



Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025

Cindy Kiro, Governor-General

Order in Council

At Wellington this 3rd day of March 2025

Present:

Her Excellency the Governor-General in Council

This order is made under section 77 of the Local Government (Water Services Preliminary Arrangements) Act 2024 on the advice and with the consent of the Executive Council given on the recommendation of the Minister of Local Government after the consultation required by section 76 of that Act has been carried out.

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Order

1 Title

This order is the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025.

2 Commencement

- (1) This order comes into force on 1 April 2025.
- (2) However, paragraph (k) of the definition of other revenue in clause 14(3) comes into force on 1 July 2025.

3 Purpose of Charter

- (1) The purpose of this charter is to promote the purposes of Part 4 of the Act.
- (2) This charter promotes those purposes by—
 - (a) imposing minimum service quality standards and financial performance objectives to incentivise Watercare to provide quality service while operating efficiently; and
 - (b) imposing thresholds for maximum allowable revenue so that expected increases in average combined water supply and wastewater services bills will not exceed—
 - (i) 7.2% for the 2026 financial year;
 - (ii) 7.2% for the 2027 financial year;
 - (iii) 5.5% for the 2028 financial year; and
 - (c) imposing minimum rates of increase in infrastructure growth charges so that, over time, overall revenue becomes less dependent on revenue from providing water services; and
 - (d) setting reporting and publishing requirements to ensure that the Crown monitor has sufficient information to perform their role and to ensure Watercare’s public accountability.

4 Application of Charter

- (1) This charter applies for the time period beginning on 1 April 2025 and ending on 30 June 2028 (*see* clause 15(1)).
- (2) The price-quality path contained in subpart 2 of Part 2 applies for the period beginning on 1 July 2025 and ending on 30 June 2028 (*see* clause 15(2)).

5 Interpretation

In this order, unless the context otherwise requires,—

2026 financial year means the financial year starting on 1 July 2025 and ending on 30 June 2026

2027 financial year means the financial year starting on 1 July 2026 and ending on 30 June 2027

2028 financial year means the financial year starting on 1 July 2027 and ending on 30 June 2028

Act means the Local Government (Water Services Preliminary Arrangements) Act 2024

Charter means the Watercare charter contained in this order

Charter period means the time period described in clause 4(2)

credit rating means Watercare’s credit rating as assessed by 1 or more specified credit-rating agencies on a stand-alone basis

Crown monitor means the Crown monitor appointed by the Minister under section 72 of the Act

financial year means any 1 or more of the following:

- (a) 2026 financial year:
- (b) 2027 financial year:
- (c) 2028 financial year

IGC means infrastructure growth charge

real water loss means the volume of water—

- (a) lost through all types of leaks, bursts, and overflows at any part of Watercare’s water supply network (including mains, service reservoirs, and service connections) up to the point of the consumer’s connection; and
- (b) calculated using a water balance prepared and used in accordance with the *Water Loss Guidelines Detailed Technical Guide*, 2nd edition, published by Water New Zealand in August 2023

specified credit-rating agency means any of the following (or their successors or assigns):

- (a) Fitch Ratings:
- (b) Moody’s Investors Service:
- (c) Standard & Poor’s

stand-alone basis, in relation to the assessment of Watercare’s credit rating, means assessment of Watercare’s intrinsic financial strength not taking into account extraordinary support from the Crown or a parent or an affiliate of Watercare

unit of demand means a unit of demand (for example, the unit known as demand unit equivalent) for water supply and wastewater infrastructure and for other infrastructure and inputs that support water supply and wastewater infrastructure (for example, electricity and its related infrastructure)

wastewater connection means a connection between a property and the wastewater network, identified by the presence of an active wastewater meter

wastewater overflow—

- (a) means an overflow of wastewater from Watercare’s wastewater network, up to the point of any consumer’s connection, caused by—
 - (i) a blockage; or
 - (ii) a leak, plant failure, equipment damage, or other fault; but
- (b) does not include an overflow resulting from stormwater infiltration associated with the occurrence of more than 10 mm of rainfall in the preceding 24 hours

wastewater services means services in relation to Watercare’s wastewater network

water services means services in relation to Watercare’s—

- (a) water supply network;
- (b) wastewater network

water supply connection means a connection between a property and the water supply network, identified by the presence of an active water supply meter

water supply services means services in relation to Watercare’s water supply network.

Part 1

Service quality and financial performance

Subpart 1—Minimum service quality standards

6 Purpose of this subpart

This subpart sets out minimum service quality standards for the purposes of sections 78(a)(i) and 79(1) of the Act.

Water supply call-outs

7 Minimum standard: resolution time for water supply call-outs

- (1) Watercare must ensure that the monthly median resolution time for resolving water supply call-outs, measured as a 12-month rolling average of monthly median resolution times, is—

- (a) no more than 5 hours for urgent water supply call-outs; and
 - (b) no more than 6 days for non-urgent water supply call-outs.
- (2) In this clause,—
- non-urgent water supply call-out** means a water supply call-out that is not an urgent water supply call-out
- resolution time**, in relation to a water supply call-out, means the period of time that—
- (a) begins when Watercare receives notification of the call-out; and
 - (b) ends when Watercare receives notification from the person employed or engaged to respond to the call-out that they have resolved the call-out
- resolve**, in relation to a water supply call-out, means to permanently return to service the water supply to the affected connection
- urgent water supply call-out** means a water supply call-out in relation to a leak, disruption, or other fault in water supply that has resulted in a complete loss of water supply to 1 or more water supply connections
- water supply call-out** means a request from a person that Watercare take action in relation to a leak, disruption, contamination, or other fault in water supply.

Unplanned water supply interruptions

- 8 Minimum standard: number of unplanned water supply interruptions**
- (1) Watercare must ensure that the number of unplanned water supply interruptions within Watercare’s networked reticulation system is no more than 10 interruptions for every 1,000 water supply connections measured as a 12-month rolling average.
- (2) In this clause,—
- networked reticulation system** means that part of Watercare’s water supply network (pipes, pumps, and ancillary infrastructure) from the output of a treatment plant to the water supply connection
- unplanned water supply interruption** means a water supply interruption that—
- (a) is notified to Watercare by the affected consumer; and
 - (b) is not caused by—
 - (i) a scheduled Watercare activity (for example, planned maintenance or renewal) that is completed on time; or
 - (ii) an act or omission of a third party
- water supply interruption** means a complete loss of water supply to 1 or more water supply connections caused by a leak, disruption, contamination, or other fault in Watercare’s networked reticulation system.

*Wastewater overflows***9 Minimum standard: number of wastewater overflows**

Watercare must ensure that the number of wastewater overflows is no more than 5 for every 1,000 wastewater connections measured as a 12-month rolling average.

10 Minimum standard: resolution time for wastewater overflows

- (1) Watercare must ensure that the median resolution time for resolving wastewater overflows is no more than 5 hours measured as a 12-month rolling average.
- (2) In this clause,—

resolution time, in relation to a wastewater overflow, means the period of time that—

- (a) begins when Watercare receives notification of the overflow; and
- (b) ends when Watercare receives notification from the person employed or engaged to respond to the overflow that they have resolved the overflow

resolve, in relation to a wastewater overflow, means to ensure that water is no longer escaping due to the circumstance that caused the overflow.

*Real water loss***11 Minimum standard: volume of real water loss**

Watercare must ensure that the real water loss from Watercare's water supply network is no more than 140 litres per water supply connection per day measured as a 12-month rolling average.

Subpart 2—Financial performance objectives

12 Purpose of this subpart

This subpart sets out financial performance objectives for the purposes of sections 78(a)(ii) and 79(2) of the Act.

*Credit rating***13 Investment-grade credit rating**

- (1) Watercare must ensure that its credit rating is at least investment grade.
- (2) If Watercare's credit rating is assessed by more than 1 specified credit-rating agency, all assessments must be at least investment grade.
- (3) Despite clauses 4 and 15, Watercare is not required to comply with this clause until 1 July 2025.

*Maximum revenue***14 Maximum allowable revenue**

- (1) Watercare must ensure that its forecast revenue from prices for providing water supply and wastewater services in the 2026 financial year does not exceed the maximum allowable revenue for that year.
- (2) Watercare must ensure that its forecast revenue from prices for providing water supply and wastewater services in the 2027 and 2028 financial years does not exceed the actual allowable revenue for those years.
- (3) In this clause,—

actual allowable revenue, in relation to the 2027 and 2028 financial years, means the maximum allowable revenue derived from calculations that include the applicable MAR and wash-up amounts from previous financial years, carried out in accordance with the Schedule

leak-remission credit means credit that Watercare can apply towards a consumer's account to reward them for quickly fixing leaks on their property that may otherwise have led to higher-than-normal bills

maximum allowable revenue or **MAR** means,—

- (a) for the 2026 financial year, \$845.10 million:
- (b) for the 2027 financial year, \$919.22 million:
- (c) for the 2028 financial year, \$985.00 million

other revenue means the following:

- (a) revenue from vested assets (other than IGCs):
- (b) late payment penalty revenue:
- (c) revenue from new connections and development charges:
- (d) revenue from tank-to-supply service charges:
- (e) revenue from charges for discretionary services provided to consumers on request:
- (f) one-off revenue:
- (g) laboratory revenue:
- (h) revenue from administration fees:
- (i) grant revenue:
- (j) revenue from insurance entitlement proceeds:
- (k) revenue from any charges collected by a receiver under section 60A of the Local Government (Auckland Council) Act 2009

revenue from prices—

- (a) means—
 - (i) revenue from prices that Watercare charges consumers; and

- (ii) revenue that Watercare forgoes due to leak-remission credits; but
- (b) does not include—
 - (i) revenue from IGCs; and
 - (ii) other revenue.

Part 2

Price-quality path and time periods of Charter application

Subpart 1—Time periods of Charter application

15 Application of Charter

- (1) For the purposes of section 78(b)(ii) of the Act, the time period during which this charter applies—
 - (a) begins on 1 April 2025; and
 - (b) ends on 30 June 2028.
- (2) For the purposes of sections 78(b)(ii) and 83(1)(a) of the Act, the period to which the price-quality path set out in subpart 2 applies—
 - (a) begins on 1 July 2025; and
 - (b) ends on 30 June 2028.

Subpart 2—Price-quality path

16 Purpose of this subpart

This subpart sets out the price-quality path for Watercare for the purposes of sections 78(b)(i) and 83 of the Act.

Infrastructure growth charges (IGCs)

17 Minimum IGC increase

- (1) Watercare must ensure that the average increase in IGCs forecast for a financial year is at least the minimum allowable rate specified in subclause (2).
- (2) The minimum allowable rate of increase is,—
 - (a) for the 2026 financial year, 15.5%;
 - (b) for the 2027 financial year, 20.0%;
 - (c) for the 2028 financial year, 11.2%.
- (3) The average increase in IGCs forecast for a financial year (**Year A**) is calculated by—
 - (a) identifying the IGC price per unit of demand in each IGC pricing group in the current financial year (**Year B**); and
 - (b) forecasting—

- (i) the number of units of demand for Year A in each IGC pricing group; and
 - (ii) the IGC price per unit of demand in each IGC pricing group in Year A; and
 - (c) identifying the percentage change in each IGC pricing group by comparing the prices per unit of demand identified and forecast under paragraphs (a) and (b)(ii); and
 - (d) calculating a weighted average of all the percentage changes identified under paragraph (c) using each IGC pricing group's forecast units of demand for Year A (determined under paragraph (b)(i)) as the weighting factor for each of those percentage changes; and
 - (e) comparing the weighted average percentage increase determined under paragraph (d) with the minimum allowable rate of increase specified in subclause (2).
- (4) In this clause, **IGC pricing group** means a combination of geographic area and service type that is—
- (a) represented in each cell in the following table that contains an asterisk; or
 - (b) changed or created by Watercare under clause 18 after this charter comes into force.

Geographic area	Provision of water supply services only	Provision of wastewater services only	Provision of water supply and wastewater services
Metropolitan	*	*	*
Beachlands/Maraetai		*	
Helensville	*	*	*
Kawakawa Bay		*	
Northeast sub-regional	*	*	*
Omaha/Matakana/Point Wells		*	
Southwest sub-regional	*	*	*
Waiheke (Owhanake)		*	
Wellsford	*	*	*
Veolia (Papakura District)	*	*	*

18 Changes to IGC pricing groups

- (1) Watercare may change 1 or more of the IGC pricing groups set out in the table in the definition of IGC pricing group in clause 17(4) (by changing geographic areas, service types, or both) and this clause sets how Watercare must, after making a change, make a calculation under that clause in a way that ensures that IGC pricing groups before and after the change are comparable.
- (2) If the change involves an existing IGC pricing group being split into 2 or more pricing groups, the applicable current financial year IGC for each new pricing

group is taken to be equal to the IGC for the existing pricing group before the split.

- (3) If the change involves 2 or more existing IGC pricing groups being consolidated into 1 pricing group, the applicable current financial year IGC must be set to the average of the IGCs (weighted by the forecast units of demand for the current financial year) of the existing pricing groups before the consolidation.
- (4) If Watercare creates a new IGC pricing group or makes a change that is not covered by subclauses (2) and (3)), Watercare must make the calculation in a way that is demonstrably reasonable.

19 IGC policy review and redesign

- (1) This clause applies if, when this charter comes into force, the final version of the business plan that Watercare has submitted under section 82 of the Act includes a commitment to review and redesign its IGC policy.
- (2) Watercare must prepare a document describing its review and redesign of its IGC policy.
- (3) The document must include—
 - (a) Watercare’s intended approach to all phases of the review and redesign, including—
 - (i) any design principles it proposes to use; and
 - (ii) how it will implement the redesigned policy in the 2026–2028 financial years; and
 - (b) how Watercare intends to engage with the Crown monitor in the review and redesign process; and
 - (c) a summary of the approach Watercare intends to take to explain to consumers and other stakeholders the expected impacts of the redesigned IGC policy on—
 - (i) water services pricing and revenue from that pricing; and
 - (ii) IGCs and revenue from IGCs.
- (4) In preparing the document, Watercare must—
 - (a) engage closely with the Crown monitor throughout the process; and
 - (b) by 30 September 2025, give a draft of the document to the Crown monitor for feedback; and
 - (c) if the Crown monitor’s feedback is received within 60 working days, do the following within 60 working days after receiving that feedback:
 - (i) incorporate the Crown monitor’s feedback into the document;
 - (ii) publish the document that incorporates that feedback on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

- (5) In this clause, **IGC policy** includes—
- (a) a methodology for determining IGCs; and
 - (b) methodologies for allocating revenue or costs between relevant categories for the purpose of calculating IGCs.

Reporting requirements

20 Operating cost efficiency improvement plan

- (1) Watercare must prepare a cost efficiency improvement plan for the Charter period.
- (2) The purposes of the cost efficiency improvement plan are—
- (a) to provide evidence of what Watercare intends to do to improve efficiency; and
 - (b) to provide a basis for reports on efficiency improvement.
- (3) The plan must include—
- (a) Watercare’s proposed initiatives to achieve the efficiency improvement in operating costs that is assumed in the financial projections in its business plan; and
 - (b) for each initiative,—
 - (i) the value of the planned improvement; and
 - (ii) indicative timing for taking the initiative; and
 - (c) a summary of the analytical and other approaches (for example, comparative benchmarking) that Watercare has used in selecting the initiatives referred to in paragraph (a); and
 - (d) how Watercare will report to the Crown monitor, under clause 21, on its progress in achieving the efficiency improvements referred to in paragraph (a).
- (4) Watercare must,—
- (a) by 31 December 2025, give a draft of the plan to the Crown monitor for feedback; and
 - (b) if the Crown monitor’s feedback is received within 60 working days, do the following within 60 working days after receiving that feedback:
 - (i) incorporate the feedback into the draft plan;
 - (ii) give a copy of the completed plan to the Crown monitor;
 - (iii) redact from the plan any information Watercare considers to be commercially sensitive;
 - (iv) publish the completed but redacted plan on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

21 Reports on efficiency progress

- (1) Watercare must prepare a report on its progress in making efficiency improvements in each of the 2026–28 financial years.
- (2) Each report must include—
 - (a) a description of the efficiency improvements in operating costs that Watercare has made in the relevant financial year; and
 - (b) an explanation of any gap between—
 - (i) the value of each planned improvement referred to in clause 20(3)(b)(i) and the value achieved; and
 - (ii) the overall efficiency improvement made and the efficiency improvement that was assumed in Watercare’s financial projections (*see* clause 20(3)(a)).
- (3) Watercare must, by 30 September following the end of the financial year to which the report relates,—
 - (a) give a copy of the report to the Crown monitor; and
 - (b) redact from the report any information Watercare considers to be commercially sensitive; and
 - (c) publish the redacted report on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

22 Reports on price-quality path: forecast stage

- (1) Watercare must prepare a report on the following matters for each of the 2026–28 financial years:
 - (a) how Watercare has complied with clause 14 in its forecast revenue from prices for that year:
 - (b) how Watercare has complied with clause 17 in its forecast average increase in IGCs for that year:
 - (c) how Watercare is rebalancing its forecast revenue for that year—
 - (i) away from charges for water services provided; and
 - (ii) towards IGCs.
- (2) Without limiting subclause (1)(a), the report must—
 - (a) include—
 - (i) Watercare’s calculations under the Schedule; and
 - (ii) all forecast units of demand, in relation to both revenue from prices (*see* clause 14(3)) and revenue from IGCs that Watercare used in making those calculations; and
 - (b) demonstrate how the forecast average combined water supply and wastewater services bill for each financial year compares with the corresponding forecast average for the previous financial year; and

- (c) demonstrate how the comparisons demonstrated under paragraph (b) compare with the following:
 - (i) a 7.2% increase for the 2026 financial year:
 - (ii) a 7.2% increase for the 2027 financial year:
 - (iii) a 5.5% increase for the 2028 financial year; and
 - (d) analyse any differences identified under paragraph (c) by identifying the key drivers of changes to the average combined water supply and wastewater services bill, including by considering units of demand (for revenue from prices and revenue from IGCs) and wash-up amounts.
- (3) Without limiting subclause (1)(b), the report must include Watercare’s calculations under clause 17.
 - (4) Watercare must, by 30 June before the start of the financial year to which the report relates, publish the report on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.
 - (5) In this clause, **average combined water supply and wastewater services bill** means the ratio of revenue from prices (*see* clause 14(3)) to the number of water supply and wastewater connections for the financial year.

23 Reports on price-quality path: earnings stage

- (1) Watercare must prepare a report on the following matters for each of the 2026–28 financial years:
 - (a) revenue from prices (*see* clause 14(3));
 - (b) revenue from IGCs;
 - (c) other revenue (*see* clause 14(3)).
- (2) Without limiting subclause (1), the report must include details of—
 - (a) revenue from prices, revenue from IGCs, and other revenue; and
 - (b) all units of demand met in relation to both revenue from prices and revenue from IGCs.
- (3) Watercare must, by 30 September following the end of the financial year to which the report relates, publish the report on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

24 Infrastructure delivery and asset management improvement: planning

- (1) Watercare must prepare an infrastructure delivery and asset management improvement plan for the Charter period.
- (2) The infrastructure delivery and asset management improvement plan must contain the following:
 - (a) the principles that Watercare will use to prioritise investments;
 - (b) a description of Watercare’s planned improvements to infrastructure delivery and asset management, including improvements to—

- (i) its understanding of the linkages between investments and the outcomes (including network resilience) delivered by investments, and how this improved understanding will impact its asset management processes; and
 - (ii) processes for identifying preferred solutions (including key inputs such as asset health and criticality modelling); and
 - (iii) its programme for risk management and reporting; and
 - (iv) cost estimation (such as unit rates for use in budgeting and forecasting):
- (c) timelines for planned improvements:
- (d) details of how Watercare proposes to ensure that investment will enable housing growth in areas with limited network capacity, including—
- (i) whether Watercare proposes to seek alternative funding (for example, funding under the Infrastructure Funding and Financing Act 2020) to enable that housing growth; and
 - (ii) if Watercare proposes to seek alternative funding of that kind, how it will seek and use that funding; and
 - (iii) a timeline for Watercare’s proposed actions.
- (3) Watercare must,—
- (a) by 31 August 2025, give a draft of its infrastructure delivery and asset management plan to the Crown monitor for feedback; and
 - (b) if the Crown monitor’s feedback is received within 60 working days, do the following within 60 working days after receiving that feedback:
 - (i) incorporate the Crown monitor’s feedback into the draft plan:
 - (ii) publish the plan that incorporates that feedback on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

25 Infrastructure delivery and asset management improvement: reporting

- (1) Watercare must prepare a report in each of the 2026–2028 financial years in relation to—
- (a) the planned improvements described in its infrastructure delivery and asset management improvement plan (*see* clause 24(2)(b)); and
 - (b) any change to the timelines for those planned improvements (*see* clause 24(2)(c)).
- (2) The purpose of annual reports under this clause is to provide evidence of—
- (a) infrastructure delivery; and
 - (b) the effectiveness of Watercare’s infrastructure delivery and asset management improvement plan.

- (3) Watercare must, by 30 September following the end of the financial year to which a report relates, publish the report on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.

26 Operating and capital expenditure: planning

- (1) Watercare must prepare an operating and capital expenditure plan for the Charter period.
- (2) The operating and capital expenditure plan must—
- (a) reflect the most recent decisions, made by Watercare before 1 July 2025, about operating and capital expenditure during the Charter period; and
 - (b) include the scope, staging, timing, and cost of operational and capital projects and programmes; and
 - (c) include a description of Watercare’s approach to—
 - (i) assessing the deliverability of its operating and capital expenditure plan, including risks to deliverability that Watercare has identified for the relevant period; and
 - (ii) ensuring the delivery of its operating and capital expenditure plan, including how Watercare proposes to manage the risks referred to in subparagraph (i).
- (3) Watercare must, by 1 July 2025, give to the Crown monitor—
- (a) its operating and capital expenditure plan; and
 - (b) for feedback, a draft quarterly report template for Watercare’s compliance with clause 27.

27 Operating and capital expenditure: reporting

- (1) Watercare must prepare quarterly reports on—
- (a) progress made on all projects and programmes in Watercare’s operating and capital expenditure plan (*see* clause 26(2)); and
 - (b) any new projects or programmes that have started during the quarter; and
 - (c) any significant changes in the risks Watercare has identified to the deliverability of its operating and capital expenditure plan (*see* clause 26(2)(c)(i)).
- (2) The purpose of quarterly reports under this clause is to provide evidence of the delivery and effectiveness of Watercare’s operating and capital expenditure.
- (3) Reports under this clause—
- (a) must individually address all projects and programmes that the Crown monitor and Watercare agree should be reported on individually; and
 - (b) may address other projects and programmes at a more aggregate level.

- (4) In agreeing on the projects and programmes to be reported individually, Watercare and the Crown monitor must, in order to balance the benefits of transparency with the cost of administrative requirements, have regard to the following:
 - (a) expenditure value:
 - (b) strategic importance:
 - (c) risk:
 - (d) any other relevant considerations.
- (5) Watercare must, by the end of the third month following the end of the quarter to which each quarterly report relates, publish the report on an internet site that is maintained by or on behalf of Watercare and is accessible to the public free of charge.
- (6) The first quarterly report required by this clause is for the quarter ending on 30 June 2025.

28 Quarterly reports on performance targets and measures

- (1) Watercare must prepare quarterly reports on how it has performed in relation to all performance targets and measures contained in its statement of intent and business plan.
- (2) The quarterly reports must—
 - (a) set out the performance targets and measures; and
 - (b) set out the specific matters that performance targets and measures are focused on (for example, average consumption of drinking water per day per resident measured as a 12-month rolling average); and
 - (c) set out the specific number or quantity of the subject-matter of the performance target or measure (for example, less than 256 litres of drinking water consumed each day by each resident, expressed as a 12-month rolling average); and
 - (d) state whether Watercare has met the performance targets during the quarter; and
 - (e) set out any changes during the quarter to methodology or assumptions that the performance measures use to assess progress in meeting performance targets.
- (3) Watercare must give each quarterly report to the Crown monitor by the end of the second month following the end of the quarter to which the report relates.
- (4) The first quarterly report required by this clause is for the quarter ending on 30 June 2025.

29 Quarterly reports on minimum quality service standards

- (1) Watercare must prepare quarterly reports on how it has performed in relation to the minimum service quality standards imposed by clauses 7 to 11.

- (2) A quarterly report under this clause must—
 - (a) specify what each standard requires in each month of the quarter, measured as a 12-month rolling average; and
 - (b) in the first report only, identify and explain the methodology and assumptions Watercare has used to measure its performance in relation to each standard; and
 - (c) set out any changes made to that methodology and those assumptions.
- (3) Watercare must give each quarterly report to the Crown monitor by,—
 - (a) for the standards imposed by clauses 7 to 10, the end of the second month following the end of the quarter to which the report relates; and
 - (b) for the standard imposed by clause 11, the end of the fifth month following the end of the quarter to which the report relates.
- (4) The first reports required by this clause are for the quarter ending on 30 June 2025 and are due,—
 - (a) for the standards imposed by clauses 7 to 10, by 31 August 2025; and
 - (b) for the standard imposed by clause 11, by 30 November 2025.

30 Report on credit rating

- (1) If Watercare identifies an event or a change in circumstances that could change its credit rating, it must prepare a report that describes—
 - (a) the event or change of circumstance; and
 - (b) the potential change to its credit rating.
- (2) If a specified credit-rating agency gives Watercare a rating that is different from the rating the agency previously gave, Watercare must prepare a report that—
 - (a) identifies the credit-rating agency; and
 - (b) states the previous credit rating and the new credit rating given by the agency; and
 - (c) if the new credit rating is lower than investment grade,—
 - (i) describes the actions that Watercare proposes to take to return its credit rating to investment grade; and
 - (ii) specifies when the credit rating will be returned to investment grade.
- (3) Watercare must—
 - (a) prepare a report under this clause as soon as practicable; and
 - (b) give the report to the Crown monitor.

31 Forecasts and estimates in reports

Watercare must ensure that all forecasts and estimates of matters contained in reports under clauses 20 to 30 are demonstrably reasonable.

32 Accuracy of reports to be certified

Watercare must ensure that a director of Watercare certifies by statutory declaration—

- (a) the truth and accuracy of—
 - (i) all historical information disclosed in reports under clauses 20 to 30; and
 - (ii) all historical information from which that disclosed information is derived; and
- (b) that all forecasts and estimates in those reports are demonstrably reasonable.

33 Reports can be combined

- (1) Watercare is not required to comply with its reporting requirements under this subpart in separate reports, but may combine the matters reported on in a smaller number of report documents.
- (2) A combined report document under this clause must clearly present—
 - (a) the different matters reported on; and
 - (b) the clauses of the Charter that require those matters to be reported on.

Schedule

Maximum allowable revenue

cl 14

1 Purpose of this schedule

This schedule sets out how the actual allowable revenue (**AAR**) is calculated for the 2027 and 2028 financial years for the purposes of clause 14(2). The AAR for those years is based on those years' maximum allowable revenue (**MAR**) set out in clause 14(3) and is calculated by taking into account any wash-up from previous financial years.

2 Interpretation

(1) In this schedule,—

FRP26 is the forecast revenue from prices for the 2026 financial year

FRP27 is the forecast revenue from prices for the 2027 financial year

time value of money (TVM) means the adjustment in the calculations under this schedule that reflects the principle that an amount of money in the present is worth more than the same amount in the future

wash-up, from a previous financial year, means the amount by which revenue earned in that financial year differs from the AAR for that financial year.

(2) In this schedule,—

(a) a definition of an expression in a clause of this schedule applies throughout this schedule; and

(b) a definition of an expression that includes a number representing a financial year (for example, 26) applies in relation to that financial year and, when the same expression includes a number representing a different financial year (for example, 27), it has the corresponding meaning in relation to that other financial year.

AAR for 2027 financial year

3 Calculation of AAR27

(1) The actual allowable revenue for the 2027 financial year (**AAR27**) is determined by the following formula:

$$\text{AAR27} = \text{MAR27} + \text{WD27}$$

where—

MAR27 is \$919.22 million

WD27 is the wash-up from the 2026 financial year for use in the 2027 financial year calculations.

- (2) For the purposes of subclause (1), the wash-up from the 2026 financial year for use in the 2027 financial year (**WD27**) is determined by the following formula:

$$\text{WD27} = \text{CWBe26} + \text{TVM}$$

where—

CWBe26 is the estimated closing wash-up balance from the 2026 financial year for use in the 2027 financial year

TVM is the time value of money of the CWBe26.

- (3) For the purposes of subclause (2),—
- (a) the estimated closing wash-up balance from the 2026 financial year for use in the 2027 financial year (**CWBe26**) is determined by the following formula:

$$\text{CWBe26} = \text{MAR26} - (\text{REe26} + \text{RFe26})$$

where—

MAR26 is the maximum allowable revenue for the 2026 financial year: \$845.10 million

REe26 is the estimated revenue earned for the 2026 financial year as determined by Watercare in the second half of that year

RFe26, if applicable, is the estimated revenue forgone by Watercare for the 2026 financial year in the event that Watercare's forecast revenue from prices for that year (**FRP26**) was less than \$845.10 million:

- (b) the time value of money (**TVM**) of the estimated closing wash-up balance from the 2026 financial year for use in the 2027 financial year (**CWBe26**) is determined by the following formula:

$$\text{TVM} = \text{CWBe26} \times \text{A}\%$$

where A% is the applicable interest rate calculated under clause 5 of this schedule for the 2026 calendar year.

- (4) For the purposes of subclause (3)(a), the estimated revenue forgone for the 2026 financial year (**RFe26**) is, if applicable, determined as follows:

- (a) if REe26 is equal to or greater than Watercare's forecast revenue from prices for the 2026 financial year (**FRP26**) but less than \$845.10 million, RFe26 is determined by the following formula:

$$\text{RFe26} = \$845.10 \text{ million} - \text{REe26}$$

where REe26 is the estimated revenue earned for the 2026 financial year as determined by Watercare in the second half of that year:

- (b) if REe26 is less than FRP26, RFe26 is determined by the following formula:

$$\text{RFe26} = \$845.10 \text{ million} - \text{FRP26}$$

where FRP26 is Watercare's forecast revenue from prices for the 2026 financial year:

- (c) if REe26 is greater than \$845.10 million: RFe26 is \$0.00.

AAR for 2028 financial year

4 Calculation of AAR28

- (1) The actual allowable revenue for the 2028 financial year (**AAR28**) is determined by the following formula:

$$\text{AAR28} = \text{MAR28} + \text{RW26} + \text{WD28}$$

where—

MAR28 is \$985.00 million

RW26 is the residual wash-up from the 2026 financial year for use in the 2028 financial year

WD28 is the wash-up from the 2027 financial year for use in the 2028 financial year calculations.

- (2) For the purposes of subclause (1), the residual wash-up from the 2026 financial year for use in the 2028 financial year (**RW26**) is determined by the following formula:

$$\text{RW26} = (\text{CWBf26} - \text{CWBe26}) \times (1 + \text{A}\%) \times (1 + \text{B}\%)$$

where—

A% is the applicable interest rate calculated under clause 5 of this schedule for the 2026 calendar year

B% is the applicable interest rate calculated under clause 5 of this schedule for the 2027 calendar year

CWBe26 is the estimated closing wash-up balance from the 2026 financial year determined under clause 3(3)(a) of this schedule

CWBf26 is the final closing wash-up balance for the 2026 financial year.

- (3) For the purposes of subclause (2), the final closing wash-up balance for the 2026 financial year (**CWBf26**) is determined by the following formula:

$$\text{CWBf26} = \text{MAR26} - (\text{REf26} + \text{RFf26})$$

where—

MAR26 is the maximum allowable revenue for the 2026 financial year (\$845.10 million)

REf26 is the final revenue earned for the 2026 financial year as determined by Watercare following the end of that year

RFf26, if applicable, is the final revenue forgone by Watercare for the 2026 financial year in the event that Watercare's forecast revenue from prices for that year (**FRP26**) was less than \$845.10 million.

- (4) For the purposes of subclause (3), the final revenue forgone by Watercare for the 2026 financial year (**RFf26**), if applicable, is determined as follows:

- (a) if REf26 is equal to or greater than FRP26 but less than \$845.10 million, RFf26 is determined by the following formula:

$$\text{RFf26} = \$845.10 \text{ million} - \text{REf26}$$

where REf26 is the final revenue earned for the 2026 financial year as determined by Watercare following the end of that year:

- (b) if REf26 is less than the FRP26, RFf26 is determined by the following equation:

$$\text{RFf26} = \$845.10 \text{ million} - \text{FRP26}$$

where FRP26 is Watercare's forecast revenue from prices for the 2026 financial year:

- (c) if REf26 is greater than \$845.10 million, RFf26 is \$0.00.

- (5) For the purposes of subclause (1), the wash-up from the 2027 financial year for use in the 2028 financial year (**WD28**) is determined by the following formula:

$$\text{WD28} = \text{CWBe27} + \text{TVM}$$

where—

CWBe27 is the estimated closing wash-up balance for the 2027 financial year

TVM is the time value of money of CWBe27.

- (6) For the purposes of subclause (5),—

- (a) the estimated closing wash-up balance for the 2027 financial year (**CWBe27**) is determined by the following formula:

$$\text{CWBe27} = \text{AAR27} - (\text{REe27} + \text{RFe27})$$

where—

AAR27 is the actual allowable revenue for the 2027 financial year determined under clause 3 of this schedule

REe27 is the estimated revenue earned for the 2027 financial year as determined by Watercare in the second half of that year

RFe27, if applicable, is the estimated revenue forgone by Watercare for the 2027 financial year in the event that Watercare's forecast revenue from prices for that year (**FRP27**) was less than AAR27:

- (b) the time value of money (**TVM**) of the estimated closing wash-up balance for the 2027 financial year (**CWBe27**) is determined by the following formula:

$$\text{TVM} = \text{CWBe27} \times \text{B}\%$$

where B% is the applicable interest rate calculated under clause 5 of this schedule for the 2027 calendar year.

(7) For the purposes of subclause (6)(a), the estimated revenue forgone for the 2027 financial year (**RFe27**) is, if applicable, determined as follows:

(a) if REe27 is equal to or greater than FRP27 but less than AAR27, RFe27 is determined by the following formula:

$$\text{RFe27} = \text{AAR27} - \text{REe27}$$

where—

AAR27 is the actual allowable revenue for the 2027 financial year determined under clause 3 of this schedule

REe27 is the estimated revenue earned for the 2027 financial year as determined by Watercare in the second half of that year:

(b) if REe27 is less than the FRP27, RFe27 is determined by the following formula:

$$\text{RFe27} = \text{AAR27} - \text{FRP27}$$

where—

AAR27 is the actual allowable revenue for the 2027 financial year determined under clause 3 of this schedule

FRP27 is the forecast revenue from prices for the 2027 financial year:

(c) if REe27 is greater than AAR27, RFe27 is \$0.00.

Time value for money

5 Applicable interest rates

(1) This clause provides for the calculation of applicable interest rates to be used in time of value for money (**TVM**) calculations under clauses 3(2), 3(3)(b), 4(2), 4(5) and 4(6)(b) of this schedule.

(2) The applicable interest rate is calculated from Watercare's weighted average of borrowing costs calculated for the applicable calendar year—

(a) in accordance with generally accepted accounting practice in New Zealand; and

(b) using—

(i) actual borrowing costs, if available; or

(ii) otherwise, forecast borrowing costs.

Rachel Hayward,
Clerk of the Executive Council.

Explanatory note

This note is not part of the order but is intended to indicate its general effect.

This order, which comes into force on 1 April 2025, contains a charter for the operations of Watercare Services Limited (the **Watercare Charter** or the **Charter**) required for the purposes of Part 4 of the Local Government (Water Services Preliminary Arrangements) Act 2024.

Clauses 1, 2, and 3 provide the Charter's title, commencement date (1 April 2025, except for paragraph (k) of the definition of other revenue in clause 14(3), which comes into force on 1 July 2025), and purpose.

Clause 4 provides the periods of operation of different parts of the Charter as follows:

- the Charter as a whole will apply from 1 April 2025 until 30 June 2028;
- however, the price-quality path contained in *subpart 2 of Part 2* of the Charter will apply from 1 July 2025 until 30 June 2028.

Clause 5 contains definitions, including definitions for credit rating, financial year (only the 2026–2028 financial years), infrastructure growth charges (**IGCs**), real water loss, specified credit-rating agency, wastewater connection, water services, and water supply connection.

Part 1 of the Charter (*clauses 6 to 14*) contains minimum service quality standards and financial performance objectives.

Subpart 1 of Part 1 (clauses 6 to 11) contains minimum service quality standards in relation to the following matters:

- the minimum median resolution time for water supply call-outs (*clause 7*);
- the minimum standard for the number of unplanned water supply interruptions (*clause 8*);
- for wastewater overflows, the minimum number (*clause 9*) and the minimum median resolution time (*clause 10*);
- the minimum volume of real water loss from the water supply network (*clause 11*).

Subpart 2 of Part 1 (clauses 12 to 14) contains financial performance objectives.

Clause 13 requires Watercare to maintain its credit rating at investment grade or above. This requirement applies from 1 July 2025.

Clause 14 imposes on Watercare thresholds for maximum allowable revenue earned from providing water supply and wastewater services (revenue from prices) for the 2026–2028 financial years. The definition of revenue from prices ensures that revenue from infrastructure growth charges is not included in the thresholds under this clause. The thresholds are linked to adjustments made by means of the calculations set out in the *Schedule*. The effect of the thresholds is that expected increases in revenue Watercare earns from providing water supply and wastewater services will not

exceed 7.2% (2026 financial year), 7.2% (2027 financial year), and 5.5% (2028 financial year).

Part 2 (clauses 15 to 33) contains the matters required by section 78(b) of the Act.

Subpart 1 (clause 15) specifies the periods of operation of the Charter (*see clause 4*).

Subpart 2 (clauses 16 to 33) contains the price-quality path for Watercare, including reporting requirements.

Clauses 17 to 19 relate to IGCs, as follows:

- *clauses 17 and 18* impose a lower limit on increases in the average IGCs Watercare must charge, provide a method of calculation of the required increase in the range of IGC pricing groups (described by service configurations in specified geographic areas), and provide for changes to the calculation when Watercare makes any changes to the IGC pricing groups:
- *clause 19* requires Watercare, if it is going to review and redesign its IGC policy, to work closely with the Crown monitor in planning the content and process of the review and redesign.

Clauses 20 to 33 contain reporting requirements (and, in a number of cases, publication requirements) for the following:

- review and redesign of IGC policy:
- operating cost efficiency improvement:
- price-quality path: forecast stage:
- price-quality path: earnings stage:
- infrastructure delivery and asset management improvement:
- operating and capital expenditure:
- performance targets and measures:
- minimum quality service standards:
- credit rating:
- certification of all reports by Watercare.

Regulatory impact statement

The Department of Internal Affairs produced a regulatory impact statement on 21 November 2024 to help inform the decisions taken by the Government relating to the contents of this instrument.

A copy of this regulatory impact statement can be found at—

- https://www.dia.govt.nz/diawebsite.nsf/wpg_URL/Resource-material-Regulatory-Impact-Statements-Index?OpenDocument#five
- <https://www.regulation.govt.nz/our-work/regulatory-impact-statements/>

2025/24

**Local Government (Water Services Preliminary
Arrangements) (Watercare Charter) Order 2025**

Issued under the authority of the Legislation Act 2019.

Date of notification in *Gazette*: 6 March 2025.

This order is administered by the Department of Internal Affairs.

Wellington, New Zealand:

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