

22 April 2026

Will Peet
Chair, Tiaki Wai

By email:

Will.Peet@metrowaterwellington.co.nz
haveyoursay@metrowaterwellington.co.nz

Kia ora Will

Draft Water Services Strategy Feedback, Customer Charter and Significance and Engagement Policy

Congratulations to you, the Board and the Establishment unit of Tiaki Wai on your first draft Water Services Strategy. This is an important milestone as we progress jointly to improved water services for the Wellington metropolitan area.

This letter is to provide aggregated feedback from the Partners' Committee comprising the five shareholder Councils alongside our iwi partners Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika. Feedback reflects the role partners have in the strategy development as outlined in the Constitution and the Terms of Reference for the Partners' Committee.

The feedback is structured as follows:

1. High level observations.
2. Consideration of the financial options Councils are in the process of considering following approaches from you as Board Chair about the financial sustainability of Tiaki Wai and the vulnerability of Directors.
3. Commentary on alignment with the Statement of Expectations.
4. Recommendations for consideration.
5. Attachment 1 contains more feedback on minor matters of detail (inaccuracies and points requiring clarification).

The feedback is intended to assist the board in its considerations. We all recognise the challenging circumstances facing the Board. Although we are joint owners of Tiaki Wai, the board has responsibilities for the effective operation of the entity including significant Director duties under the Companies Act. We also recognise the progress that is already being made on many of the issues mentioned, and the effort from your board.

High Level Observations

The draft Water Services Strategy is a good starting point for the establishment of Tiaki Wai. It mirrors all the issues that Councils and iwi have variously been concerned about throughout the reform process already captured in the Water Services Delivery Plan (WSDP). Councils were at pains to provide a “warts and all” picture of our assets and services in the WSDP alongside an ambition to do much better for our users, community and environment. As a region we have

underinvested in our water assets. Unsurprisingly, this is reflected in an initial highly leveraged FFO-to-debt-ratio.

The Statement of Expectations provided to the Board ahead of the strategy development was also a list of aspirations and demonstrated again the desire by partners to leave the Board in no doubt about the difficult balancing act required. The Board has crystallised these into a one-year strategy with a ten-year horizon. We all acknowledge that the second strategy (and corresponding statement of expectations) will be able to refine the trajectory of water services for the region.

The current draft does not chart a financially sustainable path for consumers or for the company. Individual Councils had not been able to do this under the umbrella of Wellington Water Limited, and we are not confident that this initial strategy provides this for Tiaki Wai. The capital expenditure programme seems overly ambitious, particularly in the early years, the operating expenditure has increased significantly, growth is not adequately funded on the *growth pays for growth* principle and the Board has shortened the timeframe for achieving the FFO-to-debt ratio with a corresponding impact on the price path. We are also concerned about the spike in prices proposed for FY2027/28.

While there is obviously work required over the next 12 months to more fully understand these pressures, partners would like to see some trade-offs reflected in this initial Water Services Strategy which we see as a flagship for Tiaki Wai.

In finalising the Water Services Strategy, we would like to see the Board further refine the costs sitting inside the financial model to identify the best path for investment, and correspondingly the appropriate funding path and timeframe for achievement of LGFA financial covenants.

While the focus of the draft is understandably on financial sustainability, the partners are keen not to lose sight of the people who ultimately own and receive water services, the residents and ratepayers of each council. The Customer Charter is a perfectly serviceable document, but people do not sit outside the strategy itself; they are very much at the heart of it. Every single person in our region is a customer of Tiaki Wai.

Financial options around the financial sustainability of Tiaki Wai and the vulnerability of Directors

While a range of options is possible, callable capital is emerging as a potentially appropriate way to balance risks between the company and shareholders during the transition period. This would require formal Council endorsement, and very clear parameters around implementation. Although any conditions would need to be approved and agreed, the intention of this would be to provide the Board with confidence and certainty in its ability to access additional equity capital if Tiaki Wai experiences a significant adverse event in its early years, and where it is not practical for the company to take mitigating actions to avoid financial impacts that could compromise the company's solvency. We see this as formalising support that is already implicit and anticipated by the Partners Agreement.

The focus of this Strategy appears to be on establishing a stable financial foundation with substantial focus on the opening liquidity position. The FFO-to-debt ratio of negative 0.6% is not an appropriate starting position, but this suggests either that prices are set too low or that the capital programme is too ambitious in the first year.

We appreciate that this is a balancing act. On one hand proposed water levies are high and will pose affordability challenges and hardship for many members of our communities. On the other hand, the intent of government reform is to take the investment, funding and financing decisions out of the hands of local politicians and give them to professional Directors.

We would like to see more focus on this balancing act in the Strategy. Some of the potential areas of focus are described below.

Capital Programme. The draft signals a three-fold increase in capital expenditure over the first five years. While we strongly support prioritising asset renewals over reactive maintenance, we doubt whether the programme is feasible considering available capacity in the market.

In our view, it will take at least a couple of years to bed in new IT systems, capacity, capability and the cultures and behaviours that must complement a new way of thinking. We know that there are complexities around consenting and land issues that inevitably cause delays.

We also think the region's market may not be capable of delivering at the pace anticipated and would like to see a statement around confidence of delivery. Historically Wellington Water has struggled to deliver, even when funding is available.

While we do not wish to discourage Tiaki Wai from investing, our view is that the capital programme has some scope to cut the coat to suit the cloth.

Operating Expenditure. The proposed operating budget for 2026/27 is forecast at \$393.5m (including inflation) and is higher than projected in the WSDP by \$146m. The draft focuses on the increase in council rates charged on water assets. This accounts for around \$20m of the movement. We think the Strategy ought to clearly outline the other key drivers of the increases, for example:

- Reclassification of \$67m implementation costs for systems (TSI programme) from capex to opex.
- Reactive maintenance uplift, planning, engineering, operations and other costs \$23m.
- Additional corporate costs \$13m.
- Inflation and remuneration assumptions of \$9m.
- Water meter business case and procurement \$6m.
- Additional establishment costs \$5m.
- Sludge disposal costs \$4m.

We appreciate that current geopolitical events are likely to have an impact on operating budgets in particular.

Pricing Strategy for 2027/28. We consider that the transitional pricing and funding settings are adequate for year one. Billing itself will likely be the focus, and we anticipate that Tiaki Wai will:

- Continue to work with councils early in the process to ensure systems and processes are implemented to support any change.
- Engage early with affected property owners about any change.
- Actively engage with the Commerce Commission to settle into an operating model where economic regulation is normalised and fully understood. We support the additional measures that the Commission is proposing, including independent external verification of operating and capital expenditure, which will provide a useful input into the next Water Services Strategy 2027/28 – 2036/37.

We support the Debtors Management and Hardship Policy being applied fairly and on a case-by-case basis working positively and supportively with water customers to manage or resolve hardship issues.

Resilience Assumptions. It is not unreasonable to expect that a significant adverse event might occur early in Tiaki Wai's life. If that were to happen, Tiaki Wai could be challenged by its ability to meet its financial obligations.

In such a circumstance, recovery funding would be managed through a combination of insurance, borrowing capacity and reprioritisation. Government support is possible but cannot be assumed. Borrowing headroom is constrained in the period where Tiaki Wai is attempting to strengthen the balance sheet, which will take several years. In the meantime, the Directors understandably seek express provision for support in advance so that they can discharge their fiduciary duties.

We would like to see a proactive and multi-faceted stance in the Strategy, guided by the principles and criteria at Attachment 2, that addresses this tension through:

- Phased re-sequencing of capital expenditure where appropriate.
- Reviewing revenue settings through future annual planning cycles.
- Engaging with LGFA around potentially pushing out the target date to meet the optimised FFO-to-debt ratio.
- Potential access to shareholder recovery support through guarantees.

The draft does not discuss the nature of the guarantees that might exist between Tiaki Wai and the shareholder councils. There is a very clear order of precedence in terms of mitigating any calls on shareholder funds (refer Attachment 3). This should be highlighted and clarified to provide Councils and communities with the clarity required of the potential triggers for invoking such provision. This is of particular significance given the implications this may have on rating agency assessments of councils.

Alignment with the Statement of Expectations

We were pleased to see the analysis that checked the draft strategy against the Statement of Expectations. There are a few areas where we offer comment and feedback:

- 6.2(e). Water Meters. The Region has prevaricated on water meters for several years now, and has anticipated that the establishment of Tiaki Wai would provide the stimulus necessary to make progress here. Partners are very keen to see Tiaki Wai make progress with meters, acknowledging that this is a significant undertaking with connections to TSI and other areas.
- 6.2(f). Technology Systems Investment (TSI) Programme. To leverage the TSI systems and tools, we consider that Tiaki Wai will need to build organisational culture and capability so that the teams (most of whom will have come from the *make do* Wellington Water environment) have a behaviour and culture shift to follow new organisational and workflow processes.
- 6.2(h). Key Performance Indicators. The Strategy aspires to zero notices, orders and prosecution in wastewater levels of service performance measures and targets. This seems unlikely and unrealistic given that all WWTP are currently non-compliant. A *pathway* to compliance might be a preferable approach. The Statement of Intent does provide room to move in this area.
- 7.5(b) / 7.6(a). Training and Building Industry Capacity. Ideally, we would have preferred to see stronger ambition and engagement around training and building industry capacity. Tiaki Wai will be the centre of gravity for the industry in the region, we are keen to see it working with our rangatahi to grow competency and capacity. This is essential for deliverability of the capital programme but also has direct economic benefit for our communities.

We are pleased to see that some thought has been put into procurement, and a mention of social procurement. This area has been something of a struggle for WWL and we are keen to see this area stabilised.

- 8.1 Porirua Harbour Accord. We appreciate that there are references to the Porirua Harbour Accord under the *growth* and *mana whenua* sections. Ngāti Toa, Wellington Water Limited, Porirua City Council, Wellington City Council and Greater Wellington are signatories to the

Accord and the partners generally feel that it has been underrepresented in the draft. The Harbour and its wellbeing are central to Porirua's identity, and the Harbour is one of four strategic priorities for Porirua. Signatories intend to work closely with Tiaki Wai to maintain the momentum that has been generated to date.

- 8.5 Emergency Management. We are pleased to see acknowledgement of Tiaki Wai as a lifelines provider as outlined in the CDEMA, and that thought has been given to desalination and other initiatives to grow resilience for vulnerable communities.
- 8.6(d) Affordability, equity and value for money. As outlined above, the wellbeing of people and communities is at the heart of the Tiaki Wai strategic goals, we would like to see a stronger focus of affordability and equity for the community reflected throughout the document.

Other Infrastructure Relationships. While not emphasised in the Statement of Expectations, we note that there is likely to be a strong planning and delivery relationship with other infrastructure providers and co-dependent projects. For example, Wellington City Council requires the reinstatement of the Golden Mile project funding, as originally planned with Wellington Water, for FY26/27 and outer years. Rephrasing of this capital project would lead to significant disruption for the community and unnecessary additional cost to ratepayers (noting that the continuation of the Golden Mile project is subject to a Council decision expected in June 2026).

Where an infrastructure corridor is planned (such as the Petone to Grenada State Highway) we encourage Tiaki Wai to explore the potential for opportunistic works where appropriate.

The Next Water Services Strategy. There are several items that we would like to appear in next WSS:

- The Regulatory Requirement section is a sound basis that can be worked up with more maturity for the next iteration.
- Potentially further embedding Te Tiriti, Māori, and Te Mana o te Wai commitments into decision-making, investment, and accountability frameworks.
- Closer examination of stormwater assets and services, their costs and beneficiaries. Stormwater is likely to remain an area of focus for some years to come.
- Milestone roadmaps for TSI, asset maturity, metering implementation and regulatory readiness to provide partners greater confidence that the core capabilities of a mature water utility are being established in a sequenced and reportable way.
- More granular analysis of *growth pays for growth* and what this actually looks like with respect to land use planning and other aspects of planning, and the approach to setting development contributions/levies.

Recommendations

For the final version of the Water Services Strategy, the Partners' Committee recommends that Tiaki Wai:

- Notes the high-level observations.
- In order to achieve financial sustainability, considers exploring trade-off opportunities:
 - With capital expenditure, particularly given under delivery by Wellington Water, and pending independent external verification of the capital programme.
 - With operating expenditure, pending independent external verification of the operating forecasts to inform preparation of the next Water Services Strategy.

- With planned growth capex expenditure and/or increase forecast capital revenues (from Development Contributions and Development Levies) consistent with the principle that *growth pays for growth*.
- In view of the potential provision of uncalled share capital, delaying achievement of the 9% target FFO-to-debt ratio, subject to LGFA sign-off in the glide path.
- Notes that shareholders consider that callable capital represents a potentially workable shareholder support option, and that shareholders intend to work with the Board to develop this further. We will be happy to provide a confidential update to the Tiaki Wai Board on this analysis to inform development of the revised Strategy, noting that shareholders are yet to consider or make decisions on possible support.
- Invites the Commerce Commission and LGFA to engage on the development of plans for preparing the next Water Services Strategy 2027/28 – 2036/37.
- Notes the feedback on alignment with the Statement of Expectations and, where appropriate, adjust the Strategy accordingly.
- Notes Attachment 1 - Feedback on inaccuracies or clarifications and make amendments as Tiaki Wai sees appropriate.

Conclusion

Finally, Will, we would like again to acknowledge the tremendous amount of work that has clearly been directed into the draft and into the transition so far. While there are clearly challenges ahead of us, my feeling is that we are focussing on the right things and that we are getting the right people on the right tasks.

The feedback above is forthright, but it is provided in constructive spirit with the intent of getting Tiaki Wai across the line and on the right track to ultimately greatly improve water services to our communities.

Ngā mihi



Dame Kerry Prendergast
Chair, Partners Committee

Copy to:
Michael Brewster, CEO, Tiaki Wai
Members of the Partners' Committee
Chief Executives of the Wellington region councils

Attachment 1 – Feedback on minor issues, inaccuracies or clarifications

Ref	Feedback
WSS pg 7	<i>Kerb and channel</i> is a roading asset and not a Tiaki Wai water asset. Recommend removing the wording from the last paragraph on the page.
WSS pg 29	Stormwater Performance measures: <ul style="list-style-type: none"> include a definition for “flooding event” is this a good measure to assess the performance of the stormwater system
WSS pg 39	<i>Reduce reliance on third parties for provision of core systems.</i> Is this referring to reliance on shareholder councils, as it could be read as third party suppliers. Reword to clarify the meaning.
WSS pg 105	Future vested asset treatment is allowed for however <i>where funding or funding arrangements remain external to Tiaki Wai, those liabilities are not reflected in our balance sheet.</i> It’s not clear whether this includes commitments to future capital contributions under Development Agreements, where developers are implementing water infrastructure to improve wider network benefits.
Depreciation	It is not clear from the WSS, so please confirm that: <ul style="list-style-type: none"> depreciation is 100% funded through water charges depreciation has been modelled to allow for the uplift in asset valuations over time.
Technology System Implementation	We encourage the inclusion of additional information on the priorities and delivery commitment for the programme, and expectations for the duration of continued support from shareholder councils.
Utilities Disputes Ltd	Please include the proposed timing for joining the Utilities Disputes Ltd (or transfer of WWL’s membership to Tiaki Wai).
[From GWRC]	Fig. 5.5 (p. 29) – oversight agencies for consent compliance and customer satisfaction need to be swapped around.
S&E Policy	For clarity, perhaps amend the accessibility principle to read <i>provide access to relevant information, in a form people can understand. This means we need to engage in ways that show we understand the make-up of our communities, respecting cultural and individual differences.</i>
S&E Policy	Tiaki Wai may consider: <ul style="list-style-type: none"> Providing guidance on the typical decision process, from consultation to confirmation, so the community know what to expect and where in the process they can be involved. An infographic would be helpful. How they will identify interested stakeholders and be transparent about who they are. Report on the level of engagement and whether it is adequate.
Pricing Policy	This should include officer hourly charge out rates
Initial Debtors Management	Replace <i>Our priority is always to maintain access to essential water services for households facing genuine hardship</i> with <i>...Our priority is always to</i>

and Hardship Policy	<i>maintain access to essential water services for households</i> to better reflect Tiaki Wai's obligations under the WSA s25(7)(a) and s25(7)(b).
<i>Initial Debtors Management and Hardship Policy</i>	We note that this policy is <i>initial</i> . We hope that this will become the <i>final</i> version sooner rather than later.
Initial Debtors Management and Hardship Policy	We acknowledge that Tiaki Wai is engaged with the National Building Financial Capability Charitable Trust (Fincap) around aspects of financial support. We would like to see this reflected in the Strategy.
Customer Charter	Consider being more explicit in the definition of <i>customer</i> . In our view this should represent the community at large and not just paying customers. There is value in ensuring the needs and views of renters and children are included in all customer considerations
Customer Charter	Acknowledging that a significant part of customer engagement will be delivered via Councils, the Charter would benefit from taking the same approach as the Debtors Policy and highlighting <i>transitional arrangements</i> .

Tiaki Wai may consider building closer strategic relationships through remaining connected to fora such as the Wellington Region Leadership Committee.

Attachment 2 Principles and Criteria

Consumers and ratepayers

Principle 1 – Protection of short- and long-term consumer and ratepayer interests (non-negotiable)

Criterion 1 – The short- and long-term interests of consumers and ratepayers are protected, taking account of affordability, service quality, and intergenerational equity.

Principle 2 – Maintaining consumer and ratepayer confidence

Criterion – Consumer and ratepayer confidence is maintained through transparent, fair, and well explained pricing, performance outcomes and investment decisions.

Board and Tiaki Wai governance

Principle 3 – Board has confidence in ability to discharge duties

Criterion 3 – Directors can discharge their duties with confidence, supported by appropriate protections, clear decision rights, and manageable exposure to risks beyond their direct control.

Principle 4 – Fit-for-purpose establishment and transition financing

Criterion 4 – Tiaki Wai is established with capital and financing arrangements that are sufficient for commencement and that provide a clear and credible transition pathway to medium-term financial sustainability.

Allocation of risk, accountability, and uncertainty

Principle 5 – Efficient allocation of risk and accountability

Criterion 5 – Risks are allocated to the party best placed to manage or mitigate them, with risk ownership and accountabilities between shareholders and Tiaki Wai clearly defined and aligned with incentives.

Principle 6 – Explicit recognition and management of uncertainty

Criterion 6 – Areas of uncertainty or incomplete information are explicitly identified and addressed through appropriate use of sensitivity analysis, confidence intervals, and scenario analysis, particularly in relation to opex and capex forecasts and delivery constraints.

Principle 7 – Resilience and response to financial shocks

Criterion 7 – There are clear, pre-agreed mechanisms to manage balance sheet impairment arising from events or unanticipated shocks, including defined triggers, decision rights, and tools to absorb or respond to shocks.

Supportive and enabling environment

Principle 8 – Financier confidence and credit quality

Criterion – LGFA is comfortable that the proposed arrangements appropriately manage risk and preserve credit quality across a plausible range of scenarios.

Principle 9 – Regulatory alignment and compliance

Criterion 9 – Commerce Commission, Taumata Arowai, and DIA expectations and requirements are met, with early engagement and clear pathways to compliance and assurance.

Principle 10 – Recognition of wider stakeholder interests

Criterion 10 – The perspectives of key stakeholders, including mana whenua, environmental interests, and affected communities, are acknowledged and considered in decision-making.

Attachment 3 – LGFA Guarantee and Global Guarantee Arrangements

Mitigants against likelihood of demand

However, there are several factors that should mitigate the likelihood of any demand being made under the LGFA Guarantee. The mitigations include (but are not limited to):

- a) TWL will put in place an internal treasury policy which will include measures and tests designed to ensure that TWL remains compliant with the LGFA financial covenants.
- b) LGFA has recognised that not all water CCOs will be able to comply with financial covenants upon establishment and has advised that a phase-in period of up to five years may be agreed between LGFA and a CCO during which relaxed interim financial covenants will apply.
- c) Even after the initial phase (when TWL will be expected to comply with enduring financial covenants), in the event of a breach of those covenants LGFA would be expected to work with TWL to enable the default to be remedied over time. This might include committing to actions to remedy the underlying issues (eg price increases or cost reductions).
- d) The Crown also has statutory intervention rights if there is a significant problem, such as the ability to appoint a facilitator or commissioners to TWL. These steps could also be taken with a view to addressing any problem before a council guarantee is called.
- e) TWL will also be required to grant Water Charges Security. This means that, in the event of a default, if a remedial plan is not successful (eg if TWL does not or cannot put in place the required remedial steps), LGFA would have the right to appoint a receiver to TWL to collect the debt directly from TWL. The receiver would also have the right under the Local Government (Water Services) Act 2025 to set its own ‘special’ water charge to generate new revenue to repay amounts owing to LGFA.

These steps and protections are likely to mean that, in practice, the prospect of the LGFA Guarantee being called might be considered very low. LGFA has not (as far as the Council is aware) called on any guarantee or uncalled capital support from any council in relation to any of the eight existing CCO borrowers to date.