



Submission on: Foundational information disclosure for Wellington Water - Consultation paper on draft determination

Delta Economics Limited



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Introduction

1. Delta Economics Limited (**Delta Economics**) welcomes the opportunity to provide feedback on the Commerce Commission's (**Commission**) Foundational information disclosure for Wellington Water – Consultation paper on draft determination (**draft determination**). Delta Economics specialises in providing regulatory economic advice across multiple industries within Aotearoa.
2. We support the Commission's approach to Wellington Water's foundational information disclosure (**foundational ID**) – namely improving transparency across previously identified issues while minimising the resources required to implement reporting. We have listed areas of agreement in Appendix A.
3. Our recommendations focus on improvements to foundational ID where the benefits of improved accountability outweigh the costs of implementation. We **recommend** the Commission:
 - 3.1. **Recognises two additional issues in its problem definition.** First, terms need to be defined so that interested parties can understand pre-existing reports and, second, detailed, consolidated financial information is not available.
 - 3.2. **Allows interested parties to ask questions about quarterly disclosures.** This could be facilitated in a low-cost way that improves transparency without creating additional cost;
 - 3.3. **Requires Wellington Water provide evidence supporting progress on its improvement plan.** The supporting evidence would be pre-existing documents and therefore would be a low-cost method of improving accountability; and
 - 3.4. **Consider requiring more detail on capital expenditure programs.** This will give interested parties greater transparency over total expenditure, in particular the trade-offs that are being made between operating expenditure and capital expenditure.
4. This submission is public and there is no confidential version.

Problem definition

1. By and large, we agree with the Commission's problem definition. Fundamentally, the increased transparency provided by foundational ID needs to support additional scrutiny from interested persons (and the Commission) and result in stronger incentives for Wellington Water to improve performance.
2. However, the key limitation is that foundational ID is expected to bind for a relatively short time period which means that the incentive to improve performance is limited by the additional resource required to provide new reporting and the speed at which Wellington Water can change its operations. The draft determination anticipates the first disclosure no later than 31 October 2025¹ which would leave a maximum of eight months before an enduring ID regime is expected.² In our view, eight months is only long enough to make a limited number of high priority changes, given Wellington Water's resource constraint and the ongoing development of economic regulation for water services - therefore it is logical for foundational ID to focus on issues relevant to the improvement plan.
3. The Commission has asked whether anything important has been missed from the problem definition.³ We recommend recognising two additional issues:⁴
 - 3.1. First, limited information is available on the definitions used to prepare Wellington Water's reports. It was evident in submissions on the Commission's ID discussion paper that clear definitions are a priority for stakeholders,⁵ however, it is clear that by using a number of pre-existing reports for foundational ID, there will be numerous terms that need explaining to external stakeholders.
 - 3.2. Secondly, foundational ID could be used as a steppingstone to an enduring ID regime by consolidating, and elaborating on, information across multiple financial reports.

¹ Commerce Commission, [Draft] Wellington Water Foundational Information Disclosure Determination 2025, at 2.5.1.

² Commerce Commission, Foundational information disclosure for Wellington Water Consultation paper on draft determination (11 June 2025), at 2.13.2.

³ Commerce Commission, Foundational information disclosure for Wellington Water Consultation paper on draft determination (11 June 2025), question 3.1.

⁴ We note that these are issues that *could* be addressed in foundational ID, however, whether they *should* depends on whether the costs of implementing them outweighs the benefit.

⁵ Commerce Commission, Summary of Responses Economic Regulation of Water Services – Information Disclosure Discussion Paper (28 May 2025), page 5.

While there are several reports that address specific issues,⁶ we note that Wellington Water's Annual reports contain a limited amount of quantitative information that can be used to analyse the composition of operating and capital expenditure. As an example, the geographic and network breakdown of capital expenditure is not available in a single consolidated source. Providing this would significantly improve the visibility of trade-offs between capital and operating expenditure. It is unclear to us whether the costs of producing this reporting for foundational ID outweighs the benefit.

Proposal

4. We agree with the Commission's overall approach to address the issues identified in the problem definition,⁷ however, we recommend supplementing disclosures by allowing interested parties to ask questions post-publication (ie each quarter).
5. Allowing interested parties to ask questions about Wellington Water's completed disclosures will allow them, and the Commission, to iterate their understanding of Wellington Water's operations and influence decision making (rather than only allowing them to monitor progress). There are numerous ways to implement a question-and-answer process such as: quarterly ID stakeholder calls, email-based questions, and question-and-answer registers.
6. A question-and-answer register would be an extremely low-cost solution in which interested parties could ask questions with Wellington Water responding via the register. A similar system is already operated by the Commission in other regulated industries⁸ for the Commission to provide guidance on completing ID schedules. The Commission could set a deadline on any questions and answers in order to further reduce the resource required to answer questions.
7. Allowing interested parties to ask questions about Wellington Water's disclosures would provide a flexible way to provide more information to stakeholders without being as

⁶ For example those the Commission lists in Attachment A.

⁷ This is in response to question 4.1.

⁸ For example, <https://comcom.govt.nz/regulated-industries/fibre/information-disclosure-requirements-for-fibre/public-fibre-id-issues-and-guidance-register>


resource intensive as creating comprehensive schedules and therefore we expect the benefits of implementing such a process to outweigh the costs.

Improvement plan progress reporting

8. We agree with the Commission's proposal to require improvement plan progress reporting but it should be supplemented with supporting evidence to *prove* progress is being made.⁹
9. Wellington Water's improvement plan is based on several expert reports and, therefore, we consider it reasonable for this to be the basis for reporting progress to interested parties rather than "reinventing the wheel".
10. However, simplified tracking alone will not provide enough information to interested parties to improve accountability – we recommend providing commentary and/or *pre-existing* supporting evidence. As shown in figure 1, even where progress is tracked, it is difficult for an interested party external to Wellington Water to understand how the plan is being met and whether the solution is sufficient. For example, X34.2 in Figure 1 shows that a financial planning process has been documented but it is unclear whether it is sufficient. If additional commentary, or a public version of the pre-existing document could be provided alongside quarterly disclosures, this would greatly improve transparency and require a minimal amount of resource.

⁹ This is in response to question 4.2.

Figure 1: Example of current improvement plan tracking

 **Attachment C List of completed actions**

Wellington Water Strategy Outcomes	Wellington Water Culture and Value for Money Improvement Plan Outcome	Reference	Objective	Status
Services delivered by Wellington Water are compliant	Strengthened financial controls that protects the integrity of financial transactions	X30.2	Establish controls so only Wellington Water staff can approve work orders and invoices.	Completed
		X31.1	Strengthen the capability of the finance team.	Completed
		X34.1	Increase maturity and capability for costing and financial planning - Re-design and improve the Corporate Cost Recovery Model	Completed
		X34.2	Increase maturity and capability for costing and financial planning - Document the process on how the level of corporate cost recovery is determined for the LTP	Completed
		X32.1	Increase maturity and capability for costing and financial planning - Complete a review of project costs and corporate costs for the triennium to provide assurance of costs recorded in 2024-34 Council Long Term Plans	Completed
		X33.1	Work with Council CFOs to identify and agree improvements and common financial reporting - Agree achievable delivery dates for AP LTPs	Completed
		X33.2	Work with Council CFOs to identify and agree improvements and common financial reporting - Work with CFO working group to support the delivery and appropriate financial assurance for 25/26 Annual Plan process	Completed

Targeted disclosure of other information

11. Overall, we agree with the Commission's approach to requiring targeted information.¹⁰

However, in line with our recommendations on the problem definition, we recommend:

- 11.1. Supplementing reporting with definitions to support interested parties in interpreting the information provided.
- 11.2. Consider requiring more detail on capital expenditure programs. This will give interested parties greater transparency over the trade-offs that are being made between operating expenditure and capital expenditure.

¹⁰ This responds to question 4.4.

Appendix A – We agree with the following proposals

Consultation Reference	Commission proposal
4.8.1	Wellington Water's improvement plan should be published to its website.
4.8.2	Recommendations that are outside of the scope of the improvement plan are clearly identified.
4.8.4	A status report is provided at the end of the foundation ID period.
4.18	No additional value-for-money measures are added.
4.20	Reporting is at the same frequency as business-as-usual events.
4.24	Require director certification for disclosures.
4.36	Quarterly disclosure of: faults received, faults resolved and the total number of faults.
4.37	Reporting faults completed on an annual basis.
4.40	Disclosing Operations and Maintenance Alliance Performance Reporting on Wellington Water's website.
4.42	Disclosing planned maintenance, unplanned maintenance and network length for each region and network over five historical years (2021-2025) and one forecast year (2026).