Report on the price-quality path: forecast stage

Financial year 2027

Watercare

Content

Executive summary

From 1 July 2026, Watercare's water and wastewater prices will increase by 7.2%, in line with the Watercare Charter. We expect drier conditions in the new financial year, and customers may use more water on average. This is reflected in our volume forecasts. If these forecasts materialise, the average combined water and wastewater bill would increase by approximately 8.6%.

This report explains how Watercare has set prices for the 2027 financial year and demonstrates compliance with the Watercare Charter's pricing requirements, including the 7.2% price increase for water and wastewater services.

For households and businesses, bills are determined by both the prices set by Watercare and the amount of water used. Each customer's bill therefore reflects their water consumption, customer type, and the water and wastewater services they receive. Customers who use a similar amount of water to last year will see their bill increase by approximately 7.2%. Customers who use more water will see a larger increase, including where additional water is used for activities such as watering gardens or filling swimming pools during dry weather.

Revenue from customer bills helps Watercare operate, maintain, renew and expand Auckland's water and wastewater network, supporting safe and reliable services for a growing city.

Purpose

This price-setting compliance statement has been prepared in accordance with the requirements of the Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025 ("the Charter"). This document demonstrates that Watercare's forecast revenue and pricing for the financial year 2027 (FY27) are consistent with the provisions of the Charter.

Compliance summary

Watercare is a regulated water utility subject to oversight by the Commerce Commission as Crown monitor. As required under the Charter, Watercare must comply with:

- Maximum Allowable Revenue (MAR) limits
- Minimum allowable rate increases for Infrastructure Growth Charges (IGCs).

Clauses 3 (2) (b) and 14(3) of the Charter determine that the MAR and associated average expected combined water and wastewater bill increases for Watercare for the three-year regulatory period are as follows:

Financial year	Maximum Allowable Revenue (MAR)	Maximum expected average combined bill increase
2026	$845.10 million	7.2%
2027	$919.22 million	7.2%
2028	$985.00 million	5.5%

Watercare

Under clause 17(2) of the Charter, the minimum allowable rate increases to be applied in the calculation of IGC revenues are as follows:

Financial year	Minimum allowable rate increase
2026	15.5%
2027	20.0%
2028	11.2%

Under clause 14, Watercare must ensure that its forecast revenue from prices for providing water supply and wastewater services in the financial year 2027 (FY27) does not exceed the actual allowable revenue (AAR27). AAR27 means the maximum allowable revenue derived from calculating the applicable MAR and wash-up amount from FY26 in accordance with the Schedule.

Watercare has complied with these requirements as AAR27 is $960.8 million and revenue has been set at the lower amount of $919.22 million which is in line with the MAR for FY27.

Watercare has complied with clause 17 of the Charter, as the average price increase in IGCs forecasted for FY27 is at least 20.0% across all geographic areas.

Watercare has complied with clause 22 of the Charter as this document constitutes the required report advising how the company has met the requirements of clause 14, clause 17 and the associated calculations including units of demand, prices and associated increases.

Watercare has complied with clause 31 of the Charter as this document includes evidence that forecasted revenues for FY27 are demonstrably reasonable.

As summarised in the Table 1 below, Watercare complies with all applicable clauses of the Charter when calculating its forecast revenues for FY27.

Table 1: Compliance statement references from the Charter

Clause	Area of reporting	Relevant clauses in Charter	Status
Clause 22	Demonstrate how Watercare has complied with *Clause 14* relating to MAR and AAR – demonstrate that price increase is 7.2%	*22 (1) (a), 22 (2) (a)*	Compliant as demonstrated in subsection 1.1 and 2.1
	Demonstrate how WSL has complied with Clause 17 relating to the IGC minimum price increase of 20%	*22 (1) (b), 22 (2) (a), 22 (3)*	Compliant as demonstrated in subsection 1.2
	Demonstrate how WSL is rebalancing its revenue away from tariff revenue towards IGCs	*22 (1) (c)*	Compliant as explained in subsection 1.3
	Demonstrate how forecast average combined bills compare year on year and compare with a 7.2% increase	*22 (2) (b), (c), (d) and 22 (5)*	Compliant as demonstrated in subsection 2.3

Clause 31	Demonstrate forecasts and estimates contained in reports under 20 to 30 are demonstrably reasonable	*31*	Compliant as demonstrated in Section 3 and appendices

Watercare approved this compliance statement on 30 June 2026 and published it on watercare.co.nz on 30 June 2026, after redacting commercially sensitive information relating to Veolia and Waikato District Council. Pricing details are withheld due to separate commercial agreements with these customers.

Section 1.0:
Compliance support information – clause 22 (1)

This section demonstrates how Watercare has adhered to all the relevant sections of the Charter in calculating its AAR and IGC revenue forecast for the financial year 2027)

Compliance with clause 22: Reports on price-quality path: forecast stage

Clause 22 (1) Watercare must prepare a report on the following matters for each of the 2026–28 financial years:

- *22 (1) (a) how Watercare has complied with clause 14 in its forecast revenue from prices for that year.*
- *22 (1) (b) how Watercare has complied with clause 17 in its forecast average increase in IGCs for that year.*
- *22 (1) (c) how Watercare is rebalancing its forecast revenue for that year - away from charges for water services provided and towards IGCs.*

1.1 Compliance with clause 14

Clause 14 of the Charter relates to MAR & AAR. Watercare's compliance to each of the subclauses is explained below:

- *14 (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.*
- *14 (3) 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*
- *14 (3) maximum allowable revenue 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.*
- *Revenue from prices means:*
  (i) revenue from prices that Watercare charges consumers
  (ii) revenue that Watercare forgoes due to leak-remission credits

  Does not include:
  (i) revenue from IGCs
  (ii) other revenue.

Under clauses 14(2) and 14(3), together with the Schedule of the Charter, Watercare's actual allowable revenue for FY27 comprises:

- MAR27 and;
- Wash-up revenue from the 2026 financial year (WD27)

Watercare's forecast revenue from prices for FY27 is $919.2 million, which is consistent with MAR27 as shown in Table 3 below. This forecast has been developed by applying a 7.2% increase to published 2026 prices and applying those prices to forecast 2027 volumes.

In accordance with Part 3 of the Schedule to the Charter, the wash-up for FY26 (WD27) is calculated as the difference between MAR26 and REe26, being the estimate of revenue earned for the 2026 financial year as determined by Watercare in the second half of that year. As shown in Table 2 below, MAR26 of $845.1m less estimated revenue (REe26) of $805.4m results in a variance of $39.7m. After applying a time value of money (TVM) adjustment of $1.9m, the resulting wash-up (WD27) is $41.6m. When combined with MAR27, this would result in an Actual Allowable Revenue (AAR27) of $960.8m.

Table 2: Actual Allowable Revenue 27 and Wash-up from 2026 financial year

Forecast Revenue from Prices	Forecast Revenue from prices ($ million)
1. MAR27 (Tables 3 and 5)	$919.2
2. **Add: WD27 (Wash-up for financial year 2026 as follows)**	$41.6
3. **AAR27 (1+2)**	$960.8
WD27 (Wash-up calculation)	
MAR26	$845.1
Less: REe26 (Forecast revenue from prices estimated in the second half of 2026 financial year)	($805.4)
MAR26 less REe26	$39.7
Add: Time Value of Money (TVM)	$1.9
WD27 (Estimated 2026 financial year Wash-up calculated as per the Charter Schedule)	**$41.6**
Less: Updated forecast revenue based on May year to date actuals	($13.0)
Less: Amendment to TVM	($0.6)
Updated WD27	**$28.0**

On management's recommendation, the Watercare Board agreed to forgo recovery of the $41.6 million wash-up in setting FY2027 prices. This decision followed an assessment against agreed enduring principles, with financial sustainability as the primary consideration. Modelling indicates that the risk adjusted FFO/Debt ratio, excluding the wash-up, is forecasted to remain above the policy minimum of 10%.

Updated forecast revenue and usage based on May year to date actuals indicate that REe26 is now estimated at $818.4m, compared to the $805.4m reflected above. The final FY26 revenue will be confirmed in the price-quality path earned report as required under clause 23 of the Charter.

For FY27, prices have been set at the Maximum Allowable Revenue (MAR) specified in clause 14(3) of the Charter. With this being lower than Actual Allowable Revenue Watercare has set prices to comply with the relevant requirements of the Charter.

Table 3 below is a summary of forecast MAR revenue for FY27 and details of the calculations are in Section 2 of this report.

Table 3: Summary of forecast revenue from prices for financial year 2027

Forecast Revenue from Prices	Forecast Revenue from prices ($ million)
Forecast revenue from water (forecast prices x forecast quantity)	$288.0
Forecast revenue from wastewater (forecast prices x forecast quantity)	$459.7
Forecast fixed wastewater charge revenue (forecast prices x forecast quantity)	$171.5
Total water and wastewater revenue from prices	$919.2
Maximum Allowable Revenue[1.]	**$ 919.2**

[1.] In the FY2027 Price Quality Path Report, account estimation credits have been excluded, as they represent timing adjustments between estimated and actual billing and do not affect the underlying calculation of MAR. In the FY2026 Price Quality Path Report, forecast volumetric revenue from water and wastewater was initially grossed up to include estimation credits, and then subsequently subtracted resulting in no impact on total MAR.

1.2 Compliance with clause 17

Clause 17 of the Charter relates to minimum IGC rate increase. Watercare's compliance to each of the subclauses is explained below:

- *17 (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).*
- *17 (2) The minimum allowable rate of increase is, for the 2026 financial year, 15.5%: (b) for the 2027 financial year, 20.0%: (c) for the 2028 financial year, 11.2%.*

Watercare's IGC revenue forecast for FY27 is $260.3 million. This revenue forecast is derived by using forecast units of demand and pricing by geographic area and is compliant with Clause 17 (3) and (4) of the Charter.

2027 IGC prices are derived by increasing the FY26 rates by the minimum price increase of 20.0% as illustrated in Table 4.

Volumes of DUE (development unit equivalent) are calculated using Auckland Council consent data for new developments. IGC pricing geographic areas remain unchanged for FY27 from FY26. With a consistent price increase of 20.0% per pricing area, the weighted average increase is 20.0%.

Table 4 shows the published prices and % increase for the 2026 and 2027 financial years. Details of the IGC revenue forecast calculation are in the Section 2 of this report.

Table 4: FY26 and FY27 prices

IGC Zone	FY26 - Published Prices	FY27 - Published Prices	Increase %
Metropolitan	$21,267	$25,520	20.0%
Veolia [1]	[redacted]	[redacted]	[redacted]
Northeast sub-regional	$31,565	$37,878	20.0%
Southwest sub-regional	$34,146	$40,975	20.0%
Helensville	$40,234	$48,281	20.0%
Wellsford	$33,829	$40,595	20.0%
Beachlands & Maraetai [2]	$14,367	$17,240	20.0%
Kawakawa Bay [2]	$50,319	$60,383	20.0%
Omaha, Matakana & Point Wells [2]	$13,942	$16,730	20.0%
Waiheke (Owhanake) [2]	$46,179	$55,415	20.0%
Weighted Average Price	**$21,506**	**$25,809**	20.0%
Charter Requirement			**≥20.0%**

Notes:
[1] Veolia is redacted.
[2] Wastewater only

1.3 Rebalancing forecast revenue

Clause 22 (1) Watercare must prepare a report on the following matters for each of the 2026–28 financial years:

- *22 (1) (c) how Watercare is rebalancing its forecast revenue for that year- away from charges for water services provided; and towards IGCs.*

The higher unit price increase for IGCs (20.0%) versus revenue from prices (7.2%) supports a rebalancing of revenue, however the Watercare Pricing Review plan submitted to the Crown monitor in September 2025 and published on our website in March 2026, outlines the additional work that is being undertaken to rebalance revenue so that growth pays for growth. In our published report Watercare highlighted that IGCs cannot be reviewed in isolation and a broader review of Watercare's cost recovery and charging framework is required to avoid sub-optimal outcomes and ensure we address key inter-relationships between IGCs and water and wastewater pricing. Our report also highlighted that the Government has made a number of decisions aimed at improving infrastructure funding and financing tools to help get more housing built. This includes the replacement of development contributions with a development levy system. These policies are still being finalised and as a result Watercare has chosen to delay broader changes to IGC settings until the future of development levies and their underlying policies and methodologies can be given due consideration.

Section 2.0:
Calculations – clauses 22(2), 22(3) and 22(5)

This section shows the detailed calculations of Watercare's forecast revenue from pricing and IGC revenues, including the forecast volumes and units of demand. This section addresses the reporting requirements as per the Clause 22 (2) (a), (b), (c) and (d) and Clause 22 (3) and (5)

2.1 Details of the MAR calculation for FY27, clause 22(2)(a)(i)

Clause 22 (2) Without limiting subclause (1)(a), the report must include:

- *(i) Watercare's calculations under the **Schedule***
- *(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.*

As illustrated in Table 5, Watercare has calculated its revenue forecast by increasing the 2026 prices by 7.2% and multiplying this by the forecasted 2027 volumes.

FY26 forecast revenue (referred to as the Q2 forecast and REe26 in the Charter) comprises actual revenue for the first half of the year (1 July 2025 to 31 December 2025) and forecast revenue for the second half (1 January 2026 to 30 June 2026).

Table 5: FY27 water services revenue with 7.2% price increase over FY26 published prices

Main revenue source	Customer	Revenue subcategory	FY26 Published Price	FY26 Q2 Forecast Volume	FY26 Q2 Projected Revenue ($million)	FY27 Forecast Price (FY26 + 7.2%) [2]	FY27 Forecast Volume	FY27 Forecast Revenue ($million)
Water	Residential	Retail	$1.997	121.3 GL	$240.0	$2.14	129.6 GL	$277.5
		Tanker	$5.349	0.3 GL	$1.9	$5.73	0.3 GL	$1.9
	Wholesale	Wholesale [1]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Vol WW	Residential	Residential	$3.473	69.0 GL	$238.8	$3.72	74.9 GL	$278.9
	Commercial	Low	$6.496	8.4 GL	$52.2	$6.97	8.2 GL	$57.4
		Moderate	$6.164	7.6 GL	$44.8	$6.61	7.5 GL	$49.3
		High	$5.231	6.5 GL	$32.5	$5.61	6.4 GL	$35.9
		Industrial	$4.063	2.9 GL	$10.9	$4.36	3.2 GL	$13.9
	Wholesale	Wholesale [1]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Fixed WW	Residential	Residential	$289	449,172	$129.3	$309.48	458,656	$142.1
		Unmetered	$887	9,313	$8.4	$951.75	9,666	$9.2
	Commercial	Low	$289	30,628	$8.4	$309.48	30,833	$9.6
		Moderate	$725	3,165	$2.2	$776.85	3,186	$2.5
		High	$10,255	420	$4.1	$10,993.20	420	$4.6
		Industrial	$110,040	26	$2.7	$117,962.96	29	$3.4
	Wholesale	Wholesale [1]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Water Services Revenue Forecast					**$805.4**			**$919.2**

Notes:

[1] Wholesale includes Veolia and Waikato District Council wholesale agreements. Prices and volumes are redacted as these are governed by two separate commercial agreements.

2. From FY2027, all water and wastewater prices are set and published to two decimal places, ensuring consistency across all tariffs.

Figures may not sum due to rounding, reflecting the scale and volume of underlying data.

2.2 Details of IGC revenue calculation for the financial year 2027, clause 22 (2)(a)(ii)

Forecast IGC revenue for FY27 has been calculated by applying a 20.0% price increase to 2026 rates by geographic area as per Table 4. Table 6 below includes the forecast units of demand and pricing by zone.

Volumes of DUEs (units of demand) are calculated using Auckland Council consent data for new developments and IGC pricing geographic areas remain unchanged for FY27.

IGC revenue is recognised on a cash basis (when payment is received). Watercare's revenue forecast of $260.3 million is after recognising the impact of a price lag of $11.3 million, which is due to IGC applications completed and billed in FY26 but not paid until FY27. Developers have three months to pay for the IGCs once full compliance is achieved and approved by Watercare.

Table 6: FY27 IGC revenue forecast pricing, forecast Development Unit Equivalent (DUEs) and IGC revenue

IGC Zone	FY26 - Published Prices			FY27 - Published Prices 20.0% Increase			FY27 Volume and Revenue	
	Water	WW	Water & WW	Water	WW	Water & WW	Qty	Revenue ($million)
Metropolitan [1]	$10,633	$10,633	$21,267	$12,760	$12,760	$25,520	10,314	$262.7
Northeast sub-regional	$10,100	$21,463	$31,565	$12,121	$25,757	$37,878	106	$4.0
Southwest sub-regional	$10,586	$23,562	$34,146	$12,702	$28,273	$40,975	29	$1.2
Helensville	$20,117	$20,117	$40,234	$24,140	$24,140	$48,281	39	$1.9
Wellsford	$14,545	$19,282	$33,829	$17,456	$23,139	$40,595	2	$0.1
Beachlands & Maraetai [2]	-	$14,367	$14,367	-	$17,240	$17,240	21	$0.7
Kawakawa Bay [2]	-	$50,319	$50,319	-	$60,383	$60,383	6	$0.7
Omaha, Matakana & Point Wells [2]	-	$13,942	$13,942	-	$16,730	$16,730	9	$0.3
Waiheke (Owhanake) [2]	-	$46,179	$46,179	-	$55,415	$55,415	-	-
Total Gross IGC Revenue							10,524	$271.6
Price lag Impact								**($11.3)**
Realised Revenue forecast (on a cash receipt basis)								**$260.3**

Notes:

1. The Metropolitan quantity and total figures include Veolia & WDC. Their pricing information is available on their website.

2. Wastewater-only group.

2.2 Average combined water supply and wastewater services bill calculation and increase in financial year 2027 compared to financial year 2026, clauses 22 (2) (b), (c), (d) and 22 (5)

Clauses 22 (2) (b), (c), (d) and 22 (5) relate to forecast average bill calculation for revenue from prices and requires Watercare to compare the average bill with the prior financial year and explain any variances. The 7.2% increase applies to Watercare's water and wastewater prices. The average bill calculation also reflects forecast water use across Auckland, so the average bill movement may vary.

Clause 22 (2) Without limiting subclause (1)(a), the report must:

- *(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:*

  a 7.2% increase for the 2026 financial year:

  a 7.2% increase for the 2027 financial year:

  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.*
- *(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.*

Watercare has complied with the Charter report requirements of Clauses 22 (2) (b), (c), (d) and 22 (5) as explained in the paragraphs below. Note 22(d) includes reference to IGC but refers to clause 22 (c) which relates to revenue from prices increase. Watercare has interpreted the intent of clause 22 (d) to only apply to revenue from prices.

Clause 22 (2) (b) compliance:

To calculate the average bill, the revenue from wholesale, tanker, and unmetered wastewater connections is excluded from total revenue from prices. A price lag also arises as July bills which include June usage are billed at prior year unit prices. The value of this for FY26 was $11.1m, but has not been included in the FY27 forecast.

These timing effects are illustrated in Table 7.

Table 7: Revenue from prices used in the average bill calculation

$ millions	FY26	FY27
Water Services Revenue Forecast	$805.4	$919.2
Price Lag	$11.1	
Revenue from prices	$816.5	$919.2
Less: Revenue from wholesale, tanker and unmetered connections	$39.4	$44.1
Revenue from prices used in the average bill calculation	$777.1	$875.1

As shown in Table 8, Watercare has calculated the average combined water supply and wastewater services bill for FY27 in accordance with Clauses 22(2)(b) and 22(5) and compared this with the FY26 average bill calculation.

Table 8: Forecast average bill (FY27 vs FY26 forecast)

	FY26 Q2 Forecast	FY26 Updated Forecast	FY27 Forecast	%
Revenue from prices as shown in Table 7 ($ millions)	$777.1	$790.1	$875.1	
Average Billed Monthly Connections[1] (ABMC)	483,411	483,411	493,123	
Average water and wastewater bill $ per ABMC	$1,608	$1,634	$1,775	8.6%

Note: 1. Connection number data in the published FY26 Price Quality Path report excluded a number of our smart meter fleet. Both FY26 Q2 and FY27 forecasts above include these connections for consistency.

Clause 22 (2) (c) and (d) compliance (analysis of average combined water supply and wastewater services bill)

The average bill is forecasted to increase from $1,608 in FY26 ($1,634 amended forecast) to $1,775 in FY27, representing a 8.6% increase.

The key drivers are:

- Price increase: 7.2% (+$117 per connection) (refer Table 10)
- Volume and customer mix impacts: 1.4% (+$24 per connection)
  FY26 was a relatively wet year, it is possible customer usage will increase in FY27 with drier conditions forecast.

Table 9: Increase in Volumetric consumption in FY27

Water usage	FY26 Q2 Forecast	FY26 Updated Forecast	FY27	%
Water and wastewater volume (as per FY26 and FY27 Forecasts in Table 4)	215.7 GL	220.4GL	229.8 GL	
Average Billed Monthly Connections (ABMC)	483,411	483,411	493,123	
Volumetric **usage** per ABMC per year	446.1 KL	455.9KL	466.1 KL	2.2%

Note: Figures may not sum due to rounding, reflecting the scale and volume of underlying data.

Table 10: Impact of change on the average bill

All values are per ABMC per year	Value	%
FY26 Average Bill per ABMC (updated forecast)	**$1,634**	
Volumetric Price increase	$94	
Fixed Price increase	$23	
FY27 Average Bill and increase before volume impact	**$1,751**	**7.2%**
Customer Mix – Commercial vs Retail	($6)	
Bill increase due to higher Volume – wet to drier year	$30	
FY27 Average Bill per ABMC	**$1,775**	**8.6%**

Section 3.0:
Demonstrably reasonable – clause 31

Clause 31 of the Charter requires that all Watercare forecasts are demonstrably reasonable. This section outlines the key assumptions underlying the revenue forecast, which are founded on trends in actuals

Clause 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.*

To evidence that forecasts and estimates are demonstrably reasonable, Watercare has outlined the underlying assumptions and trends. Section 3 outlines the assumptions, with detailed data and trends provided in the appendices.

3.1: Revenue from prices

Watercare's revenue from prices forecast is based on a volume x price calculation. Volumes are based on a number of key assumptions which are updated to reflect recent trends and are the key focus in this section. Definitions of key inputs/assumptions used in calculating revenue from prices are provided in the table below.

Table 11: Summary of key volume and price assumptions, aligned with Appendix 1.

	Inputs used	Vol	Input description
Volume related assumptions	Total BSP Supply	167.2GL	Based on April production plan as per Watercare's volume forecast process – reflects water supply volume available to bulk supply points before deductions for wholesale customers, tanker supply, operational usage and retail losses. The production plan includes assumption on items such as population, weather, and water efficiency plan impacts.
	Net retail water	129.6GL	Total BSP Supply less wholesale customers, tanker supply, Mangere Wastewater Treatment plant operational usage and retail losses. This forms the basis of forecasted volumes billed to customers.
	Retail wastewater	100.2GL	Wastewater billed is 77.3% of water billed – this ratio represents rolling 12 months to end May 2025.
	Wholesale water volume	10.2GL	Wholesale includes water supplied to WDC and Veolia under two separate contracts. FY27 volume forecast to WDC includes an increase of 2.4% (for population growth as per WDC LTP) over the latest FY26 forecast. FY27 volume forecast to Veolia is based on FY26 YTD share of metro water production applied to FY27 volumes (as per April production plan).
	Wholesale wastewater	10.9GL	WDC wastewater volume higher than water volume, as WDC have additional water sources Veolia wastewater volume = same as FY27 water volume assumptions above
	Retail losses	26.7GL (17.08%)	Water losses on retail network volumes that Watercare cannot bill. This is 17.08% and is based on rolling 12 months to June 2025. This reflects leaks, theft and other minor operational usage such as flushing.
	Mangere WWTP	0.4GL	Water use at the Mangere Wastewater Treatment Plant as part of treatment process equates to 0.44% of net retail water volume.
	Tanker volume	0.3GL	This is based on rolling 12 months of actuals and is 0.25% of net retail water volume.
	Average Billed Monthly Connections	493,123	Average water meters connected to the Watercare retail network that are billed for fixed wastewater charges. FY27 forecast is based on FY26 forecast (average rolling 12 month) and forecast new connections to June 2027.
	Commercial user type		The activity occurring at the property includes operating a business. Commercial customers have a tiered fixed and volumetric pricing structure aligned with their annual usage. Low usage rates apply up to 1,309KL, moderate users 1,309KL to 10,195KL, high users 10,195 to 85,701 and Industry plans 85,701kL or more. Historic average volumes for each category have been applied in determining Watercare's revenue from prices.
	IGC		FY27 IGC revenue forecast volumes are based on actual and forecast building consent data from Auckland Council.
Price related assumptions	Water		Annual price increase of 7.2% as per Charter.
	Wastewater		Annual price increase of 7.2% as per Charter.
	IGC		Aligns to Charter minimum of 20.0%.

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As per Table 12 in the Appendix, forecast volumes for water and wastewater for FY27 start with the production volume forecasts completed in April 2026 as part of the standard quarterly production planning cycle. This is reflected as total BSP supply included in the appendix.

Wholesale volumes, tanker supply volumes and Mangere Wastewater Treatment Plant volumes are deducted from the total BSP supply value in order to derive the gross retail supply. Retail losses (between bulk supply points and customer connections) are then deducted to arrive at the net retail water volume, which forms the basis of consumption volumes billed to customers.

FY27 forecast volumes of wastewater are estimated at 77.3% of water volume, in line with recent billed wastewater percentages. This is applied to the net retail water volume to derive the wastewater volumes.

3.2: IGC revenues

FY27 IGC revenue forecast volumes are based on actual and forecast building consent data from Auckland Council which is included in appendix 2.

Each DUE is forecast based on location and floor area (in line with Watercare's IGC charging policy) to provide the most accurate forecast of both IGC price and volume (DUE).

APPROVALS

Management approvals

Prepared by:

Angela Neeson – Chief Financial Officer

[redacted]

Approved by:

Jamie Sinclair – Chief Executive Officer

[redacted]

Board approvals

Approved by the board on 23 June 2026

Statutory declaration

I, Geoffrey Stewart Hunt, Director and Chair of the Watercare Services Limited board, of Takapuna, Auckland, solemnly and sincerely declare:

1. That the following information in this report is true and accurate:
   - all historical information disclosed in this report under clauses 20 to 30; and
   - all historical information from which that disclosed information is derived; and
2. That all forecasts and estimates in this report are demonstrably reasonable.

I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

[redacted]

Geoff Hunt

Declared at Auckland, 30 June 2026

Before me:

[redacted]

Name of official witness:

Barrister and Solicitor of the High Court New Zealand

Appendices

1. Revenue from prices key assumption data

Annual volume comparison Water / Wastewater

Table below illustrates the movements in volumes between FY26 Q2 forecast and FY27, a drier weather year has been assumed.

Table 12: Annual volume comparison

Water Volume			
	FY26 Q2 Forecast	FY26 Q2 Updated Forecast	FY27 MAR
Total BSP Supply - (A)	**155.9 GL**	**158.4 GL**	**167.2 GL**
Veolia	8.6 GL	8.6 GL	9.1 GL
WDC	1.1 GL	1.1 GL	1.1 GL
Total Wholesale - (B)	**9.6 GL**	**9.6 GL**	**10.2 GL**
Tanker Supply	0.3 GL	0.3 GL	0.3 GL
Mangere WWTP	0.3 GL	0.3 GL	0.4 GL
Non-Retail Water - (C)	**0.6 GL**	**0.6 GL**	**0.7 GL**
Gross Retail Supply	145.7 GL	148.2 GL	156.3 GL
Retail Losses - (D)	**24.4 GL**	**24.3 GL**	**26.7 GL**
Net Retail Water (A-B-C-D)	**121.3 GL**	**124.0 GL**	**129.6 GL**

Wastewater Volume			
	FY26 Q2 Forecast	FY26 Q2 Updated Forecast	FY27 MAR
Residential	69.0 GL	70.5 GL	74.9 GL
Low	8.4 GL	8.6 GL	8.2 GL
Moderate	7.6 GL	7.8 GL	7.5 GL
High	6.5 GL	6.6 GL	6.4 GL
Industrial	2.9 GL	3.0 GL	3.2 GL
Total Retail WW Vol	**94.4 GL**	**96.5 GL**	**100.2 GL**
WA / WW %	*77.8%*	*77.8%*	*77.3%*
Veolia	8.6 GL	8.6 GL	9.1 GL
WDC	1.8 GL	1.8 GL	1.8 GL
Total Wholesale	**10.3 GL**	**10.3 GL**	**10.9 GL**
Total Retail WA / WW Volume	**215.7 GL**	**220.4 GL**	**229.8 GL**
Average Billed Monthly Connections (ABMC)	**483,411**	**483,411**	**493,123**
Volumetric Usage Per ABMC (KL)	**446.1**	**455.9**	**466.1**

Note: Figures may not sum due to rounding, reflecting the scale and volume of underlying data.

Retail water loss percentage

Retail losses are the water losses that occur between bulk supply points and customer connections on the retail network that Watercare cannot bill. This is currently 17.08% based on rolling 12 months data to June 2025. This reflects leaks, theft and other minor operational usage such as flushing, and is constantly monitored as part of network performance. January data is used as we allow three months to ensure a high proportion of actual read data is used in the calculation.

Table 13: Historic retail water loss percentage

Month	Gross Retail Supply	Retail Revenue Water	Retail Loss %
Jul-24	149.65	123.20	17.67%
Aug-24	149.62	123.28	17.60%
Sept-24	149.59	123.43	17.49%
Oct-24	149.48	123.65	17.28%
Nov-24	149.47	123.44	17.41%
Dec-24	149.15	123.11	17.46%
Jan-25	148.58	122.76	17.37%
Feb-25	147.60	123.29	16.47%
Mar-25	147.68	123.12	16.63%
Apr-25	147.07	122.68	16.58%
May-25	146.52	121.98	16.75%
Jun-25	146.08	121.14	17.08%

As outlined, there are many complex assumptions prior to determining forecast retail losses which together with challenges in meter reading at both a bulk and retail level drives variation in the retail loss percent, making it difficult to predict. From a sensitivity perspective 0.1% equates to ~$0.8million in revenue, 1% is ~$7.8million in revenue which at 0.8% of MAR is within tolerance.

Wastewater percentage

Wastewater revenue is billed as a percentage of water meter volumes, the standard rate being 78.5%. This can vary month to month due to consumption by those customers who only have a water connection for example irrigation customers and our 12-month rolling average rate is currently tracking at 77.3%.

Table 14: Historic wastewater percentage

Rolling 12 Month WW Percentage			
Month	Recognised Water GL	Recognised WW GL	Average Ratio
Jul-24	124.18GL	95.62GL	77.0%
Aug-24	124.15GL	95.53GL	76.9%
Sept-24	125.07GL	96.56GL	77.2%
Oct-24	126.13GL	97.25GL	77.1%
Nov-24	125.91GL	97.17GL	77.2%
Dec-24	125.97GL	97.73GL	77.6%
Jan-25	125.85GL	97.35GL	77.4%
Feb-25	126.30GL	97.39GL	77.1%
Mar-25	126.50GL	97.97GL	77.4%
Apr-25	125.66GL	97.37GL	77.5%
May-25	125.24GL	97.12GL	77.5%
Jun-25	124.45GL	96.64GL	77.7%
Average WW % for last 12 months			**77.3%**

Similar to the retail water loss % this ratio can fluctuate. 0.1% equates to ~$0.6million in revenue, 1% is ~$5.6million in revenue which at 0.6% of MAR is within tolerance. Any variance in actuals to this forecast will from part of the FY27 wash-up in FY28.

12-month average billed monthly connections.

The average billed monthly connections data reflects the average connection information from our billing system for FY26. The FY27 data is based on FY26 data plus expected additional connections. Connection number data in the published FY26 Price Quality Path report excluded a number of our smart meter fleet which have subsequently been added. The FY26 comparative connection data below now includes these.

Table 15: Average billed monthly connections

Average Metered Connections	FY26	FY27
Residential	449,172	458,656
Low	30,628	30,833
Moderate	3,165	3,186
High	420	420
Industrial	26	29
Total Average Metered Connections	**483,411**	**493,123**
Additonal Connections		9,712

Note: Figures may not sum due to rounding, reflecting the scale and volume of underlying data.

2. IGC key assumptions data – FY27

Council provided consent data is used to derive the number of developer unit equivalent (DUE) connections. This is provided by zone and the appropriate IGC is then applied.

Table 16: Forecasted DUE connections for IGC revenue forecast

Forecast DUE FY27	
Zone	**FY27**
Metropolitan	10313.5
Northeast sub-regional	106.2
Southwest sub-regional	29.2
Helensville and Parakai	38.5
Wellsford	1.5
Beachlands & Maraetai	21.1
Kawakawa Bay	5.6
Omaha, Matakana & Point Wells	8.6
Total Full (WA & WW)	**10524.2**

Forecast Full Price Revenue ($m) FY27	
Zone	**FY27**
Metropolitan	$262.7
Northeast sub-regional	$4.0
Southwest sub-regional	$1.2
Helensville and Parakai	$1.9
Wellsford	$0.1
Beachlands & Maraetai	$0.7
Kawakawa Bay	$0.7
Omaha, Matakana & Point Wells	$0.3
Total Full (WA & WW)	**$271.6**

Forecast Realised Price Revenue ($m) FY27	
Zone	**FY27**
Metropolitan	$251.8
Northeast sub-regional	$3.9
Southwest sub-regional	$1.1
Helensville and Parakai	$1.8
Wellsford	$0.1
Beachlands & Maraetai	$0.7
Kawakawa Bay	$0.6
Omaha, Matakana & Point Wells	$0.3
Total Full (WA & WW)	**$260.3**

Forecast Price Lag Impact ($m) FY27	
Zone	**FY27**
Metropolitan	($10.92m)
Northeast sub-regional	($0.16m)
Southwest sub-regional	($0.05m)
Helensville and Parakai	($0.07m)
Wellsford	($0.00m)
Beachlands & Maraetai	($0.03m)
Kawakawa Bay	($0.03m)
Omaha, Matakana & Point Wells	($0.01m)
Total Full (WA & WW)	**($11.27m)**

The Metropolitan quantity and total figures include Veolia. Their pricing information is available on their website.

3. Version control

Version no:	1.0
Status:	Ready for Board approval
Owner:	Angela Neeson
Revision history:	n/a
Publication date	by 30 June before the start of the financial year

4. Glossary

AAR	Actual allowable revenue: MAR plus any wash-up from previous financial years as defined in the schedule of the Charter. This is only applicable for the 2027 and 2028 financial years.
ABMC	Average billed monthly connection value: Connection numbers utilised to drive and fixed wastewater charges.
BSP	Bulk supply point.
Charter	Refers to Local Government (Water Services Preliminary Arrangements) (Watercare Charter) Order 2025.
CMC	Consumption per metered connection.
DUE	Development unit equivalent. It is a unit of volume measurement used to calculate and allocate infrastructure growth charges.
Fixed WW	Fixed wastewater charges applied per connection.
FY26	Watercare financial year (1 July 25 to 30 June 26).
FY26 Q2 Forecast (REe26)	Watercare forecast for FY26 (Actuals to Dec 2025 + forecast to June 26) completed in Feb 2026. YTG to June 2026 in the Q2 forecast is based on the production snapshot in Nov 2025
FY27	Watercare financial year (1 July 26 to 30 June 27).
GL	Giga litres (1 billion litres).
IGC	Infrastructure growth charges: fees levied to fund the capital investment in bulk infrastructure.
IGC pricing group	Categorisation of areas for IGC pricing, e.g. metropolitan, northeast sub-regional, etc.
KL	Kilolitre (1000 litres).
LTP	Long term plan.
ML	Mega litres (1 thousand litres).
MAR	Maximum allowable revenue: the revenue cap set for revenue from prices under clause 14 of the Charter.
Retail losses	Water produced but not billed. This can be due to leaks, bursts, illegal connections, metering inaccuracies, firefighting, mains flushing or other operational purposes.
Revenue from prices	Revenue from prices that Watercare charge consumers including revenue that Watercare foregoes due to leak remission credits. Excludes revenue from IGCs and other revenue.
Vol WW	Volumetric wastewater charges based on usage.
WDC	Waikato District Council.
WSL	Watercare Services Limited.
WW	Wastewater.
WWTP	Wastewater Treatment Plant