulated suppliers**). Stormwater services are not subject to Commission oversight.
- 4 Wellington Water was subject to early oversight by the Commission, which identified a number of concerns with Wellington Water's performance, including increasing reactive maintenance costs, low confidence from Wellington Water in its reported data, and room for improvement in its Culture and Value for Money Plan performance.
- 5 Tiaki Wai is the new Wellington region water services organisation that took over service delivery from Wellington Water on 1 July 2026. Tiaki Wai has inherited poor asset condition information, weak information systems, and a high level of debt. Tiaki Wai also needs to rapidly increase investment and establish new operational capabilities, including management of customer billing and engagement.
- 6 The Commission has identified material risks to Tiaki Wai's delivery of water services, in respect to asset management, delivery, financial sustainability, and non-financial performance. It considers that stronger regulatory measures, beyond information disclosure, are warranted to help deliver better outcomes for consumers.

- 7 Following the flooding and shutdown at Moa Point in February 2026, the Government has appointed a Crown Review Team to examine governance, oversight, asset management, funding and accountability issues at both Wellington City Council and Wellington Water that may have contributed to the failure. A final report is due to the Minister of Local Government by 31 August 2026.
- 8 In May 2026, the Commission released a consultation on its proposed approach to regulating Tiaki Wai. The consultation sought feedback on both the application of strengthened information disclosure requirements and whether performance requirement regulation should be applied to Tiaki Wai.
- 9 On 29 June 2026, the Commission provided me with its recommendation that performance requirement regulation be applied to Tiaki Wai. Tiaki Wai is the first water services supplier to be considered for performance requirement regulation under the Local Water Done Well economic regulation framework.

The Commission currently regulates Tiaki Wai through information disclosure

- 10 Regulated suppliers, including Tiaki Wai, are currently subject to information disclosure requirements, set by the Commission. This requires suppliers to regularly publish key information about their performance, including prices charged, asset values, revenue received and expenditure incurred, and plans to manage their water infrastructure over time. Regulated suppliers have already started to disclose some of this information.
- 11 The Commission considers that Tiaki Wai presents a higher risk to consumer outcomes than other regulated suppliers. On 12 August 2026, the Commission announced additional information disclosure requirements specifically for Tiaki Wai. The requirements focus on strengthening transparency, accountability, and oversight of asset management capability, expenditure, service delivery performance, and investment planning.
- 12 They are intended to promote value for money and cost management for Wellington residents by increasing transparency and accountability of Tiaki Wai's performance.
- 13 However, the Commission considers that further regulation is needed to drive sustained improvements in Tiaki Wai's performance.

The Commission has recommended performance requirement regulation is applied to Tiaki Wai

- 14 On 29 June 2026, the Commission provided me with a recommendation that performance requirement regulation be imposed on Tiaki Wai under section 57L of the Act in respect of its water supply and wastewater services. The key challenges identified by the Commission included:
 - 14.1 asset management;
 - 14.2 delivery of capital projects;

- 14.3 financial sustainability; and
- 14.4 non-financial performance, including customer service and outcomes.
- 15 On 27 July 2026, following consultation with the Minister of Local Government, I accepted the Commission's recommendation to apply performance requirement regulation. I propose to recommend to the Governor-General that an Order in Council to this effect be made for a period of ten years.

What can performance requirement regulation achieve?

- 16 Performance requirement regulation is designed to strengthen accountability by requiring a regulated supplier to demonstrate measurable progress against specific objectives such as efficient expenditure, asset management, investment delivery, and service quality. The objective is to ensure consumers receive value from the charges they pay and that infrastructure investment translates into measurable improvements in water services.
- 17 At this stage, the Commission has advised that it cannot specify the matters that will be subject to performance requirement regulation. Should an Order in Council be made applying performance requirement regulation to Tiaki Wai, the Commission would first be required to undertake consultation before determining the specific performance areas and requirements to be included in the regulatory framework.
- 18 However, the Commission has advised me that its initial approach would focus on requirements for major projects that Tiaki Wai has already committed to delivering, such as its new information system. This is a multi-year programme covering project management, finance, billing, asset management, health and safety etc., with a budgeted initial investment cost of \$67 million in 2026/27 and further set up costs expected.
- 19 A performance requirement set by the Commission could impose milestone dates for this new information system, reducing the likelihood that competing operational pressures would delay delivery. I expect this would provide the following benefits for consumers:
 - 19.1 The new information system will be critical to driving improvements in asset management, including to better capture information on Tiaki Wai's assets. This will promote value for money and cost management as better information on assets will inform decisions on where investment is needed most.
 - 19.2 If this information system project is not delivered as planned, it could result in adverse shocks to Tiaki Wai's financial sustainability and water bills for consumers.
- 20 Performance requirement regulation can also be used to set requirements to help ensure that Tiaki Wai moves towards pricing of water services based on sound economic asset values and reasonable costs.

- 21 For example, the Commission has indicated that there could be benefit in setting a performance requirement that specifies reporting, including in accordance with a method or formula, to require Tiaki Wai to develop a total asset value suitable to support its own cost-based pricing. A performance requirement of this nature would enable Tiaki Wai to set more credible prices in its next Water Services Strategy.
- 22 I expect the Commission will also be closely monitoring the proposal to roll out smart water metering across the Wellington metropolitan area, which Tiaki Wai estimates will cost between \$500 and \$590 million. Noting that the Infrastructure Commission has questioned the value for money of metering roll out by Tiaki Wai, this may be an area where the Commission decides to set performance requirements in the future, following consultation.

I propose to write to the Commission to convey my expectations for performance regulation of Tiaki Wai

- 23 The Commission is required to act independently of Ministers when carrying out its functions under the Act. Ministers cannot direct its statutory decisions, including the setting of any future performance requirements. However, as the Minister responsible for the Commission's performance, I can set clear expectations for the outcomes of its work programme. Given the significant public interest and Tiaki Wai's inherited challenges, I consider it appropriate to set clear expectations for the Commission's oversight.
- 24 A draft supplementary letter of expectations is attached at Annex One. It sets out the Government's expectations for how the Commission's work can drive sustained improvements in Tiaki Wai's performance, including by providing effective oversight to help ensure Tiaki Wai:
- 24.1 builds the capabilities and systems to support sound asset management and clear prioritisation of maintenance and new investment;
 - 24.2 moves towards pricing of water services based on sound economic asset values and reasonable costs; and
 - 24.3 is transparent in its financial and non-financial management of water services such that Wellington residents and businesses can have confidence in Tiaki Wai's performance.

The Commission is not currently funded to implement performance requirement regulation

- 25 In November 2024, the Cabinet Expenditure and Regulatory Review Committee (**EXP**) agreed to establish a new Non-Departmental Output Expense annual appropriation in Vote Business, Science and Innovation. This was initially set at \$6.5 million per annum, to fund the Commission's new functions for regulation of water services [EXP-24-MIN-0068 refers].

- 26 The \$6.5 million funds costs associated with core regulation of water services, covering information disclosure, revenue thresholds, monitoring the financial ring-fence, and preparatory work for other regulatory tools, such as performance requirement regulation.
- 27 The appropriation was approved on the basis of it being fiscally neutral to the Crown, with the Commission's costs of water services regulation being fully recovered through a levy on regulated suppliers from 1 July 2025. In January 2026, the Commerce (Levy on Suppliers of Regulated Goods and Services) Regulations 2009 (**the Part 4 Levy**) were amended to provide for this.
- 28 EXP also agreed that if the Commission moved to higher levels of regulation for a supplier other than Watercare within the 2025/26-2026/27 period, the cost of the additional regulation would be on-charged to the regulated supplier in question, and would not be included within the \$6.5 million limit for those financial years, subject to approval from the Minister of Finance, Minister of Local Government, and Minister of Commerce and Consumer Affairs.

I seek agreement to increase the Commission's funding to cover its additional costs

- 29 I seek agreement to an increase to the appropriation, *Commerce and Consumer Affairs: Regulation of Water Services*, to cover the Commission's additional costs of implementing performance requirement regulation in respect of Tiaki Wai's water supply and wastewater services. Costs incurred by the Commission would then be fully recovered from Tiaki Wai under the Part 4 Levy.
- 30 The Commission has developed the following lower and upper bound annual cost estimates:

Financial year	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears	Total
Lower bound estimated cost (\$ million)	0.420	0.420	0.420	0.420	0.420	2.100
Upper bound estimated cost (\$million)	0.640	0.640	0.640	0.640	0.640	3.200

- 31 I propose an increase to the appropriation in line with the lower bound estimate. This estimate takes account of the high level of scrutiny and oversight that Tiaki Wai requires as the second largest of New Zealand's water suppliers, with known risks to its short and long-term performance. My proposal also recognises that the cost of additional regulation would be passed onto Wellington residents by Tiaki Wai.

- 32 Additional annual costs of \$420,000 will have an expected impact of approximately \$1 per consumer per year. By comparison, Tiaki Wai's projected capital expenditure programme of \$6.8 billion over ten years represents an average of approximately \$1,575 per consumer per year.

Cost-of-living Implications

- 33 The imposition of performance requirement regulation on Tiaki Wai is expected to contribute to easing of cost-of-living pressures for Wellington residents over the longer term.
- 34 While there will be an increase in costs for Wellington residents over the short-term, these will be minimal and outweighed by the benefits of strengthened incentives for Tiaki Wai to efficiently operate, and invest in, the water services network. This will lead to lower costs for consumers relative to the status quo over the longer term.

Financial Implications

- 35 Funding provided by the Crown to the Commission for economic regulation under Part 4 of the Act is fully recovered through levies on regulated suppliers. Specifically, the *Performance requirement regulation of water supply services and wastewater services* sub-levy would apply to Tiaki Wai.
- 36 Accordingly, the proposed increase to the appropriation, *Commerce and Consumer Affairs: Regulation of Water Services*, to cover the Commission's additional costs of implementing performance requirement regulation will have no impact on the Government's operating balance or debt.

Legislative Implications

- 37 The proposal in this paper is for an Order in Council to impose performance requirement regulation on Tiaki Wai in respect of its water supply and wastewater services.

Impact Analysis

Regulatory Analysis Summary

- 38 The Ministry of Business, Innovation and Employment has assessed the policy proposals and consider that the proposals are exempt from Regulatory Impact Analysis requirements due to having minor social, economic or environmental impacts.

Climate Implications of Policy Assessment

- 39 The Climate Implications of Policy Assessment (**CIPA**) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the thresholds for significance are not met.

Population Implications

40 This paper does not have population impacts.

Human Rights

41 This paper does not have implications for human rights.

Use of external resources

42 No external resources will be engaged as part of this work.

Consultation

43 The following departments have been consulted on this proposal: The Treasury, Ministry for Regulation, Ministry for Cities, Environment, Regions and Transport, New Zealand Infrastructure Commission, Parliamentary Counsel Office, Department of the Prime Minister and Cabinet.

44 Section 57J(2)(a) of the Act requires me to consult the Minister of Local Government as part of my consideration of the Commission's recommendation. This requirement has been met.

Communications

45 The Government intends to issue communications about this decision.

Proactive Release

46 This paper will be published on MBIE's website within 30 working days after announcements have been made, subject to appropriate redactions.

47 Section 57G(3) of the Act requires me to publish the Commission's recommendation in any way that I consider appropriate. I intend to do so alongside the proactive release of this paper.

Recommendations

The Minister for Commerce and Consumer Affairs recommends that the Committee:

- 1 **note** on 29 June 2026, the Commerce Commission (**the Commission**) recommended that performance requirement regulation under Part 4 of the Commerce Act 1986 (**the Act**) be imposed on Tiaki Wai Limited (**Tiaki Wai**) in respect of its water supply and wastewater services;
- 2 **note** the advice of the Minister of Commerce and Consumer Affairs that the requirement in section 57J of the Act to consult the Minister of Local Government on the Commission's recommendation has been met;
- 3 **note** that the Minister of Commerce and Consumer Affairs has accepted the Commission's recommendation under section 57K of the Act;

- 4 **note** the Minister of Commerce and Consumer Affairs' intention to write to the Commission to convey the Government's expectations for performance regulation of Tiaki Wai;
- 5 **authorise** the Minister of Commerce and Consumer Affairs to:
 - 5.1 issue drafting instructions to Parliamentary Counsel Office for an Order in Council to impose performance requirement regulation on Tiaki Wai; and
 - 5.2 approve matters that may arise during the course of drafting and may be required to align with the decisions in this paper;
- 6 **invite** the Minister of Commerce and Consumer Affairs to report to the Cabinet Legislation Committee in September 2026 to:
 - 6.1 seek agreement to a proposed Order in Council to impose performance requirement regulation on Tiaki Wai; and
 - 6.2 inform the Committee of any substantive matters that have been considered and approved during the legislative drafting process;

Financial Implications

- 7 **note** that in November 2024, the Cabinet Expenditure and Regulatory Review Committee approved an annual appropriation to fund the Commission's new functions for regulation of water services under Part 4 of the Act, and agreed to the recovery of those costs through a levy on regulated water services suppliers from 1 July 2025 [EXP-24-MIN-0068 refers];
- 8 **note** that officials from the Ministry of Business, Innovation and Employment have reviewed the Commission's additional estimated costs to implement performance requirement regulation in respect of Tiaki Wai's water supply and wastewater services and support the following forecast period and outyears levy funding:

	2026/27 (\$m)	2027/28 (\$m)	2028/29 (\$m)	2029/30 (\$m)	2030/31 & outyears (\$m)	Total (\$m)
Performance requirement regulation	0.420	0.420	0.420	0.420	0.420	2.100

- 9 **note** that implementation of performance requirement regulation for Tiaki Wai will be reflected through the Commission's performance reporting and accountability arrangements;
- 10 **agree** to fund performance requirement regulation of Tiaki Wai's water supply and wastewater services under Part 4 of the Act, to be fully recovered from Tiaki Wai under the Commerce (Levy on Suppliers of Regulated Goods and

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Services) Regulations 2009 (**the Part 4 levy**), in line with the estimated costs as outlined in recommendation 8;

- 11 **approve** the following changes to further give effect to recommendation 10 above, fully offset by cost recovery from Tiaki Wai under the Part 4 levy and so fiscally neutral with no impact on the operating balance or net core Crown debt:

	\$m – increase/(decrease)				
Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs	2026/27	2027/28	2028/29	2029/30	2030/31 Outyears
Non-departmental Output Expense: Regulation of Water Services	0.420	0.420	0.420	0.420	0.420

- 12 **note** the following changes as a result of the decision in recommendations 10 and 11 above:

	\$m – increase/(decrease)				
Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs	2026/27	2027/28	2028/29	2029/30	2030/31 Outyears
Non-Tax Revenue: Levy on Water Regulated Parties	0.420	0.420	0.420	0.420	0.420

- 13 **agree** that the proposed change to appropriations for 2026/27 above be included in the 2026/27 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Authorised for lodgement

Hon Cameron Brewer

Minister for Commerce and Consumer Affairs

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**Annex One: Draft supplementary letter of expectations to
Commerce Commission**

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Hon Cameron Brewer

Minister of Commerce and Consumer Affairs
Minister for Small Business and Manufacturing
Associate Minister of Immigration



Confidential advice to Government

Confidential advice to Government

