

Reference: 20220461

13 February 2023

Dear [REDACTED]

Thank you for your Official Information Act request, received on 28 October 2022. You requested the following:

Could you please send me the following:

- 1. All feedback provided by the Treasury to the DIA on Stages 1, 2 and 3 of the Three Waters Review*
- 2. All feedback provided by the Treasury to the DIA on the drafting of the Three Waters Services Entities Bill*
- 3. Confirmation of Treasury's attendance (or not) of Infrastructure New Zealand's delegation to Scotland in March 2017. I would like to know who attended.*
- 4. All documentation of communications between Treasury and Standard and Poors on any aspect of Three Waters Reform (including the drafting of the Water Services Entities Bill), Resource Management Reform and Local Government Reform. Timeframe limited to November 2018 to present.*
- 5. All documentation of communication between Treasury and Westpac Bank or Westpac Group on any aspect of Three Waters Reform (including the drafting of the Water Services Entities Bill), Resource Management Reform and Local Government Reform. Timeframe limited to November 2018 to present.*

The request includes all attachments to emails. It also includes the details of all meetings and any notes taken at those meetings.

On 14 November 2022 I contacted you to seek clarification of part 1 of the request given its broad scope. In the absence of further clarification from you, on 24 November I refused part 1 of the request under section 18(f) of the OIA as substantial manual collation would be required to provide the information requested.

I also refused parts 4 and 5 of the request in respect of in respect of Resource Management Reform and Local Government Reform under section 18(e) of the OIA – *the document alleged to contain the information requested does not exist or cannot be found*, as the Treasury does not hold any information within scope of these parts of the request.

The time to respond was extended by 40 working days due to time needed for consultation.

Information being released

Please find enclosed the following documents:

Item	Document Description	Decision
1.	Email_3.11.2021_Draft Water Services Entities Bill and LEG paper - for agency consultation	Release in full (except phone numbers)
2.	Email_5.11.21_Draft Water Services Entities Bill and LEG paper - for agency consultation	Release in part
3.	Email_10.11.2021_Three Waters - draft bill and policy changes	Release in part
4.	Email_11.11.21_Draft Water Services Entities Bill and LEG paper - for agency consultation	Release in part
5.	Email_17.11.21_T20212874 - Treasury report on draft bill and leg paper	Release in full (except phone numbers)
6.	Treasury Report_T2021_2874_Three Waters Reform Programme _Draft Water Services Entities Bill and LEG paper	Release in part
7.	Email_26.11.21_Three waters CBC paper	Release in part
8.	Aide Memoire_T2021_2983_Three Waters Reform Programme – Water Services Entities Bill_ Approval for introduction at Cabinet Business Committee 29 November 2021	Release in full (except phone numbers)
9.	Email_2.12.21_Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper	Release in part
10.	Email_5.5.22 Email LG202200445 Legislative provision for reimbursement arrangements	Release in part
11.	Email_5.5.22_Treasury DIA loan discussion MERWNZ-MERWLIB.FID335749	Release in part
12.	Email_8.7.22_Progressing work on WSE financial and prudential framework and introducing Kristin Leslie	Release in part
13.	Email_19.7.22_LG202200619 Briefing for feedback possible to receive comments by close of business Monday	Release in part
14.	Email_23.8.22_Entitlement to infringement fees Treasury views sought	Release in full (except phone numbers)

15.	Email_22.9.22_WSE bill 1 departmental report query - guarantees and pledges	Release in part
16.	Email 13.04.22 S&P Questions from their public sector analyst	Release in full (except phone numbers)
17.	Email_14.10.22_SPGConfidential WSE RES Feedback	Release in part
18.	Email_14.10.22_Re SPGConfidential WSE RES Feedback	Release in part
19.	Email_14.4.22_Email_Copied on DIA email to S&P to confirm aspects of RES feedback	Release in full
20.	Email_28.3.22_DIA three waters RES update	Release in full (except phone numbers)
21.	Email_1.4.22_Copied on DIA email to S&P on RES draft IM	Release in full (except phone numbers)
22.	Email_29.11.21_ Email from DIA re catchup up with S&P DIA and AC	Release in full (except phone numbers)
23.	Email_29.11.21_RE_RES letter discussion and other discussion	Release in full (except phone numbers)
24.	Email_13.10.22_Email_ Setting up call with S&P to confirm aspects of RES feedback	Release in part
25.	Email_19.9.22_Internal Treasury Email Summarising S&P call	Release in part
26.	Email_13.9.22_Email to Westpac seeking capital market views for WSEs with questions	Release in full (except phone numbers)
27.	Email_13.10.22_ Email to Westpac clarifying syndication appetite for WSEs	Release in full (except phone numbers)
28.	Email_10.11.22_Email to Westpac re offshore structures	Release in full (except phone numbers)
29.	Email_13.10.22_Email from Westpac clarifying syndication appetite for WSEs	Release in part
30.	Email_12.9.22_Email to Westpac seeking first meeting	Release in full (except phone numbers)
31.	Email_20.9.22_Email to Westpac post initial meeting re Capital Markets	Release in full (except phone numbers)
32.	Email_13.10.22_ Email from Westpac advising that S&P had published notes on 3W	Release in full
33.	Email_13.10.22_ Email from Westpac advising that S&P had published notes on 3W (2)	Release in full

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- confidential legal advice, under section 9(2)(h) – to maintain legal professional privilege,
- contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment, and
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

In relation to item 3 of your request, Rob Addison attended Infrastructure New Zealand's delegation to Scotland in March 2017.

Information to be withheld

There are additional documents covered by your request that I have decided to withhold in full under the following section of the Official Information Act, as applicable:


- legal advice under section 9(2)(h) – to maintain legal professional privilege,

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely



David Taylor
Manager, National Infrastructure Unit (NIU)

OIA 20220461

Information for release

1.	Email 3.11.2021 Draft Water Services Entities Bill and LEG paper - for agency consultation	1
2.	Email 5.11.21 Draft Water Services Entities Bill and LEG paper - for agency consultation	3
3.	Email 10.11.2021 Three Waters - draft bill and policy changes	5
4.	Email 11.11.21 Draft Water Services Entities Bill and LEG paper - for agency consultation	7
5.	Email 17.11.21 T20212874 - Treasury report on draft bill and leg paper	10
6.	Treasury Report T2021 2874 Three Waters Reform Programme Draft Water Services Entities Bill and LEG paper	13
7.	Email 26.11.21 Three waters CBC paper	20
8.	Aide Memoire T2021 2983 Three Waters Reform Programme – Water Services Entities Bill Approval for introduction at Cabinet Business Committee 29 November 2021	25
9.	Email 2.12.21 Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper	29
10.	Email 5.5.22 Email LG202200445 Legislative provision for reimbursement arrangements	32
11.	Email 5.5.22 Treasury DIA loan discussion MERWENZ-MERWLIB.FID335749	33
12.	Email 8.7.22 Progressing work on WSE financial and prudential framework and introducing Kristin Leslie	39
13.	Email 19.7.22 LG202200619 Briefing for feedback possible to receive comments by close of business Monday	42
14.	Email 23.8.22 Entitlement to infringement fees Treasury views sought	44
15.	Email 22.9.22 WSE bill 1 departmental report query - guarantees and pledges	48
16.	Email 13.04.22 S&P Questions from their public sector analyst	50
17.	Email 14.10.22 SPGConfidential WSE RES Feedback	53
18.	Email 14.10.22 Re SPGConfidential WSE RES Feedback	57
19.	Email 14.4.22 Email Copied on DIA email to S&P to confirm aspects of RES feedback	61
20.	Email 28.3.22 DIA three waters RES update	63
21.	Email 1.4.22 Copied on DIA email to S&P on RES draft IM	70
22.	Email 29.11.21 Email from DIA re catchup up with S&P DIA and AC	91
23.	Email 29.11.21 RE RES letter discussion and other discussion	99
24.	Email 13.10.22 Email Setting up call with S&P to confirm aspects of RES feedback	101
25.	Email 19.9.22 Internal Treasury Email Summarising S&P call	104
26.	Email 13.9.22 Email to Westpac seeking capital market views for WSEs with questions	107

27.	Email 13.10.22 Email to Westpac clarifying syndication appetitie for WSEs	112
28.	Email 10.11.22 Email to Westpac re offshore structures	114
29.	Email 13.10.22 Email from Westpac clarifying syndication appetitie for WSEs	116
30.	Email 12.9.22 Email to Westpac seeking first meeting	120
31.	Email 20.9.22 Email to Westpac post initial meeting re Capital Markets	122
32.	Email 13.10.22 Email from Westpac advising that S&P had published notes on 3W	124
33.	Email 13.10.22 Email from Westpac advising that S&P had published notes on 3W	125

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Wednesday, 3 November 2021 4:27 pm
To: Morgan Dryburgh [TSY]
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Thanks Morgan – I'll leave it to you to forward this on to the relevant people (noting the confidential nature of the documents).

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Wednesday, 3 November 2021 3:48 PM
To: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi Jane, thanks for this – will provide you with some comments as requested. I note that Te Waihanga weren't included in yesterday's email. Given their role as the government's primary advisors on infrastructure (as well as the relevance of this work to a number of recommendations in Te Waihanga's draft 30 year infrastructure strategy) it would be useful to ensure that they are consulted on this.

Cheers,
Morgan

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Tuesday, 2 November 2021 4:32 PM
To: John McGrath <John.McGrath@health.govt.nz>; Suzanne McGifford <suzanne.mcgifford@health.govt.nz>; Anthony Richards [NEMA] <Anthony.Richards@nema.govt.nz>; Paul Kos <Paul.Kos@hud.govt.nz>; Saskia Patton <Saskia.Patton@hud.govt.nz>; Gina Chamberlain <gchamberlain@doc.govt.nz>; Andrea Millar <Andrea.Millar@CORRECTIONS.GOV.T.NZ>; Jessie Lea <Jessie.Lea@CORRECTIONS.GOV.T.NZ>; Harley O'Hagan <HARLEY.O'HAGAN@nzdf.mil.nz>; Adam Allington [NEMA] <Adam.Allington@nema.govt.nz>; Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>; Haliburton, Kathryn' <Kathryn.Haliburton@tearawhiti.govt.nz>; ^Transport: Greg Mossong <G.Mossong@transport.govt.nz>; 'Taimania Clark' <Taimania.Clark@mfe.govt.nz>; Chyi Sim <chyι.sim@mfe.govt.nz>; 'Grant, John' <John.Grant@tearawhiti.govt.nz>; ^MFE: Sue-Ellen Fenelon <sue-ellen.fenelon@mfe.govt.nz>; Emma Corbett <Emma.Corbett@mfe.govt.nz>; Darren Baars <Darren.Baars@nzta.govt.nz>; 'William Collin' <William.Collin@mfe.govt.nz>; 'Alison Newbald' <Alison.Newbald@mfe.govt.nz>; Craig Phillips <Craig.Phillips@ird.govt.nz>; Brian Mitchell <Brian.Mitchell@education.govt.nz>; Emma Dobson <Emma.Dobson@nzta.govt.nz>; 'Philip Stables' <Philip.Stables@publicservice.govt.nz>; 'Tikitu Tutua-Nathan' <natht@tpk.govt.nz>; 'josh.nachowitz@mfe.govt.nz' <josh.nachowitz@mfe.govt.nz>; 'Belinda McFadgen' <Belinda.McFadgen@mfe.govt.nz>; 'Charles Smith' <smitc@tpk.govt.nz>; Jo Gascoigne <Jo.Gascoigne@mfe.govt.nz>; 'Karis Rae-Mcgregor' <Karis.Rae-Mcgregor@mfe.govt.nz>; Amanda O'Brien <Amanda.O'Brien@mpi.govt.nz>; 'Anna Paterson' <Anna.Paterson@mbie.govt.nz>; 'Adan Suazo' <Adan.Suazo@mfe.govt.nz>; 'Katy Te Amo' <katy.teamo@taumataarowai.govt.nz>; 'Bill Bayfield' <bill.bayfield@taumataarowai.govt.nz>
Cc: Hayden Glass [DPMC] <Hayden.Glass@dpmc.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi

Attached, in confidence, are drafts of the Water Services Entities Bill and associated LEG paper. We are seeking headline comments by COB this Friday, 5 November. However, we can continue to receive and work through

detailed comments over a slightly longer timeframe, including through the Ministerial consultation process that is anticipated to begin next week.

Please note that the Bill is still in the process of being developed and finalised, and there are a number of matters that are still being worked on with/by PCO, and with our Minister. This includes some potential 'minor policy and drafting changes' to the governance framework, as indicated in the LEG paper. We are discussing these changes with the Minister and they have not yet been included in the Bill.

We are aiming for the Bill to be introduced before the Christmas recess, but the exact date for consideration by Cabinet Committee is still being determined. We'll let you know when details are confirmed.

Michael Petherick is leading the work on this Bill, so please copy him in if you provide any comments/questions.

Thanks

Jane

Jane Fleetwood | Lead Strategic Advisor | Three Waters Review
The Department of Internal Affairs Te Tari Taiwhenua
Extension 5564 | Direct Dial: s9(2)(k) |
45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Morgan Dryburgh [TSY]
Sent: Friday, 5 November 2021 5:29 pm
To: Jane Fleetwood; Michael Petherick
Cc: Michael Lonergan [TSY]; Mark Hodge [TSY]; Alistair Birchall [TSY]; Leilani Frew [TSY]
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi Jane,

Thanks for sending this through, particularly ahead of Ministerial consultation.

Below I've outlined our key comments on the provisions in the draft bill. In particular, we are highly interested in the governance arrangements and the potential changes noted in paras 27 and 28 of the LEG paper.

Governance arrangements

The LEG paper indicates that the Minister of Local Government is currently considering changes to the policy positions agreed by Cabinet including

- Making what has so far been called the ISP a subcommittee of the regional representative group (and changing the name to board appointment panel to reflect that it would no longer be independent)
- Making the board of water entities accountable to the regional representative group as opposed to the ISP/board appointment panel

How is DIA planning to test the likely credit rating impact of these changes? What is the relationship between these changes and any proposals the technical working group are likely to come up with? These changes move the governance arrangements far closer to the models tested with S+P that did not involve an ISP which were more likely to not achieve 'hard' balance sheet separation. Given the finely balanced nature of the credit rating work and the complexity of the governance arrangements, any small changes may sway S+P's view in a different direction. We are keen to ensure that Ministers are aware of any likely impacts of these changes when making any decisions on the governance arrangements.

The LEG paper also makes mention of s9(2)(h)

The number of board members also raised some concern for us, as a minimum of 6 and maximum of 10, across four entities, in addition to the regional representative groups (and other governance arrangements that are yet to be determined under other reforms like RM) will place a lot of pressure on governance capability in New Zealand. Could the minimum number of members be lowered to reduce the risk around not finding sufficient available capability to fill the boards?

Finally, in relation to governance, we would like to request consideration of including criteria relating to financial capabilities in the criteria for board appointments at 23(2), given the large investment/debt profile of the entities.

Government policy statement

We would like to ensure the provisions relating to the GPS do not reflect an expectation that there will always be a GPS, or that a GPS is required in order for the system to function properly, but rather that the provisions provide for a GPS to be developed in circumstances that are not adequately covered by existing mechanisms. s9(2)(h)

Crown intervention framework/Minister's powers

s9(2)(h)

s9(2)(h)

Morgan



**TE TAI ŌHANGA
THE TREASURY**

Morgan Dryburgh (she/her) | **Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury**

Tel: +s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>

Sent: Tuesday, 2 November 2021 4:32 PM

To: John McGrath <John.McGrath@health.govt.nz>; Suzanne McGifford <suzanne.mcgifford@health.govt.nz>; Anthony Richards [NEMA] <Anthony.Richards@nema.govt.nz>; Paul Kos <Paul.Kos@hud.govt.nz>; Saskia Patton <Saskia.Patton@hud.govt.nz>; Gina Chamberlain <gchamberlain@doc.govt.nz>; Andrea Millar <Andrea.Millar@CORRECTIONS.GOV.T.NZ>; Jessie Lea <Jessie.Lea@CORRECTIONS.GOV.T.NZ>; Harley O'Hagan <HARLEY.O'HAGAN@nzdf.mil.nz>; Adam Allington [NEMA] <Adam.Allington@nema.govt.nz>; Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>; Haliburton, Kathryn' <Kathryn.Haliburton@tearawhiti.govt.nz>; ^Transport: Greg Mossong <G.Mossong@transport.govt.nz>; 'Taimania Clark' <Taimania.Clark@mfe.govt.nz>; Chyi Sim <chyι.sim@mfe.govt.nz>; 'Grant, John' <John.Grant@tearawhiti.govt.nz>; ^MFE: Sue-Ellen Fenelon <sue-ellen.fenelon@mfe.govt.nz>; Emma Corbett <Emma.Corbett@mfe.govt.nz>; Darren Baars <Darren.Baars@nzta.govt.nz>; 'William Collin' <William.Collin@mfe.govt.nz>; 'Alison Newbald' <Alison.Newbald@mfe.govt.nz>; Craig Phillips <Craig.Phillips@ird.govt.nz>; Brian Mitchell <Brian.Mitchell@education.govt.nz>; Emma Dobson <Emma.Dobson@nzta.govt.nz>; 'Philip Stables' <Philip.Stables@publicservice.govt.nz>; 'Tikitu Tutua-Nathan' <natht@tpk.govt.nz>; 'josh.nachowitz@mfe.govt.nz' <josh.nachowitz@mfe.govt.nz>; 'Belinda McFadgen' <Belinda.McFadgen@mfe.govt.nz>; 'Charles Smith' <smitc@tpk.govt.nz>; Jo Gascoigne <Jo.Gascoigne@mfe.govt.nz>; 'Karis Rae-Mcgregor' <Karis.Rae-Mcgregor@mfe.govt.nz>; Amanda O'Brien <Amanda.O'Brien@mpi.govt.nz>; 'Anna Paterson' <Anna.Paterson@mbie.govt.nz>; 'Adan Suazo' <Adan.Suazo@mfe.govt.nz>; 'Katy Te Amo' <katy.teamo@taumataarowai.govt.nz>; 'Bill Bayfield' <bill.bayfield@taumataarowai.govt.nz>

Cc: Hayden Glass [DPMC] <Hayden.Glass@dpmc.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>

Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi

Attached, in confidence, are drafts of the Water Services Entities Bill and associated LEG paper. We are seeking headline comments by COB this Friday, 5 November. However, we can continue to receive and work through detailed comments over a slightly longer timeframe, including through the Ministerial consultation process that is anticipated to begin next week.

Please note that the Bill is still in the process of being developed and finalised, and there are a number of matters that are still being worked on with/by PCO, and with our Minister. This includes some potential 'minor policy and drafting changes' to the governance framework, as indicated in the LEG paper. We are discussing these changes with the Minister and they have not yet been included in the Bill.

We are aiming for the Bill to be introduced before the Christmas recess, but the exact date for consideration by Cabinet Committee is still being determined. We'll let you know when details are confirmed.

Michael Petherick is leading the work on this Bill, so please copy him in if you provide any comments/questions.

Thanks

Jane

Jane Fleetwood | Lead Strategic Advisor | Three Waters Review

The Department of Internal Affairs Te Tari Taiwhenua

Extension 5564 | Direct Dial: s9(2)(k) |

45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz

From: Michael Petherick <Michael.Petherick@dia.govt.nz>
Sent: Wednesday, 10 November 2021 2:58 pm
To: Morgan Dryburgh [TSY]; Michael Mills
Cc: ^DIA: Michael Chatterley; Jane Fleetwood
Subject: RE: Three Waters - draft bill and policy changes

Hi Morgan – thanks. I have your previous comments on the Bill to Jane and I, and was planning on making contact. Michael Mills or I will give you a call this afternoon.

Michael

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Wednesday, 10 November 2021 2:53 PM
To: Michael Petherick <Michael.Petherick@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>
Cc: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Subject: Three Waters - draft bill and policy changes

Kia ora Michaels,

We have received the report 'Draft Water Services Entities Bill and LEG paper – for feedback and Ministerial consultation' as well as the draft Cabinet paper and bill through our Minister's office for consultation, and I am in the process of preparing advice for our Minister on them.

s9(2)(h)

It would be useful to know the process by which you plan on testing these changes with S+P to determine the likely ratings outcomes, given these are changes to what Cabinet agreed in June, and is effectively a move to the scenario of 'high governor influence'. At this stage it's unlikely that we would recommend that our Minister agree to these changes without some engagement with S+P to clarify any likely impacts of these changes, given the importance of balance sheet separation and credit profile to the success of the reforms.

Could someone who is best able to address this give me a call this afternoon? Happy to talk whenever suits.

Morgan



Morgan Dryburgh (she/her) | **Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit**
| **Te Tai Ōhanga – The Treasury**

Mobile: s 9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Michael Petherick <Michael.Petherick@dia.govt.nz>
Sent: Thursday, 11 November 2021 4:23 pm
To: Morgan Dryburgh [TSY]; Jane Fleetwood; Michael Mills; Jonathan Bass
Cc: Michael Lonergan [TSY]; Mark Hodge [TSY]; Alistair Birchall [TSY]; Leilani Frew [TSY]
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Morgan – thanks for these comments. A meeting next week might be a sensible idea – how are you placed later in the week?

A few comments in response in the interim:

- **governance and accountability arrangements** - thanks for the discussion yesterday. As discussed, we'll provide a version of the LEG paper next week ahead of when we meet for you to consider;
- **suggestion to have a minimum of 4 board members** – our concern here is that this may lead to bad / suboptimal governance. Four is a very small number of board members for such significant entities delivering essential monopoly services in a complex environment. We appreciate the concern about lack of governance capability, but presumably the better outcome is for capability of at this level to be grown in NZ, rather than defaulting to a minimum number;
- **inclusion of financial capability among criteria for board appointments** – we'll consider internally and come back to you;
- **GPS** – the intention isn't that there should always necessarily be a GPS – it is a discretionary instrument, not a mandatory requirement. We'll look at the drafting and make sure we achieve this result;
- **Crown intervention powers** – this suggestion is more complex. As we understand it there is an expectation from Ministers, based on the Cabinet decisions, that there will be reasonably strong intervention powers alongside better stewardship from a whole of system monitor. Let's discuss this when we meet.

Michael

Michael Petherick

Three Waters Reform Programme

Ue te Hīnātore | Local Government Branch

Te Tari Taiwhenua | Department of Internal Affairs

DDI: +s 9(2)(g)(ii) | Email: michael.petherick@dia.govt.nz

45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz

From: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>
Sent: Friday, 5 November 2021 5:29 PM
To: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Cc: Michael Lonergan [TSY] <Michael.Lonergan@treasury.govt.nz>; Mark Hodge [TSY] <Mark.Hodge@treasury.govt.nz>; Alistair Birchall [TSY] <Alistair.Birchall@treasury.govt.nz>; Leilani Frew [TSY] <Leilani.Frew@treasury.govt.nz>
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi Jane,

Thanks for sending this through, particularly ahead of Ministerial consultation.

Below I've outlined our key comments on the provisions in the draft bill. In particular, we are highly interested in the governance arrangements and the potential changes noted in paras 27 and 28 of the LEG paper.

Governance arrangements

The LEG paper indicates that the Minister of Local Government is currently considering changes to the policy positions agreed by Cabinet including

- Making what has so far been called the ISP a subcommittee of the regional representative group (and changing the name to board appointment panel to reflect that it would no longer be independent)
- Making the board of water entities accountable to the regional representative group as opposed to the ISP/board appointment panel

How is DIA planning to test the likely credit rating impact of these changes? What is the relationship between these changes and any proposals the technical working group are likely to come up with? These changes move the governance arrangements far closer to the models tested with S+P that did not involve an ISP which were more likely to not achieve 'hard' balance sheet separation. Given the finely balanced nature of the credit rating work and the complexity of the governance arrangements, any small changes may sway S+P's view in a different direction. We are keen to ensure that Ministers are aware of any likely impacts of these changes when making any decisions on the governance arrangements.

s9(2)(h)

The number of board members also raised some concern for us, as a minimum of 6 and maximum of 10, across four entities, in addition to the regional representative groups (and other governance arrangements that are yet to be determined under other reforms like RM) will place a lot of pressure on governance capability in New Zealand. Could the minimum number of members be lowered to reduce the risk around not finding sufficient available capability to fill the boards?

Finally, in relation to governance, we would like to request consideration of including criteria relating to financial capabilities in the criteria for board appointments at 23(2), given the large investment/debt profile of the entities.

Government policy statement

We would like to ensure the provisions relating to the GPS do not reflect an expectation that there will always be a GPS, or that a GPS is required in order for the system to function properly, but rather that the provisions provide for a GPS to be developed in circumstances that are not adequately covered by existing mechanisms. s9(2)(h)

Crown intervention framework/Minister's powers

s9(2)(h)

Morgan



**TE TAI ŌHANGA
THE TREASURY**

Morgan Dryburgh (she/her) | **Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury**

Tel: +s9(2)(k) | Mobile: s9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>

Sent: Tuesday, 2 November 2021 4:32 PM

To: John McGrath <John.McGrath@health.govt.nz>; Suzanne McGifford <suzanne.mcgifford@health.govt.nz>; Anthony Richards [NEMA] <Anthony.Richards@nema.govt.nz>; Paul Kos <Paul.Kos@hud.govt.nz>; Saskia Patton <Saskia.Patton@hud.govt.nz>; Gina Chamberlain <gchamberlain@doc.govt.nz>; Andrea Millar <Andrea.Millar@CORRECTIONS.GOV.T.NZ>; Jessie Lea <Jessie.Lea@CORRECTIONS.GOV.T.NZ>; Harley O'Hagan <HARLEY.O'HAGAN@nzdf.mil.nz>; Adam Allington [NEMA] <Adam.Allington@nema.govt.nz>; Morgan Dryburgh

[TSY] <Morgan.Dryburgh@treasury.govt.nz>; 'Haliburton, Kathryn' <Kathryn.Haliburton@tearawhiti.govt.nz>; ^Transport: Greg Mossong <G.Mossong@transport.govt.nz>; 'Taimania Clark' <Taimania.Clark@mfe.govt.nz>; Chyi Sim <chyι.sim@mfe.govt.nz>; 'Grant, John' <John.Grant@tearawhiti.govt.nz>; ^MFE: Sue-Ellen Fenelon <sue-ellen.fenelon@mfe.govt.nz>; Emma Corbett <Emma.Corbett@mfe.govt.nz>; Darren Baars <Darren.Baars@nzta.govt.nz>; 'William Collin' <William.Collin@mfe.govt.nz>; 'Alison Newbald' <Alison.Newbald@mfe.govt.nz>; Craig Phillips <Craig.Phillips@ird.govt.nz>; Brian Mitchell <Brian.Mitchell@education.govt.nz>; Emma Dobson <Emma.Dobson@nzta.govt.nz>; 'Philip Stables' <Philip.Stables@publicservice.govt.nz>; 'Tikitu Tutua-Nathan' <natht@tpk.govt.nz>; 'josh.nachowitz@mfe.govt.nz' <josh.nachowitz@mfe.govt.nz>; 'Belinda McFadgen' <Belinda.McFadgen@mfe.govt.nz>; 'Charles Smith' <smitc@tpk.govt.nz>; Jo Gascoigne <Jo.Gascoigne@mfe.govt.nz>; 'Karis Rae-Mcgregor' <Karis.Rae-Mcgregor@mfe.govt.nz>; Amanda O'Brien <Amanda.O'Brien@mpi.govt.nz>; 'Anna Paterson' <Anna.Paterson@mbie.govt.nz>; 'Adan Suazo' <Adan.Suazo@mfe.govt.nz>; 'Katy Te Amo' <katy.teamo@taumataarowai.govt.nz>; 'Bill Bayfield' <bill.bayfield@taumataarowai.govt.nz>
Cc: Hayden Glass [DPMC] <Hayden.Glass@dpmc.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Draft Water Services Entities Bill and LEG paper - for agency consultation

Hi

Attached, in confidence, are drafts of the Water Services Entities Bill and associated LEG paper. We are seeking headline comments by COB this Friday, 5 November. However, we can continue to receive and work through detailed comments over a slightly longer timeframe, including through the Ministerial consultation process that is anticipated to begin next week.

Please note that the Bill is still in the process of being developed and finalised, and there are a number of matters that are still being worked on with/by PCO, and with our Minister. This includes some potential 'minor policy and drafting changes' to the governance framework, as indicated in the LEG paper. We are discussing these changes with the Minister and they have not yet been included in the Bill.

We are aiming for the Bill to be introduced before the Christmas recess, but the exact date for consideration by Cabinet Committee is still being determined. We'll let you know when details are confirmed.

Michael Petherick is leading the work on this Bill, so please copy him in if you provide any comments/questions.

Thanks

Jane

Jane Fleetwood | Lead Strategic Advisor | Three Waters Review

The Department of Internal Affairs Te Tari Taiwhenua

Extension 5564 | Direct Dial: +s9(2)(k) |

45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Morgan Dryburgh [TSY]
Sent: Wednesday, 17 November 2021 1:49 pm
To: Michael Petherick
Cc: Michael Mills
Subject: RE: T2021/2874 - Treasury report on draft bill and leg paper

Hi Michael,

A call at 3.30 sounds good. I do understand the questions you have around the relationship to the objectives and am keen to work through what you think might help with the issues you are raising, while also still retaining this expectation on the RRG and SSPE.

Our main concern is ensuring there are clear obligations on the RRG through the SPE to ensure the entities recover enough revenue for what they need to deliver. To some degree this does mean we consider the objective of operating in a financially sustainable manner as of higher importance than the other objectives/something that can't be traded off – as without sufficient revenue, the water entities won't be able to deliver on what they are being established to do.

Talk to you at 3.30,

Morgan

From: Michael Petherick <Michael.Petherick@dia.govt.nz>
Sent: Wednesday, 17 November 2021 1:19 PM
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>
Subject: RE: T2021/2874 - Treasury report on draft bill and leg paper

Kia ora Morgan – it would be good to understand how this requirement would relate to the objectives of the entity (clause 10 of version 8 attached).

As we understand it, the statement of strategic and performance expectations is an articulation of how the regional representative group, at a strategic level, sees the relative prioritisation of these objectives. By including this as a requirement for the statement of strategic and performance expectations, does it elevate one or more objectives above others, or create confusion about what the objectives are?

It would be good to have a phone call so we can talk about what you're trying to achieve. Are you available, say 3.30pm, for a phone call with Michael Mills and I?

Michael

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Wednesday, 17 November 2021 10:30 AM
To: Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: T2021/2874 - Treasury report on draft bill and leg paper
Importance: High

Hi Michael,

Following on from the report that went to our Minister over the weekend and I sent to you on Monday, I've drafted up a recommendation that could go in the Cabinet paper that I think gives effect to recommendation d in our report, that MoF agreed to.

Our office would like me to send them our proposed wording as soon as possible so that they can pass it on to MoLG's office, but I wanted to run this by you to a) seek your feedback on this and whether it needs any changes and b) see whether you want any additional wording from us for the Cab paper, or background explanation.

The draft recommendation, which we are planning will ultimately be something MoF sends to MoLG and requests to be included in the Cab paper is:

Agree that one of the purposes of the Statement of Strategic and Performance Expectations for a water services entity will be to ensure a water services entity operates commercially such that the cost of the services provided is recovered in full, and that the Regional Representative Group must include an expectation to this effect in any Statement of Strategic and Performance Expectations issued.

Please feel free to give me a call to discuss, or happy to go back and forth via email if that works better. I appreciate you're busy so whatever I can do to help in your consideration of this, just let me know.

Cheers,
Morgan

From: Morgan Dryburgh [TSY]
Sent: Monday, 15 November 2021 2:10 PM
To: Michael Petherick <Michael.Petherick@dia.govt.nz>; Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>
Subject: T2021/2874 - Treasury report on draft bill and leg paper

Hi Michael,

As discussed just now on the phone, please find attached a report that we provided to our Minister over the weekend (with the Minister's feedback included).

As our action from this report and our meeting with the MoF this morning is to go away and work up some wording to reflect our recommendation d. I'll let you know as our thinking on this develops, but as I mentioned I am hoping we can get this to the Minister for him to provide it as feedback on the Cab paper by 19 Nov.

[@Mike Chatterley <Michael.Chatterley@dia.govt.nz>](mailto:Michael.Chatterley@dia.govt.nz) please note the feedback around engaging with S+P on the proposed governance changes. Will be in touch around this.

Cheers,
Morgan



Morgan Dryburgh (she/her) | **Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.



Treasury Report: Three Waters Reform Programme – Draft Water Services Entities Bill and LEG paper

Date:	12 November 2021	Report No:	T2021/2874
		File Number:	SH-11-5-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree to the recommendations in this report</p> <p>Discuss the contents of this report with officials at the Weekly Agency Meeting on 15 November</p> <p>Refer a copy of this report to the Minister of Local Government</p>	15 November 2021

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Morgan Dryburgh	Senior Analyst, National Infrastructure Unit (NIU)	s9(2)(k) (wk)	s 9(2)(g)(ii) (mob)	✓
David Taylor	Manager, National Infrastructure Unit (NIU)	s9(2)(k) (wk)	N/A (mob)	

Minister's Office actions (if required)

Return the signed report to Treasury.
Refer a copy of this report to the Minister of Local Government.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Three Waters Reform Programme – Draft Water Services Entities Bill and LEG paper

Purpose of Report

1. The Minister of Local Government has sent you a report, 'LG202101437 Draft Water Services Entities Bill and LEG paper – for feedback and Ministerial consultation' with a draft Cabinet paper 'Water Services Entities Bill: Approval for introduction' and draft Water Services Entities Bill attached. The Cabinet paper is expected to be discussed by the Cabinet Business Committee (CBC) on 29 November 2021.
2. This report provides you with the Treasury's advice on the draft Cabinet paper and Bill, particularly focused on the changes to policy positions agreed by Cabinet in June.

Analysis

The draft Cabinet paper proposes changes to governance arrangements

3. The draft Cabinet paper is seeking agreement to the following changes to the governance and accountability arrangements of the water entities:
 - a Greater flexibility for each Regional Representative Group to determine its own arrangements through a constitution, as opposed to being set in primary legislation as previously agreed by Cabinet;
 - b The board appointment panel to be a committee of the Regional Representative Group, as opposed to an independent selection panel, as previously agreed by Cabinet;
 - c Direct accountability of a water entity's board to the Regional Representative Group;
 - d The Board to be required to give effect to the Statement of Strategic and Performance Expectations issued by the Regional Representative Group.
4. These changes represent a material increase to the influence of local authorities over the water entities. The changes remove the independent selection panel between the Regional Representative Group and the board of the entities, apply a stronger obligation on the Board in relation to their duties to implement the strategic and performance expectations of the Regional Representative group, and allow for the constitution of the water entities to effectively be 'self-determined' by the Regional Representative Group.

The cumulative impact of the proposed changes may adversely affect the commerciality and credit ratings of the water entities

5. We understand the rationale for the changes insofar as they simplify elements of a very complex governance structure and respond to feedback from local authorities.

6. At the same time, we are concerned that the cumulative impact of these and other potential changes (relating to pricing, economic regulation, and Crown intervention powers) may adversely affect:
 - a The commerciality (and therefore financial sustainability) of the water entities; and/or
 - b How ratings agencies view 'balance sheet' separation of the water entities from local authorities.¹

Commerciality of water entities

7. For the Government to achieve its reform objectives, we consider it essential that the water entities operate in a commercial manner. At a minimum, this means they need to fully recover their costs, and have enough resilience on their balance sheet to manage commercial and financial risk. If the entities do not operate in this manner, we consider there are risks that they: (i) are not financially sustainable, resulting in the entities seeking further support from either the Crown or local authorities; or (ii) are unable to deliver the scale of investment required.
8. Changing a single element of the model is unlikely to materially change the commerciality of the water entities. However, the Treasury is concerned that the cumulative effect and direction of change will be that the regional representatives push water entities towards being less likely to use the full range of charging and pricing powers available to them. This would mean water entities are less likely to raise sufficient revenue to deliver the infrastructure investment required of them, due to political pressure from owner councils to reduce the impact of price rises as much as possible.
9. We recommend that, to ensure the water entities deliver on the reform objectives, the legislation should make clear that in providing a statement of strategic and performance expectations the Regional Representative Group must ensure the water entities operate commercially, including the ability to fully cover the cost of their services. If agreed, agreement to this would need to be sought through the Cabinet paper at CBC.

Credit rating impacts

10. Standard & Poor's (S&P) have provided feedback on the water entity model through a 'Ratings Evaluation Service' (RES). The RES sets out their views on both the credit profile of the water entities and their potential to achieve balance sheet separation from local authorities.
11. While helpful, the RES provides an indicative view only, and is reliant on a number of assumptions. The credit rating assessments of ratings agencies are finely balanced judgements, meaning that any changes within the system could materially change how ratings agencies view the water entities, and their consequent credit ratings. A lack of strong commerciality in the entities could have this impact. This is particularly the case if other elements of the system are not implemented as anticipated, such as a robust economic regulatory regime, and effective pricing and charging mechanisms for the water entities.

¹ A strict definition of balance sheet separation requires that the local authorities do not hold contingent liabilities for the water services entities. Changes to the governance framework may increase the likelihood that ratings agencies consider that some councils hold contingent liabilities for the water entities. While contingent liabilities do create a degree of risk, we do not consider that it is necessary to aim for this strict definition. Consolidated debt more substantively reduces the ability of water services entities to borrow, due to the way it flows directly through to debt covenants and credit ratings.

12. In addition to this, we consider that the proposed governance changes create the risk that credit ratings agencies may raise concerns around balance sheet separation. The S&P RES indicated that removing the independent selection panel would likely create contingent liabilities (from a credit ratings perspective) for local authorities. If the role of the regional representatives group drives more strongly towards a non-commercial focus, there is also heightened risk around consolidation of debt for large local authorities within a given entity, particularly Auckland Council in the case of Entity A.
13. We have discussed our views around the potential for the cumulative impact of change to impact on either credit ratings or balance sheet separation with the Department of Internal Affairs (DIA). Given the S&P RES, DIA has advised that it considers the changes are unlikely to compromise balance sheet separation.
14. DIA is proposing to test the changes to legislation being sought through this Cabinet paper with S&P once the Technical Working Group makes its recommendations, including any options the working group produces. This is likely to occur around March 2022. We note that having a range of changes occurring has a risk S&P's assessment may alter some of the benefits Cabinet relied on in making the case for change.
15. Given the high leverage expectations of the water entities and their novel organisational structure, we disagree that certainty can be provided at this time to Ministers that these arrangements will still achieve the desired credit rating and balance sheet outcomes.
16. The Treasury recommends that you do not agree to any changes to the governance and accountability arrangements without first testing any proposed model with S&P.
17. For completeness, and given the scale of the reform, it may also be advisable to engage with an additional ratings agency and seek accounting advice. Consolidation on local authority balance sheets for financial reporting purposes would also have an impact on the water entities, even if the debt was treated differently by credit rating agencies.

18. s9(2)(h)


This means that making changes now may be the only way to deliver legislation for introduction to the House within the timeframes desired by the Minister of Local Government. It is unlikely that these amendments could be tested with S&P prior to the planned introduction of the legislation.

If you proceed with the proposed amendments, the Cabinet paper should be clear about the potential risks

19. Our first best advice would be to delay the introduction of legislation to allow for outstanding policy issues such as these to be worked through. However, we understand the Minister of Local Government has a firm expectation that the Bill is introduced to Parliament and referred to Select Committee before the end of this calendar year.
20. If Ministers wish to proceed with Cabinet consideration of the proposed governance changes, we consider that at a minimum the Cabinet paper should more clearly articulate:
 - a That these changes represent enough of a shift from the policy decisions in June that they may have impacts on the ratings outcomes of the water entities;

- b The likely credit rating impacts of this change, informed by engagement with S&P. Based on S&P feedback on the scenarios presented to them earlier this year, these arrangements move the entities closer to the scenario that S&P considered likely to create contingent liability on large councils within each entity. Under the proposals agreed by Cabinet in June it was expected that there would be no contingent liabilities on councils;
- c The likely impact of this change on 'no worse off' costs. Contingent liabilities on local authorities may increase the cost to the water entities of the agreed 'no worse off' payment, impacting the ability of the water entities to borrow and invest in infrastructure on establishment.

The proposed Crown intervention framework creates a strong link between the water entities and the Crown

- 21. s9(2)(h) 
- 22. While this gives effect to Cabinet's agreement that the legislation will contain a graduated Crown intervention framework to protect the public interest [CAB-21-MIN-0227 refers], the extent of these provisions creates a significant role for the Crown that seems inconsistent with the fact that the Crown does not have an ownership interest in these entities.
- 23. Local authorities do not have a conventional ownership interest under the proposed model, such as a shareholding. No specific decision has been made on who holds residual 'equity' risk should the water entities get into financial distress. S&P, as part of the RES, stated that "lack of access to equity capital is one of the major weakness for the [water entities] and constrains [their] financial risk profile".

Strong links between the entities and the Crown create residual risks for the Crown's balance sheet

- 24. Under the current proposal, we consider the Crown will be viewed as the residual 'equity' provider (i.e. the Crown would be asked to step in and provide new capital or guarantee debt). In our view, there is already a significant perception of residual equity supporting the high indicative credit ratings provided by S&P. To avoid further increasing the risks to the Crown balance sheet, we recommend Ministers focus on policy choices that reduce the perception that the Crown is the ultimate backstop for these entities.
- 25. These provisions in the draft bill further reinforce our view that the Crown is likely to provide residual equity to the entities. This residual risk is not without cost: while the S&P RES suggests the water entities will not be consolidated onto the Crown's balance sheet, this would potentially change should the Crown intervene in practise. We recommend the link to the Crown balance sheet is examined further as part of any subsequent engagement with ratings agencies.
- 26. We recommend considering whether the public interest is likely to be protected by other proposed elements of the system, such as the Water Services Act 2020, proposed economic regulatory arrangements, and provisions for the Government to set Government Policy Statements, and could therefore allow for a reduction in the Crown's intervention powers by providing a more limited framework in legislation.

The Technical Working Group is likely to recommend amendments after public submissions on the bill have ended

27. The draft Cabinet paper proposes that any amendments to the governance and accountability arrangement proposed by the Technical Working Group are incorporated into the legislation using the departmental report at the Select Committee stage.
28. This means that these changes will not be subject to the public consultation process run by the Committee. Depending on the materiality of any amendments to the governance arrangements proposed by the Technical Working Group, adopting changes at this stage of the process may lead to requests for further public consultation by the Committee.
29. DIA has advised the Minister of Local Government that it is highly desirable for the Bill to be enacted at pace to both enable the transition unit to proceed, and to meet the Minister's desired timeframe for the legislation to be passed prior to the local government elections in October 2022. In order to ensure that concerns around public consultation do not delay or extend the Committee's consideration of the Bill, we recommend that Ministers request that proposals developed by the Technical Working Group are adequately consulted on publicly, prior to being presented to Ministers.

Next Steps

30. The Minister of Local Government has sought feedback on the draft Cabinet paper by 19 November 2021.
31. This report, and the associated draft Cabinet paper and Bill, are scheduled as an item for discussion at your Weekly Agency Meeting with the Treasury on Monday 15 November, for you to discuss your views with officials.

Recommended Action

We recommend that you:

- a **note** that the Minister of Local Government has sent you a draft Cabinet paper seeking approval for the introduction of the first piece of legislation in the process for establishing the new water services entities.
- b **note** that the draft Cabinet paper is seeking agreement to changes to the governance and accountability arrangements for the water entities.
- c **note** that the Treasury is concerned that the cumulative impact of these and other potential changes may adversely affect:
 - i. The commerciality (and therefore financial sustainability) of the water entities; and/or
 - ii. How ratings agencies view 'balance sheet' separation of the water entities from local authorities.
- d **agree** that, to ensure the Government's financial sustainability objectives for the water entities are achieved, the legislation should make clear that in providing a Statement of Strategic and Performance Expectations the Regional Representative Group must ensure the water entities operate commercially.

Agree/disagree.

- e **agree** that the proposed changes to governance and accountability arrangements for the water entities are tested with Standard and Poor's prior to any incorporation into legislation.

Agree/disagree.

- f **note** that if Ministers wish to proceed with Cabinet consideration of the proposed governance changes, we consider that at a minimum the Cabinet paper should clearly articulate:

- i. That these changes are a shift from the policy decisions made in June and may have impacts on the ratings outcomes of the water entities;
- ii. The likely credit rating impacts of this change, and how this impact has been informed by engagement with S&P;
- iii. The likely impact of this change on 'no worse off' costs.

- g **note** that we consider the proposed Crown intervention framework creates a strong link between the water entities and the Crown.

- h **note** that strong links between the entities and the Crown create residual risks for the Crown's balance sheet.

- i **agree** to consider reducing the Crown's intervention powers by providing a more limited framework in legislation.

Agree/disagree.

- j **refer** to the Minister of Local Government

Refer/not referred.

David Taylor
Manager, National Infrastructure Unit

Hon Grant Robertson
Minister of Finance

From: Morgan Dryburgh [TSY]
Sent: Friday, 26 November 2021 1:28 pm
To: Jane Fleetwood
Cc: Nick Davis; Michael Mills; Michael Petherick; Mike Chatterley
Subject: RE: Three waters CBC paper

Hi Jane, you're right that there could have been more specificity around the timing of the rec regarding engagement with S+P.

Our intention was to reflect the expectation that MoF gave us at our weekly agency meeting last week (17 Nov) that we – DIA and Treasury – engage with S+P as soon as possible to get a readout of any likely changes. MoF acknowledged that it was unlikely we could get any views before the bill is introduced but was keen for us to at least start the process and comfortable for it to proceed in parallel with the introduction of the bill. I contacted Mike C last week to begin this process and there was a meeting with S+P scheduled for this week which has now been rescheduled for next week. Our office has asked for updates as the work progresses – i.e. what's the initial read, does it need to move to a more formal ratings assessment – which we can do after the conversation with S+P.

In that meeting, MoF also noted to us that delay to the introduction of the bill is not an option – so no, we are not intending to advise that and I do not expect that MoF will take that from our advice.

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Friday, 26 November 2021 1:10 PM
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Three waters CBC paper

Thanks Morgan, this is useful.

I understand that in response to previous advice on this, MoF had indicated that, while advice should be sought from Standard and Poor's, this should not delay the Bill's introduction. The recommendation you've suggested – on DIA and Treasury engaging with credit rating agencies – has no sense of timing related to it, and doesn't seem to reflect MoF's view. It might be misinterpreted as requiring the engagement with rating agencies to occur before the changes can be incorporated into the Bill, or the Bill can proceed. That would have a significant impact on the reform timetable set by Ministers.

We've always accepted that there needs to be further testing with credit agencies, but have indicated that this could be done during the select committee process – and include testing anything alternative models that might be recommended by the Governance Working Group. Others in the team are more knowledgeable about that than me, though.

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Friday, 26 November 2021 12:35 PM
To: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>
Subject: RE: Three waters CBC paper

Hi Jane,

I did discuss with Michael M yesterday evening that we were likely to provide alternate recommendations to our Minister, and that I would provide what we advise.

Our advice has just now been signed out and is attached.

[@Michael Petherick](#) thank you for your work this morning on the drafting changes relating to the SSPE. I discussed with our office that the bill now gives effect to what the MoF requested, and the office requested for our recs to still include a rec for Cabinet agreement to it – hope that explains that section of the advice.

Morgan

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Friday, 26 November 2021 12:19 PM
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>
Subject: RE: Three waters CBC paper

Hi Morgan

We've heard from our Minister's office that Treasury may be providing advice to MoF on some possible additional recommendations to the Cabinet paper (to be tabled at CBC). These relate to the changes to the governance and accountability provisions, which are currently just noting recs.

Could you let us know what the situation is, please, so we can advise our Minister accordingly? If it's just changing the 'note' to 'agree' in relation to those recommendations, that would be straightforward. If it's more than that, it would be very helpful to have further details about the proposed changes.

Thanks

Jane

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Thursday, 25 November 2021 6:46 PM
To: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: Re: Three waters CBC paper

Thanks folks for your responses, I will pass this on internally and let you know how we end up briefing our Minister.

s9(2)(h)

Morgan Dryburgh (she/her) | Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii)


From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Thursday, November 25, 2021 6:22:49 PM
To: Michael Mills <Michael.Mills@dia.govt.nz>; Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Three waters CBC paper

s9(2)(h)



From: Michael Mills
Sent: Thursday, 25 November 2021 6:17 PM
To: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>; Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>
Subject: RE: Three waters CBC paper

Thanks Morgan, as discussed, we've considered your points and our responses are as follow,

- On 1, ^{s9(2)(h)} 
- On 2, we are of the view that the changes made in the Bill to governance and accountability arrangements are clearly signalled in the CAB paper and are within the scope of the CAB agreement for the Bill's drafting. We also note that PCO was comfortable in drafting the changes within the scope of the relevant CAB agreements
- On 3, because its LEG paper and not seeking agreement to policy decisions it is not required to have financial implications section.

If you can keep us informed of your advice on the above, we will ensure our Minister is briefed prior to CBC.

[@Michael Petherick](#) and / or [@Jane Fleetwood](#), can you please forward through the latest draft of the Bill with an indication of the section relevant to the first point above.

Michael Mills
Acting Director, Policy & Stewardship

Te Tari Taiwhenua | Department of Internal Affairs
45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand
Phone Mobile s 9(2)(g)(ii)
www.dia.govt.nz

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Thursday, 25 November 2021 5:25 PM
To: Michael Mills <Michael.Mills@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>
Subject: Three waters CBC paper
Importance: High

Hi Michael and Michael,

Apologies for getting to you so late in the day, but I have some urgent questions regarding the Three Waters approval for introduction paper that has been lodged for CBC on Monday.

Could the relevant person please give me a call to discuss my points below – ideally this evening, as it would be good to resolve these before our briefing for MoF for CBC is due to be submitted at 10.30am tomorrow.

1. Following our briefing to MoF two weeks ago, we worked with you last week on the wording of a recommendation to be included in the Cabinet paper that would require the RRG to ensure their SSPE requires the entities to act in a financially sustainable manner.

Agree that one of the purposes of the Statement of Strategic and Performance Expectations is to ensure the water services entity achieves the objective to deliver water services and related infrastructure in an efficient and financially sustainable manner, and that the Regional Representative Group must include an expectation to this effect in any Statement of Strategic and Performance Expectations issued.

I understood this would be included in the Cab paper, and both sent it to you and it was sent through our office to your Minister's office.

It is not currently in the Cab paper – could you please let me know the reasoning behind this.

2. The paper presents the changes to governance and accountability arrangements at paras 24.1-24.2 as minor and technical and is only asking for Cabinet to note these. While I understand you consider their effect is likely to be minor (and note that we recommended testing these with S+P due to our concern that the impact could be more than minor), these are changes to policy decisions made by Cabinet and can only be changed by Cabinet agreement. Therefore, the noting recommendations related to these changes should be changed to agree recommendations.
3. This paper has no financial implications section. If it is expected that there are no financial implications, please include a financial implications section that states that there are no financial implications.

Morgan



Morgan Dryburgh (she/her) | Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.



Reference: T2021/2983

SH-11-5-3

Date: 26 November 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)

Three Waters Reform Programme – Water Services Entities Bill: Approval for introduction at Cabinet Business Committee 29 November 2021

The Minister of Local Government has lodged the paper 'Water Services Entities Bill: Approval for introduction' for discussion at the Cabinet Business Committee (CBC) on 29 November 2021. This paper seeks approval for introduction of the Water Services Entities Bill, to give effect to Cabinet decisions on the Three Waters Reform Programme made throughout 2021. This aide memoire provides you with updates on key aspects of the paper since we last advised you, and proposes alternate recommendations for your consideration.

The paper does not seek Cabinet agreement to changes to Cabinet decisions

We previously advised you [T2021/2874] that the draft of this paper sought changes to the governance and accountability arrangements of the water entities including, among other things, the removal of the independent selection panel.

We advised that we were concerned that the cumulative impact of these changes may adversely affect how ratings agencies view 'balance sheet' separation of the water entities from local authorities. Achieving the Crown's desired balance sheet outcomes for the water entities is critical to achieving the objectives of the Three Waters Reform Programme.

We also advised you that if Ministers wished to proceed with Cabinet consideration of the proposed governance changes, we consider that at a minimum the Cabinet paper should clearly articulate:

- i. That these changes are a shift from the policy decisions made in June and may have impacts on the ratings outcomes of the water entities;
- ii. The likely credit rating impacts of this change, and how this impact has been informed by engagement with S&P;
- iii. The likely impact of this change on 'no worse off' costs.

The paper lodged for CBC does not include any statements to this effect. Additionally, the paper does not seek Cabinet agreement to these changes to the governance arrangements, stating that these have been agreed by joint Ministers (the Minister of Local Government and yourself).

The decisions on governance arrangements, particularly around the independent selection panel, were agreed by Cabinet [CAB-21-MIN-0227 refers]. This means that any changes to these arrangements must be agreed by Cabinet. This would require the current noting recommendations in the paper to be changed to seek Cabinet's agreement.

Obligations on the Regional Representative Group

You provided a recommendation to the Minister of Local Government for inclusion in this paper seeking agreement that in providing a Statement of Strategic and Performance Expectations the Regional Representative Group must ensure the water entities operate commercially.

We understand that the relevant changes have been made to the legislation to give effect to this, but the recommendation itself has not been included in this paper.

We consider that it would be useful for Cabinet to agree the recommendation, with wording as supplied by you to the Minister of Local Government, to ensure clear decisions around the expectations on the Regional Representative Group.

The Treasury's recommended approach

We propose that:

- Cabinet agrees to the changes to governance and accountability arrangements, as opposed to noting them;
- The paper notes the materiality of these changes and that these have not been tested with any credit rating agencies;
- Cabinet directs officials to test the likely impacts of the governance changes with credit rating agencies; and
- Cabinet agrees to the recommendation, as drafted, regarding the role of the Regional Representative Group and the Statement of Strategic and Performance Expectations in ensuring the water entities operate commercially.

Alternate recommendations for the Minister of Local Government's paper, giving effect to our recommended approach above, are attached as Annex One, should you wish to table them.

Comments from the New Zealand Infrastructure Commission, Te Waihangā

Te Waihangā notes that the new proposals for governance are unprecedented for any infrastructure utility, which presents a new risk to the delivery of water services. It is especially risk-prone to introduce governance options of this kind with minimal time to consider their full ramifications. For these reasons, we cannot advise in detail on the impact this governance option will have for the delivery of water services.

It is also important to ensure that water entities can access a full range of pricing and charging mechanisms, such as volumetric charging. The success of the reforms is likely to rest on the entities being incentivised and enabled to use these tools to recover the full cost of delivering their services. Given it is now proposed that there will be two pieces of legislation, with the second legislation covering pricing and charging, we recommend ensuring that the two Bills are aligned so the water service entities can still have the full range of funding tools and incentives needed to deliver on the reform expectations.

Morgan Dryburgh, Senior Analyst, National Infrastructure Unit (NIU), s9(2)(k)
David Taylor, Manager, National Infrastructure Unit (NIU), s9(2)(k)

Annex One: Alternate recommendations

Replace recommendation 3 with the below:

3. **agree** to the following changes to governance and accountability arrangements for the water services entities, which have already been incorporated into the Bill, to:
 - 3.1 provide greater flexibility for the Regional Representative Group to determine its own arrangements through a constitution;
 - 3.2 enable the board appointment panel to be a committee of the regional representative group;
 - 3.3 require the board to give effect to the statement of strategic and performance expectations issued by the regional representative group;

Insert, as new recommendations 4 – 8, the following, re-numbering existing recommendations that follow as appropriate:

4. **note** that the changes to governance and accountability arrangements agreed in recommendation 3 represent enough of a shift from the policy decisions in June that they may have impacts on the credit ratings outcomes of the water entities;
5. **note** that these changes to governance and accountability arrangements have not been the subject of any engagement with credit ratings agencies, meaning that the potential credit rating impact of these changes is unknown;
6. **direct** officials from the Department of Internal Affairs and the Treasury to engage with relevant credit rating agencies to determine the likely impact of the changes to governance and accountability arrangements in recommendation 3;
7. **agree** that one of the purposes of the Statement of Strategic and Performance Expectations is to ensure the water services entity achieves the objective to deliver water services and related infrastructure in an efficient and financially sustainable manner, and that the Regional Representative Group must include an expectation to this effect in any Statement of Strategic and Performance Expectations issued;

From: Morgan Dryburgh [TSY]
Sent: Thursday, 2 December 2021 5:17 pm
To: Jane Fleetwood
Cc: ^DIA: Michael Chatterley; Michael Petherick; Nick Davis
Subject: Re: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper

Hi Jane,

My Minister's office has advised that they would like the original wording of the rec included (as in my email from 4.17pm) as opposed to this proposed wording - I understand this has also been passed on to your office.

Morgan Dryburgh (she/her) | **Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury**

Tel: s9(2)(k) | Mobile: s 9(2)(g)(ii)

From: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>
Sent: Thursday, December 2, 2021 4:55 PM
To: Morgan Dryburgh [TSY]
Cc: ^DIA: Michael Chatterley; Michael Petherick; Nick Davis
Subject: RE: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper

Hi Morgan

We've added in a new recommendation to deal with MoF's request. We'd like to take the same approach to this, as with the other recs – and to ensure the wording is aligned with what's already in the Bill.

Accordingly, this is the proposed additional wording:

7. note that a provision has also been incorporated into the Bill to help ensure the Government's financial sustainability objectives for the new entities are achieved, through a requirement that a statement of strategic and performance expectations (issued by a regional representative group) must require the entity to give effect to the statutory objective of delivering water services and related infrastructure in an efficient and financially sustainable manner;
8. agree that the provisions referred to in recommendations 3 and 7 continue to be included in the Bill, as proposed for introduction;

Just want to check you comfortable with this, before we send the amended paper to our Minister's office to share with MoF's office. Please let me know ASAP.

Thanks

Jane

From: Nick Davis
Sent: Thursday, 2 December 2021 4:38 PM
To: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>
Cc: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Mike Chatterley <Michael.Chatterley@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper

Thanks Morgan, we're working that in now.

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Thursday, 2 December 2021 4:17 PM
To: Nick Davis <Nick.Davis2@dia.govt.nz>
Cc: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; Mike Chatterley <Michael.Chatterley@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: RE: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper

Hi Nick,

Thanks for sending those through. I'm comfortable that the new recs in red reflect the substance of what our alternate recs from earlier in the week did, so happy to agree to those.

On the separate rec about the RRG and SSPE, ^{s9(2)(h)} [REDACTED], and a rec is not technically required, however, I have been advised by my office that the Minister of Finance wants the rec included (copied below for reference), so could this please also be included in the paper.

agree that one of the purposes of the Statement of Strategic and Performance Expectations is to ensure the water services entity achieves the objective to deliver water services and related infrastructure in an efficient and financially sustainable manner, and that the Regional Representative Group must include an expectation to this effect in any Statement of Strategic and Performance Expectations issued;

Cheers,
Morgan

From: Nick Davis <Nick.Davis2@dia.govt.nz>
Sent: Thursday, 2 December 2021 3:30 pm
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Jane Fleetwood <Jane.Fleetwood@dia.govt.nz>; ^DIA: Michael Chatterley <michael.chatterley@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: FW: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper
Importance: High

Kia ora Morgan

Attached are the proposed recommendations for the papers seeking approval for introduction of the Water Services Entities Bill, including the additional recommendations to address points raised by MoF. We've redrafted these to better reflect the context for the changes, while still addressing the points made.

I would be grateful if you could review and confirm Treasury is happy with these (or alternatively suggest any tracked changes). We're keen to get this tidied away today if possible.

s9(2)(h)

s9(2)(h)



Nick

From: Jane Fleetwood

Sent: Thursday, 2 December 2021 2:18 PM

To: Nick Davis <Nick.Davis2@dia.govt.nz>

Cc: Mike Chatterley <Michael.Chatterley@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>

Subject: Water Services Entities Bill - Approval for introduction - suggested additional recommendations for Cab paper

Nick

Here are my suggestions for the additional recs (in red text in the attached), for your consideration and discussion with Treasury.

If everyone is comfortable with this approach, I will also add similar text to the body of the paper to ensure everything lines up.

Thanks

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Morgan Dryburgh [TSY]
Sent: Thursday, 5 May 2022 12:43 pm
To: Chris Bishop (DIA)
Cc: Michael Lonergan [TSY]; Yi Jin [TSY]; Orsola Del Sante-Bland; Paul Johnson; Jonathan Bass; Michael Petherick; Philippa Le Couteur [TSY]
Subject: RE: LG202200445 Legislative provision for reimbursement arrangements
Attachments: LG202200445 Legislative provision for reimbursement arrangements (002) - TSY comment.docx

Attachment withheld s9(2)(h)

Hi Chris,

Treasury comments on the report attached. s9(2)(h)

Thanks,
Morgan

From: Chris Bishop (DIA) <Chris.Bishop@dia.govt.nz>
Sent: Thursday, 5 May 2022 11:48 am
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Michael Lonergan [TSY] <Michael.Lonergan@treasury.govt.nz>; Yi Jin [TSY] <Yi.Jin@treasury.govt.nz>; Orsola Del Sante-Bland <orsola.delsante-bland@dia.govt.nz>; Paul Johnson <Paul.Johnson@dia.govt.nz>; Jonathan Bass <Jonathan.Bass@dia.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>
Subject: LG202200445 Legislative provision for reimbursement arrangements

Kia ora Morgan.

Please find attached the draft briefing including the new text proposed by PCO.

Much appreciated if Treasury can provide any comments on this briefing and the proposed provision ASAP.

Many thanks

Chris

From: Daniel Fielding <Daniel.Fielding@minterellison.co.nz>
Sent: Thursday, 5 May 2022 2:54 pm
To: Jane Tier
Cc: Scott.Priestley; Daniel Fielding; Chris Bishop (DIA); Morgan Dryburgh [TSY]; Jordan Oldham; Jonathan Bass
Subject: RE: Treasury/DIA loan discussion [MERWZN-MERWLIB.FID335749]

You don't often get email from daniel.fielding@minterellison.co.nz. [Learn why this is important](#)

Hi Jane and Morgan

s9(2)(h)



Thanks
Dan

Daniel Fielding 
Senior Associate
T +64 4 498 5012 M +64 27 378 8458
daniel.fielding@minterellison.co.nz
MinterEllisonRuddWatts
minterellison.co.nz | LinkedIn



Important information

This email and any attachments are confidential and may be legally privileged (in which case neither is waived or lost by mistaken delivery). Please notify us if you have received this message in error, and remove both emails from your system. Any unauthorised use is expressly prohibited. MinterEllisonRuddWatts collects personal information to provide and market our services (see our privacy policy at minterellison.co.nz for more information about use, disclosure and access). MinterEllisonRuddWatts' liability in connection with transmitting, unauthorised access to, or viruses in this message and its attachments, is limited to re-supplying this message and its attachments.

Lawyers are required to seek verification of their client's identity. [Learn more.](#)

From: Jane Tier
Sent: Thursday, 5 May 2022 8:21 AM
To: Daniel Fielding <Daniel.Fielding@dia.govt.nz>; Scott Priestley <Scott.Priestley@dia.govt.nz>
Cc: Chris Bishop (DIA) <Chris.Bishop@dia.govt.nz>; Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>
Subject: FW: Treasury/DIA loan discussion
Importance: High

Daniel and Scotty can you please advise on corrected wording for the paper please

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Thursday, 5 May 2022 7:43 AM
To: Jane Tier <Jane.Tier@dia.govt.nz>
Cc: Scott Priestley <Scott.Priestley@dia.govt.nz>; Chris Bishop (DIA) <Chris.Bishop@dia.govt.nz>
Subject: RE: Treasury/DIA loan discussion

Hi Jane,

I just wanted to follow up on the point that Chris made below about the policy paper for Bill 2 containing the provisions to require the WSEs to pay the better off/no worse off package.

I had a look at the paper and have some concerns around the wording of para 41.5 which says “the administration of payments made to local government organisations under the ‘no worse off’ and ‘better off’ financial packages will be the responsibility of the water services entities.”

To me this implies that the WSEs will control how that funding is spent, which I don’t think lines up with Ministers intent around the two packages. Given there is already a process for the better off package, I would expect that used for the whole amount of the package, not just the part supplied by the Crown. Ministers will also most likely need to make decisions on some elements of the no worse off package, so the paper should be clear that the WSEs will be required to supply the funding but Ministers hold the decision rights on how to administer it.

This section should also be explicit that it is asking for agreement that the legislation include a clause to require the water entities to pay this money – there is a rec to this effect at the end but no explicit statement of this here.

I’m in the process of finalising our feedback for MoF on these papers so it would be good to resolve this today to avoid needing to include it in our briefing.

Cheers,
Morgan

From: Chris Bishop (DIA) <Chris.Bishop@dia.govt.nz>
Sent: Tuesday, 3 May 2022 11:07 am
To: Orsola Del Sante-Bland <orsola.delsante-bland@dia.govt.nz>; Scott.Priestley <Scott.Priestley@dia.govt.nz>; Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>; Michael Petherick <Michael.Petherick@dia.govt.nz>; Jonathan Bass <Jonathan.Bass@dia.govt.nz>; Michael Lonergan [TSY] <Michael.Lonergan@treasury.govt.nz>; Yi Jin [TSY] <Yi.Jin@treasury.govt.nz>
Subject: RE: Treasury/DIA loan discussion

Kia ora korua

There’s a few questions that have been circulated which I thought would be good to get DIA’s initial views written down before the discussion this afternoon.

What provisions are in the Bill to ensure that the WSEs pay the \$1.5b that Cabinet has agreed they will as part of the better off/no worse off payments?

There will be a provision in Bill 2 to allow for this payment and debts linked to infrastructure. This is discussed in para 12.6 of Bill Two Cabinet Paper.

s9(2)(h)

s9(2)(h)

There are three questions posed in CAB-22-MIN-0144:

- 138.1 which costs will be recovered from the water services entities;
- 138.2 how these costs will be allocated across the four water services entities; and
- 138.3 the terms and conditions of any loan made by the Minister of Finance on behalf of the Crown to the water services entities;

We expect that the categories of costs, debt allocation and the terms and conditions of the loans are best determined immediately before advice on individual loans is presented to the MoF after Cabinet considerations detailed business cases for the investments. While we expect that these loans will be fiscally neutral, it would be unwise to introduce increased specificity into Bill 1 as it could hamstring Ministers at a later stage. Examples of these risks may include allocating debt to WSEs that may get little benefit from the loan, or interest rates that don't reflect the current credit risk, or too narrow a definition of expenses which prevents the benefits from being realised. We can talk this through more this afternoon.

Ngā mihi

Chris

Chris Bishop | Kaitohutohu Mātāmua

Ue te Hīnātore – Local Government Branch

The Department of Internal Affairs Te Tari Taiwhenua

Mobile ^{s 9(2)(g)(ii)}

45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz



Te Tari Taiwhenua
Internal Affairs

-----Original Appointment-----

From: Chris Bishop (DIA)

Sent: Monday, 2 May 2022 10:02 AM

To: Chris Bishop (DIA); Orsola Del Sante-Bland; Scott Priestley; Morgan Dryburgh; Michael Petherick; Jonathan Bass

Cc: Yi Jin [TSY]; Michael Lonergan [TSY]

Subject: Treasury/DIA loan discussion

When: Tuesday, 3 May 2022 3:00 PM-4:00 PM (UTC+12:00) Auckland, Wellington.

Where: <https://dia-nz.zoom.us/j/86005534584?pwd=ZmJnanAyNWlzVnlReUZmQ2F5b0U3QT09>

Kia ora Morgan

Much appreciated if you could forward this invitation to the relevant people at Treasury.

Given the time constraints between now and needing to lodge Bill 1 with LEG next week, DIA is keen to ensure that the finer details are worked through ahead of any loans being approved by Ministers having considered the relevant detailed business cases.

s9(2)(h)



for the purposes of an establishment chief executive. (2) The expenses or expenditure constitute a debt due— (a) by the water services entity to the Crown; and



Use Zoom for meetings which are classified up to a level of 'In Confidence' ONLY

Hi there,

Chris Bishop is inviting you to a scheduled Zoom meeting.

[Join Zoom Meeting](#)

Phone one- New Zealand: [+6436590603](tel:+6436590603), [86005534584#](tel:+6448860026) or

tap: [+6448860026](tel:+6448860026), [86005534584#](tel:+6448860026)

Meeting [https://dia-](https://dia-nz.zoom.us/j/86005534584)

URL: [nz.zoom.us/j/86005534584?pwd=ZmJnanAyNWlzMVnlReUjZmQ2F5b0U3QT09](https://dia-nz.zoom.us/j/86005534584?pwd=ZmJnanAyNWlzMVnlReUjZmQ2F5b0U3QT09)

Meeting ID: 860 0553 4584

Password: 839936

Join by Telephone

For higher quality, dial a number based on your current location.

Dial:

New Zealand: +64 3 659 0603 or +64 4 886 0026 or +64 9 884 6780

Meeting ID: 860 0553 4584

Password: 839936

[International numbers](#)

Join from an H.323/SIP room system

H.323: global.zoomcrc.com

Meeting ID: 860 0553 4584

Password: 839936

SIP: 86005534584@global.zoomcrc.com

Password: 839936

Skype for Business (Lync)

<https://dia-nz.zoom.us/skype/86005534584>

**Use Zoom for meetings which are classified up to a level
of 'In Confidence' ONLY**

(b) on the terms and conditions agreed between the Minister, the Minister of Finance, and the establishment chief executive. Compare: 2009 No 13 s 23

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Sent: Friday, 8 July 2022 9:41 am
To: Morgan Dryburgh [TSY]
Subject: RE: Progressing work on WSE financial and prudential framework and introducing Kristin Leslie

Morgan sorry, I somehow missed this email.

These questions were prior to the development of the framework which I shared for comment, so less pressing than any advice Treasury may have on that piece of work.

Comments in red:


Thanks
Kristin

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Tuesday, 7 June 2022 5:03 pm
To: Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: RE: Progressing work on WSE financial and prudential framework and introducing Kristin Leslie

Hi Kristin,

I appreciate the tight timeframes that you are working to, but I also think it is worthwhile noting that the Three Waters programme is making various calls on a range of Treasury teams at the moment, alongside our other, non-three waters work, so sometimes we can't address everything immediately. I know that specifically Alistair was on leave until Friday last week so likely has a number of emails to work through.

Based on the information in your email, I think Alistair and his team will likely be central to the questions around the financial powers, so will make sure this is on his radar. However, from the policy question/position below this looks like somewhat of a drafting question to me as to what the best way is to enable the financial powers agreed by Cabinet. Is PCO able to advise on why some entities like Crown entities specifically enable these activities while other legislation (such as the mentioned Companies Act) doesn't require individual enabling of these abilities? I think it would be useful if you could provide any of the more detailed thinking you've done about this and any more specific questions you have for Treasury. ^{s9(2)(h)}



In relation to the appointment of a monitor/monitors for the entities, this is something that I will have to work with our Commercial Performance teams on – do you have any policy background information on the intent of the monitoring role that I could pass on to them? What decisions need to be made to enable the drafting of legislation vs what can be made later? I would hope that the decision around what monitoring role Treasury might want could be made later, as I don't think making this decision in two weeks is doable. **Agree. And I don't think anything is needed in the legislation at this time.**

Morgan



Morgan Dryburgh (she/her) | Kaitātari Matua, Rōpū Take Whenua - Senior Analyst, National Infrastructure Unit
| Te Tai Ōhanga – The Treasury

Mobile: +64 9 (2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Kristin Leslie <Kristin.Leslie@dia.govt.nz>

Sent: Tuesday, 7 June 2022 4:23 pm

To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>

Subject: RE: Progressing work on WSE financial and prudential framework and introducing Kristin Leslie

You don't often get email from kristin.leslie@dia.govt.nz. [Learn why this is important](#)

Hi Morgan,

We've not heard anything back at all from Alistair on this- Philippa and I were wondering if you might be able to confirm who the right person would be to speak to?

We understand Alistair is absolutely the right person for the debt transfer from councils to the new WSEs but what we're looking at here is what provisions we need to put into legislation to create the financial and prudential framework for WSEs for bill two (so drafting instructions are due by the 21st June.) If Alistair is still the right person, would you know why we've not heard from him? Time is very tight.

The key questions we are looking to answer are

Policy question for drafting	DIA position
<ul style="list-style-type: none"> - Is giving the rights and powers of a natural person to these entities adequate. Do we need to expressly include the power to <ul style="list-style-type: none"> o acquire financial products; to borrow; give security, guarantees or indemnities; 	<p>Legislating would give greater clarity to the entities, but if unnecessary would be both inelegant and potentially imply an unintended limit to the powers.</p> <p>We do not have a position on how to draft these if it is required and note that similarly permissive (in giving powers to non natural persons) legislation (IE companies act) don't separately call out these powers, and yet companies are able to do each of the activities mentioned.</p>
<ul style="list-style-type: none"> - Financial monitoring of the entity <ul style="list-style-type: none"> o The bill presently gives Ministerial power to creating a monitor - What role does Treasury wish to have as a monitor 	<p>Changing the Ministerial power to allowing the appointment of one or more department as monitor(s) would enable TSY to be appointed a general financial monitor, with wide ranging powers to collect information.</p> <p>We have made an assumption that Treasury would have an interest in monitoring the financial performance of the entities due to (at a minimum) the liquidity funding/stand-by function that the crown is anticipated to have in connection to the entities.</p> <p>We believe the one or more monitor approach might be the most flexible manner in which to enable this, while we are yet to work through the commercial grounds.</p>

I hugely appreciate the help – I'm very nervous about the timeframes to confirm the policy approaches as drafting instructions is due very soon.

Best
Kristin

From: Nick Davis <Nick.Davis2@dia.govt.nz>
Sent: Friday, 3 June 2022 2:29 pm
To: Alistair Birchall [TSY] <Alistair.Birchall@treasury.govt.nz>
Cc: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>; Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: Progressing work on WSE financial and prudential framework and introducing Kristin Leslie

Kia ora Alistair

Hope you're well. Further to my text message this afternoon, I'd be grateful if you could call me briefly to discuss the financial and prudential framework for the WSEs and work we need to do advance drafting instructions. I understand Treasury will be keenly interested in this and am keen to tee up a time to meet early next week, ideally Tuesday afternoon if possible. Also have a couple of quick questions for you that are easiest to discuss over the phone.

Kristin Leslie has recently joined the Three Waters Reform programme and is picking up the work on this. I've copied Kristin into this email and have passed on your contact details.

Ngā mihi

Nick

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Morgan Dryburgh [TSY]
Sent: Tuesday, 19 July 2022 11:52 am
To: 'Kristin Leslie'
Subject: RE: LG202200619 Briefing for feedback, possible to receive comments by close of business Monday?
Attachments: RE: Prudential Framework for water service entities and 2 further financing related items

Hi Kristin,

Just passing on some feedback from Alistair. The two key points he is interested in ensuring are covered in the financial framework are:

- At a minimum, need to ensure entities are able to provide security over their revenues (key for LGFA participation)
- Need certainty around financing transactions so they cannot be challenged after the fact.

s9(2)(h)

Alistair also expressed some concerns that there are elements from a number of different frameworks here as opposed to just using one framework across all aspects (e.g. what applies to regulated utilities) and that the frameworks still include roles for the Crown that align more with an ownership interest than just a policy interest, so I think it would be fair to say we understand the logic that has been applied in these frameworks and don't have any strong objections (but wouldn't go as far as saying the Treasury supports them, if that makes sense).

Hope this is useful.

Thanks,
Morgan

From: Morgan Dryburgh [TSY]
Sent: Tuesday, 19 July 2022 9:01 am
To: Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: RE: LG202200619 Briefing for feedback, possible to receive comments by close of business Monday?

Hi Kristin,

Sorry, totally spaced on the deadline for this. I've read through the briefing and think it aligns with what we discussed last week, no red flags raised for me. From my perspective the briefing was also very clear about why the changes are needed/where what's being proposed is coming from, which I thought was really helpful.

I've only just passed it on to Alistair asking him to look if he has time and raise any big issues that he has – so will pass on if he gives me any feedback.

Cheers,
Morgan

From: Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Sent: Tuesday, 19 July 2022 7:46 am
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Subject: RE: LG202200619 Briefing for feedback, possible to receive comments by close of business Monday?

Hi Morgan – did you have any feedback for me? We are looking to send this to both MOF and MoLG today? (asking for it to be returned by next Tuesday 26th July).

Thanks
Kristin

From: Kristin Leslie
Sent: Thursday, 14 July 2022 4:37 pm
To: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>
Subject: LG202200619 Briefing for feedback, possible to receive comments by close of business Monday?


Hi Morgan

This briefing

Thanks for the meeting with yourself and Alasdair recently. You should find the attached briefing consistent with all we discussed (hopefully!). When do you think it would be possible to get feedback for, I've proposed close of business Monday as our legislation team are very keen to get permission to proceed to drafting, but if this is unfeasible, please let me know.

Very keen for your advice on whether to send to MOF or forward it following our Minister/ any other process requirements for getting it to MOF? I thought that sending to both at the same time would help with the time pressures we have for drafting.

Withheld - out of scope of request



Hope you've had a great week and sorry this took so long to get to you

Best wishes
Kristin

From: Morgan Dryburgh [TSY]
Sent: Tuesday, 23 August 2022 12:15 pm
To: Rebecca Gallagher-Scott
Cc: Michael Mills; Kristin Leslie
Subject: RE: Entitlement to infringement fees: Treasury views sought

Hi Rebecca,

Sorry this appears to have fallen through the cracks here. We are comfortable with the proposal that the WSEs retain any infringement fees they collect, given that currently the infringement fees are collected and retained by councils (so overall this will make no impact on the Crown).

Thanks,
Morgan

From: Rebecca Gallagher-Scott <Rebecca.Gallagher-Scott@dia.govt.nz>
Sent: Tuesday, 23 August 2022 10:07 am
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>; Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: RE: Entitlement to infringement fees: Treasury views sought

You don't often get email from rebecca.gallagher-scott@dia.govt.nz. [Learn why this is important](#)

Mōrena Morgan, just following up on my email to you from 11 August. We were ideally wanting comment by last Monday 15 August as we're needing to tie off final instructions.

Happy to have a short meeting to discuss, if that would assist.

Ngā mihi nui, Rebecca.

From: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Sent: Thursday, 11 August 2022 12:03 PM
To: Rebecca Gallagher-Scott <Rebecca.Gallagher-Scott@dia.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>; Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: RE: Entitlement to infringement fees: Treasury views sought

Thanks Rebecca, I'll pass on to the relevant people and get back to you.

Cheers,
Morgan



Morgan Dryburgh (she/her) | Acting Manager, National Infrastructure Unit | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: morgan.dryburgh@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Rebecca Gallagher-Scott <Rebecca.Gallagher-Scott@dia.govt.nz>
Sent: Thursday, 11 August 2022 11:46 am
To: Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>; Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Subject: RE: Entitlement to infringement fees: Treasury views sought

You don't often get email from rebecca.gallagher-scott@dia.govt.nz. [Learn why this is important](#)

Mōrena again, just to clarify one matter below re my assumptions about appropriations could be misleading. There is no proposal to change the entity funding model. This was poorly worded on my part (I'm fairly new still so I'm still getting up to speed in some areas).

Ngā mihi, Rebecca.

From: Rebecca Gallagher-Scott
Sent: Thursday, 11 August 2022 11:23 AM
To: Morgan Dryburgh <morgan.dryburgh@treasury.govt.nz>
Cc: Michael Mills <Michael.Mills@dia.govt.nz>
Subject: Entitlement to infringement fees: Treasury views sought
Importance: High

Dear Morgan, I have been given your name, by Nick Davis, as a Treasury contact who may be able to assist with this issue directly or to refer to a colleague. Please note, we're working to some short timeframes to resolve this issue (**by noon Monday 15th August**).

Meeting with LDAC: Question on entitlement to fees from infringements

The Department met with the Legislation Design and Advisory Committee on Tuesday this week and one issue LDAC raised was the intended recipient of infringement notice schemes in the three waters proposals for Bill 2 of the Water Services Entities legislation; currently working towards LEG approvals in September for introduction.

Current law re water related/ local government infringements

Under the Local Government Act 2002 the current position is that a local authority may retain fees for infringement notices, including for breaches to water-related services, issued by one of their own enforcement officers under the LGA 2002. Note, under the LGA 2002 local authority means a regional council or territorial authority:

[Local Government Act 2002 No 84 \(as at 12 April 2022\), Public Act 246 Entitlement to infringement fees – New Zealand Legislation](#)

Advice from the Ministry of Justice: Regulatory “white collar” offences verses compliance and enforcement

We have recently consulted the Ministry of Justice on this matter (copy attached), however, the examples provided were more in the nature of “white collar”/ regulatory in nature (Residential Tenancies Act 1986 and Freedom Camping Act 2011). As you will see, from their examples, they are largely quoting the usual approach for more regulatory “white collar” infringement schemes where an organisation doesn't need to have a number of compliance officers to undertake the role or various agencies bear the burden of enforcing broader general infringement schemes. [By way of background, I was formally an offence and penalty vetter at Justice so have a fairly substantial working knowledge in this space].

In contrast, we can see that where there is a specialist knowledge and/ or primary compliance responsibility then the fees sit with the agency responsible for administering that infringement scheme:

- Animal Products Act 1999:

https://www.legislation.govt.nz/act/public/1999/0093/latest/LMS19235.html?search=qs_act%40bill%40regulation%40deemedreg_infringement_resel_25_h&p=5

- Food Act 2014:

[Food Act 2014 No 32 \(as at 28 October 2021\), Public Act 221 Payment of infringement fees – New Zealand Legislation](#) (notably after the Freedom Camping Act 2011)

Proposed policy principles for consideration regarding entitlement to fees

My initial sense is there is a need to consider the following factors regarding entitlement to infringement fees:

1. The extent to which an agency is either the primary or predominant enforcer of the infringement scheme (including having specialist compliance officers with subject matter expertise);
2. The nature and scope of the infringement scheme (whether regulatory or more in the nature of compliance and enforcement);
3. Practical factors including the “red tape” associated with collecting fees for the Crown Account (I understand it’s no longer called the consolidated fund);
4. Implications for appropriations (that is, in the absence of the fees of infringement scheme going to the WSEs then the costs for the compliance scheme (including compliance officers) will need to be sought through appropriations.

Key policy questions for Treasury regarding infringement fees

On this basis I am seeking Treasury’s agreement:

- a. that the infringement scheme being developed under the WSE reforms are largely going to fall on the WSE entities, who will bear the largest burden of compliance (including compliance staff);
- b. that recovering the costs of compliance officers (partial or otherwise) is best achieved through the infringement fees going to the WSEs rather than captured through appropriations (partial or otherwise);
- c. the removal/ transfer of old compliance responsibilities to the entities (from local authorities) should mean that the fees which would have gone to those agencies now go to the entities.

Please let me know if you have anything further that would assist with this consideration. We’re working to some very tight deadlines so would appreciate a view by **noon on Monday 15th** (we’re needing to cover off instructions to PCO).

Kia pai tō rā, Rebecca.

Rebecca Gallagher-Scott (she/her*)

Principal Advisor

Three Waters Reform Programme

Ue Te Hīnārore – Local Government Branch

Te Tari Taiwhenua | Department of Internal Affairs

s 9(2)(g)(ii)

45 Pipitea St | PO Box 805, Wellington 6140, New Zealand

dia.govt.nz | [Facebook](#) | [LinkedIn](#)



In the Office = ✓ Working from home = WFH

MON	TUE	WED	THU	FRI
✓	WFH	✓	WFH	✓

*If you're wondering about the use of pronouns she/her in this signature, you can find [more information](#) about how sharing pronouns can help create a sense of belonging and respect.

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Morgan Dryburgh [TSY]
Sent: Thursday, 22 September 2022 2:08 pm
To: Kristin Leslie; Alistair Birchall [TSY]; Philippa Yasbek
Cc: Nick Davis; Michael Mills
Subject: RE: WSE bill 1 departmental report query - guarantees and pledges
Attachments: RE: WSE bill 1 departmental report query - guarantees and pledges

Hi Kristin, feedback from our legal team attached.

From: Kristin Leslie <Kristin.Leslie@dia.govt.nz>
Sent: Thursday, 22 September 2022 11:07 am
To: Alistair Birchall [TSY] <Alistair.Birchall@treasury.govt.nz>; Philippa Yasbek <Philippa.Yasbek@dia.govt.nz>; Morgan Dryburgh [TSY] <Morgan.Dryburgh@treasury.govt.nz>
Cc: Nick Davis <Nick.Davis2@dia.govt.nz>; Michael Mills <Michael.Mills@dia.govt.nz>
Subject: WSE bill 1 departmental report query - guarantees and pledges
Importance: High

s9(2)(h)



Thanks
Kristin

Kristin Leslie | Principal Policy Analyst
Ue te Hīnāture - Local Government Branch
The Department of Internal Affairs Te Tari Taiwhenua
Mobile: s9(2)(k)
45 Pipitea Street | PO Box 805, Wellington 6140, New Zealand | www.dia.govt.nz



Thriving local communities, together

From: Walker, Anthony <anthony.walker@spglobal.com>
Sent: Wednesday, 13 April 2022 1:56 pm
To: Campbell Will; Tim Walker; Petra Lapish; ^DIA: Michael Chatterley
Cc: Hrvatin, Rebecca; deriek.pijls@spglobal.com; Kyle Berryman [TSY]
Subject: S&P Global Ratings 3 Water questions
Attachments: 3 Water RES v3 13 April 2022 Questions.docx

You don't often get email from anthony.walker@spglobal.com. [Learn why this is important](#)

Hi all,

Please see attached the amin questions from our end for tomorrow's discussion.

Regards

Anthony Walker
Director, Sovereign & International Public Finance Ratings

S&P Global
Level 45, 120 Collins Street
Melbourne, 3000
T: 613.9631.2019 | M: 61. 408.139.790
anthony.walker@spglobal.com
www.spglobal.com

[LinkedIn](#) | [Twitter](#) | [Facebook](#) | [Google+](#) | [YouTube](#)

S&P Global

[View our latest COVID-19 related research and insights](#)

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.

12 April 2022

DIA 3 Waters Reforms RES Part 3

Relationship between RRG and WSE

- Shareholdings: Some decisions require unanimous votes from the RRG, but with a 75% backstop. How does this work in practice? Does Auckland hold enough votes to block the 75% majority? Are local councils the only shareholders, what about Manu Whenua?
 - What is the shareholding structure of WSE A (What proportion of shares does Auckland hold)?
 - If it is one share per 50,000 people, could Auckland hold a majority of WSE A shareholdings? Would it hold more than 75%?
 - What is the shareholding structure of WSE C (What proportion of shares does Wellington hold)?
 - What type of decisions could Auckland or Wellington prevent the RRG from making if they hold more than 25% of shares?
 - How are the shareholders rights defined? Can shareholding rights be expanded by the RRG?
- What can the RRG influence in the WSEs SOI?
 - What happens if the board isn't satisfied with the decisions made by the WSE?
 - What prevents the RRG for influencing day-to-day operations, individual projects, and management decisions?
 - The RRG can comment on operational direction, asset management plans, and key documents. The WSE to consult with the RRG on investment prioritization methodology etc. Can they direct or approve these?
 - What type of details are included in the SOI? Footnote 5 link isn't working.
 - Do we assume the SOI is limited to strategic direction only going forward? I.e. no expansion of scope of the SOI?
- What are the minimum requirements of the constitutions? How and what can be changed within the constitution?

Relationship between Council and RRG

- What is the structure for the RRG of WSE C (Wellington)?
- How are RRG reps appointed? What is the process?
- Are all councils represented on the RRG of their respective WSE? If councils aren't represented will there more likely be sub-RRGs?
- Can the structure and representative mix be changed by the RRG, shareholders, or constitution?
- Do Mana Whenua have any shareholding or just local councils?
- Are Mana Whenua representatives independent from councils? Will they represent in anyway the local councils involved in the WSE? Can they be council employees or elected officials?
- Sub-RRGs:
 - How do they work?
 - What would the sub-RRGs do? Can they overturn decisions made at RRG level?
 - How do we factor in the sub-RRGs into the scenarios?

- What information do they provide to the RRG?
- Does the RRG need to take into account sub-RRGs views?
- How independent are the sub-RRGs? Who sits on the sub-RRG? Does this include RRG members, council employees, or elected officials?

Scenario 2

- Is the only difference for Scenario 2 the lack of approval rights?

Other

- Can councils provide any financial support to the WSEs? Is this prohibited in legislation?
- How does the proposed structure “provide tighter accountability from each WSE board to the community”? What is the “community” here?
- Are there any sub-RRGs in these 2 scenarios? What are their structures?
- How does the treaty settlement affect the RRG, local councils or WSEs?

From: Vora, Meet <meet.vora@spglobal.com>
Sent: Friday, 14 October 2022 11:42 am
To: Campbell Will
Cc: Iyer, Parvathy; Louise Marsden; Kyle Berryman [TSY]; Tim Walker
Subject: RE: [SPGConfidential] WSE RES Feedback

You don't often get email from meet.vora@spglobal.com. [Learn why this is important](#)

This message was sent securely using Zix®

Hi Campbell,

Does Monday work for anytime between 11 am – 2 pm NZT?

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045

From: Campbell Will <campbell.will@mafic.co.nz>
Sent: Friday, 14 October 2022 4:56 AM
To: Vora, Meet (Analytical) <meet.vora@spglobal.com>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Louise Marsden <louise.marsden@mafic.co.nz>; Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>; Tim Walker <tim.walker@mafic.co.nz>
Subject: Re: [SPGConfidential] WSE RES Feedback

EXTERNAL MESSAGE

Hi Meet

We're pretty flexible at our end so can work in with your diaries.
Are you able to suggest a couple of times after 10:00am NZT on Monday or after 10:30am NZT Tuesday?

Cheers,
Campbell

On 13/10/2022, at 6:33 PM, Vora, Meet <meet.vora@spglobal.com> wrote:

This message was sent securely using Zix®

Hi Campbell,

Sure. Could you let us know few slots and I can look up our calendars internally.

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045

From: Campbell Will <campbell.will@mafic.co.nz>
Sent: Thursday, 13 October 2022 2:18 PM
To: Vora, Meet (Analytical) <meet.vora@spglobal.com>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Louise Marsden <louise.marsden@mafic.co.nz>; 'Kyle Berryman [TSY]' <Kyle.Berryman@treasury.govt.nz>; Tim Walker <tim.walker@mafic.co.nz>
Subject: RE: [SPGConfidential] WSE RES Feedback

EXTERNAL MESSAGE

Hi Meet

Thanks again for the work on the latest RES. We have been discussing the feedback with DIA and Treasury and a few questions have come up regarding the assessment of the liquidity facility and liquidity more generally. In particular, regarding the underlying assumptions S&P made for the purposes of undertaking the RES and also more generally in regard to how the rating methodology considers liquidity (ie sources and uses).

Would you and/or Parvathy be available early next week for a call to talk through a few questions to help us understand the rating methodology further?

Cheers,
Campbell



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Campbell Will
Sent: Thursday, 22 September 2022 3:43 pm
To: Vora, Meet <meet.vora@spglobal.com>
Subject: RE: [SPGConfidential] WSE RES Feedback

Thanks Meet!



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Vora, Meet <meet.vora@spglobal.com>
Sent: Wednesday, 21 September 2022 5:55 pm
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz; Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker <tim.walker@mafic.co.nz>; ambrose.beaney@spglobal.com
Subject: RE: [SPGConfidential] WSE RES Feedback

This message was sent securely using Zix®

Hi Campbell,

Please find attached the RES feedback letter for the Water Service Entity.

If you have any questions, please feel free to reach out to me or Parvathy.

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045

From: Vora, Meet (Analytical)
Sent: Friday, 16 September 2022 4:16 PM
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz; Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker <tim.walker@mafic.co.nz>; Beaney, Ambrose (Analytical) <ambrose.beaney@spglobal.com>
Subject: [SPGConfidential] WSE RES Feedback

Hi Campbell,

Thanks for making the time this afternoon to catch up with us.

As discussed, below is the table with brief scores and outcomes from our RES committee process. We will start working on the letter, which we should be able to send through to you sometime later half of next week as I have a couple of days of leave coming up next week.

s9(2)(f)(iv)

s9(2)(f)(iv)

Regards,
Meet

Meet Vora

He/Him

Director, APAC Infrastructure

S&P Global Ratings

Level 22, 400 George Street, Sydney, NSW 2000, Australia

T: 61.2.9255.9854 | M: 61.400.258.045

meet.vora@spglobal.com

spglobal.com



The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.

This message was secured by [Zix](#)[®].

From: Campbell Will <campbell.will@mafic.co.nz>
Sent: Friday, 14 October 2022 6:56 am
To: Vora, Meet
Cc: Iyer, Parvathy; Louise Marsden; Kyle Berryman [TSY]; Tim Walker
Subject: Re: [SPGConfidential] WSE RES Feedback

Hi Meet

We're pretty flexible at our end so can work in with your diaries.
Are you able to suggest a couple of times after 10:00am NZT on Monday or after 10:30am NZT Tuesday?

Cheers,
Campbell

On 13/10/2022, at 6:33 PM, Vora, Meet <meet.vora@spglobal.com> wrote:

This message was sent securely using Zix®

Hi Campbell,

Sure. Could you let us know few slots and I can look up our calendars internally.

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045

From: Campbell Will <campbell.will@mafic.co.nz>
Sent: Thursday, 13 October 2022 2:18 PM
To: Vora, Meet (Analytical) <meet.vora@spglobal.com>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Louise Marsden <louise.marsden@mafic.co.nz>; 'Kyle Berryman [TSY]' <Kyle.Berryman@treasury.govt.nz>; Tim Walker <tim.walker@mafic.co.nz>
Subject: RE: [SPGConfidential] WSE RES Feedback

EXTERNAL MESSAGE

Hi Meet

Thanks again for the work on the latest RES. We have been discussing the feedback with DIA and Treasury and a few questions have come up regarding the assessment of the liquidity facility and

liquidity more generally. In particular, regarding the underlying assumptions S&P made for the purposes of undertaking the RES and also more generally in regard to how the rating methodology considers liquidity (ie sources and uses).

Would you and/or Parvathy be available early next week for a call to talk through a few questions to help us understand the rating methodology further?

Cheers,
Campbell



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Campbell Will
Sent: Thursday, 22 September 2022 3:43 pm
To: Vora, Meet <meet.vora@spglobal.com>
Subject: RE: [SPGConfidential] WSE RES Feedback

Thanks Meet!



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Vora, Meet <meet.vora@spglobal.com>
Sent: Wednesday, 21 September 2022 5:55 pm
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz; Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker <tim.walker@mafic.co.nz>; ambrose.beaney@spglobal.com
Subject: RE: [SPGConfidential] WSE RES Feedback

This message was sent securely using Zix®

Hi Campbell,

Please find attached the RES feedback letter for the Water Service Entity.

If you have any questions, please feel free to reach out to me or Parvathy.

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045


From: Vora, Meet (Analytical)
Sent: Friday, 16 September 2022 4:16 PM
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz;
Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker
<tim.walker@mafic.co.nz>; Beaney, Ambrose (Analytical) <ambrose.beaney@spglobal.com>
Subject: [SPGConfidential] WSE RES Feedback

Hi Campbell,

Thanks for making the time this afternoon to catch up with us.

As discussed, below is the table with brief scores and outcomes from our RES committee process. We will start working on the letter, which we should be able to send through to you sometime later half of next week as I have a couple of days of leave coming up next week.

s9(2)(f)(iv)



Regards,
Meet

Meet Vora
He/Him
Director, APAC Infrastructure

S&P Global Ratings
Level 22, 400 George Street, Sydney, NSW 2000, Australia

T: 61.2.9255.9854 | M: 61.400.258.045
meet.vora@spglobal.com
spglobal.com



The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.

This message was secured by [Zix](#)[®].

This message was secured by [Zix](#)[®].

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Thursday, 14 April 2022 12:50 pm
To: 'Walker, Anthony'; 'Campbell Will'; Tim Walker; 'Petra Lapish'
Cc: 'Hrvatın, Rebecca'; 'deriek.pijls@spglobal.com'; Kyle Berryman [TSY]
Subject: RE: S&P Global Ratings 3 Water questions

Prohibition on financial support to entities from territorial authorities

Cabinet decisions

Paragraphs 63 - 64 of the Cabinet paper, alongside recommendation 22, state that the the Bill should be amended to include provisions to prohibit territorial authorities from providing financial support to, or for the benefit of, water services entities by way of guarantee, indemnity or security, or the lending of money or provision of credit or capital, except in such circumstances that would be considered the ordinary course of business.

Instruction

We propose inclusion of a provision in the Bill stating that a territorial authority must not:

- **give an entity any financial support or capital**, other than the sale, purchase, or supply of goods or services in the ordinary course of the territorial authority and water services entity's performance of their lawful responsibilities;
- **give any person any guarantee, indemnity or security** in relation to the performance of any obligation by a water services entity;
- **lend money or provide credit to a water services entity**, other than the purchase or supply of goods or services on credit by a territorial authority from a water services entity on credit in the ordinary course of the territorial authority and water services entity's performance of their lawful responsibilities, on terms and conditions generally available to other parties of equivalent creditworthiness.

There should be a provision defining "lend money or provide credit" as including —

- to defer payment for any goods or services supplied or works constructed for any person, organisation, or government; and
- to enter into hire purchase agreements or agreements that are of the same or a substantially similar nature; and
- to enter into finance lease arrangements or arrangements that are of the same or a substantially similar nature; and
- to subscribe for any debt securities or uncalled capital.

Section 114 of the Infrastructure Funding and Financing Act 2020 may provide a useful precedent to consider. The proposed provision is however broader in scope as it prohibits financial support and capital, neither of which are deal with by section 114.

From: Mike Chatterley
Sent: 14 April 2022 12:47 PM
To: 'Walker, Anthony' <anthony.walker@spglobal.com>; 'Campbell Will' <campbell.will@mafic.co.nz>; Tim Walker <tim.walker@mafic.co.nz>; 'Petra Lapish' <petra.lapish@mafic.co.nz>
Cc: 'Hrvatın, Rebecca' <rebecca.hrvatın@spglobal.com>; 'deriek.pijls@spglobal.com' <deriek.pijls@spglobal.com>; 'Kyle Berryman [TSY]' <Kyle.Berryman@treasury.govt.nz>
Subject: RE: S&P Global Ratings 3 Water questions

Kia ora Anthony and team

Thanks for your time today, please find attached a copy of the questions and answers and associated table relating to the constitution.

From: Mike Chatterley
Sent: 13 April 2022 2:43 PM
To: Walker, Anthony <anthony.walker@spglobal.com>; Campbell Will <campbell.will@mafic.co.nz>; Tim Walker <tim.walker@mafic.co.nz>; Petra Lapish <petra.lapish@mafic.co.nz>
Cc: Hrvatin, Rebecca <rebecca.hrvatin@spglobal.com>; deriek.pijls@spglobal.com; Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Subject: RE: S&P Global Ratings 3 Water questions

Much appreciated Anthony

We'll prepare some answers ahead of tomorrow's catch-up.

@DIA/TSY/Mafic I'll draft some responses and circulate overnight.

Mike

From: Walker, Anthony <anthony.walker@spglobal.com>
Sent: 13 April 2022 1:56 PM
To: Campbell Will <campbell.will@mafic.co.nz>; Tim Walker <tim.walker@mafic.co.nz>; Petra Lapish <petra.lapish@mafic.co.nz>; Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Cc: Hrvatin, Rebecca <rebecca.hrvatin@spglobal.com>; deriek.pijls@spglobal.com; Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Subject: S&P Global Ratings 3 Water questions

Hi all,

Please see attached the amin questions from our end for tomorrow's discussion.

Regards

Anthony Walker
Director, Sovereign & International Public Finance Ratings

S&P Global
Level 45, 120 Collins Street
Melbourne, 3000
T: 613.9631.2019 | M: 61. 408.139.790
anthony.walker@spglobal.com
www.spglobal.com

[LinkedIn](#) | [Twitter](#) | [Facebook](#) | [Google+](#) | [YouTube](#)

S&P Global

[View our latest COVID-19 related research and insights](#)

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Monday, 28 March 2022 11:31 am
To: Walker, Anthony
Cc: Campbell Will; Petra Lapish; Louise Marsden; Alistair Birchall [TSY]; Kyle Berryman [TSY]; David Lai [TSY]
Subject: DIA three waters RES update
Attachments: 220328 Draft SP scenarios.docx

Ata mārie Anthony

I hope you had a good weekend.

Many thanks again for your time on Thursday. Following our conversation, please find **attached** for your consideration the indicative scenarios we'd like to test. We have consolidated where feasible and would like to prioritise scenarios one and two to meet our drop dead date of May 2.

These scenarios are being finalised internally and we will aim to have an updated IM to you by the end of the week.

Please note, I have separately reached out to John Birch.

Ngā mihi nui,

Mike Chatterley ([he/him](#)) | Three Waters Reform Programme
Department of Internal Affairs | Te Tari Taiwhenua
Phone: + ^{s 9(2)(g)(ii)} | www.dia.govt.nz



Te Tari Taiwhenua
Internal Affairs

Table 1: Summary of scenarios

RES Scenario	Summary description
Scenario 1 (GRE – Auckland Council)	<p>An amended base case, updated to reflect changes following Cabinet decisions and Working Group recommendations and updated WSE financial position</p> <ul style="list-style-type: none"> • Shares provided to local authorities that carry voting rights only in respect of privatisation and merger proposals, with one vote per share • Strengthening of co-governance with RRG co-chairs to consist of one council and one iwi/hapū representative • Consensus voting on RRG decisions, with 75% backstop at discretion of the co chairs • Role of the RRG clarified to include issuance of SSPE and an approval right over the Statement of Intent (on the assumption that the SOI is limited to strategic direction only) • Removal of the Independent Selection Panel. The RRG is responsible for appointing, monitoring and, if necessary, removing entity board members • Option for the establishment of regional advisory groups (sub-RRGs) to the RRG to exist within legislation • Updated WSE financial forecasts to include the “better of” and “no worse off” support packages
Scenario 2 (GRE – Auckland Council)	<p>Scenario 1 above, but without the RRG having approval rights over the Statement of Intent and transitional price path restrictions for the WSE</p> <ul style="list-style-type: none"> • The RRG does not have approval rights over the Statement of Intent • Updated WSE financial forecasts to include Crown imposed transitional price path restrictions, while the regulatory framework is developed
Scenario 3 (GRE)	<p>Scenario 1 above (subject to achieving balance sheet separation), but with LGFA as a primary lender to the WSE</p> <ul style="list-style-type: none"> • WSE utilise the LGFA as the primary lender, with ~50% of WSE debt provided by the LGFA
Scenario 4 (GRE and corporate)	<p>Scenario 1 above, but with reduced Crown support</p> <ul style="list-style-type: none"> • Removal of the \$500m liquidity facility provided by the Crown to the WSE

Commented [MC1]: We can deprioritise this component

Table 2: Scenario 1 parameters

Key features	Base Case position (as per August 2021 Addendum)	Scenario 1 position
Number of WSEs	Base Case scenario envisages a four WSE system	As per Aug 2021 Base Case
Ownership structure of WSE	Entity established under statute with no shareholding ownership structure	<p>As per Aug 2021 Base Case. However, with additional protections against privatisation:</p> <ul style="list-style-type: none"> • Shares issued to local authorities that carry voting rights expressly limited to privatisation and merger proposals, with one vote per share. Local authorities would be provided one share for each 50,000 people (rounded up). Privatisation proposals would require consensus vote from RRG (with 75% backstop at co-chair discretion), unanimous agreement of the territorial authority owners, 75% vote through referendum and 75% vote in parliament to proceed. The purpose of this is to provide additional protections against privatisation of the WSEs. No other decision-making rights would flow from shareholding. Shares will not give any right, title or interest in the assets of the entity, and would not be able to be sold or transferred
Ownership of water assets	Assets will be owned by the WSEs	As per Aug 2021 Base Case

<p>Purpose, functions and primary objectives of WSE</p>	<ul style="list-style-type: none"> • Government Policy Statement developed to provide direction to WSE, and guidance to wider sector on objectives and priorities for the WSEs • Purpose and primary objectives set by Legislation, as: <ol style="list-style-type: none"> 1. The purpose of a water services entity is to provide safe, reliable and efficient water services in its area 2. The objectives of a WSE are to: <ul style="list-style-type: none"> • deliver water services, and related infrastructure, in an efficient and financially sustainable manner • protect and promote public health and the environment • support and enable housing and urban development • operate in accordance with best commercial and business practices • act in the best interests of consumers and communities, in the present and for the future • be consistent with Te Mana o te Wai to the extent Te Mana o te Wai applies to the duties and functions of an entity • deliver water services in a sustainable and resilient manner that seeks to mitigate the effects of climate change and natural hazards 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> • There is to be a single constitution that governs the RRG and WSE for each region, with modifications requiring co-governance consensus agreement of the RRG. Minimum requirements to be recorded in legislation.
<p>Setting of strategic direction of WSE</p>	<ul style="list-style-type: none"> • RRG to provide strategic direction to the WSE through the Statement of Strategic and Performance Expectations (SSPE) • SOI drafted by WSE in response to SSPE (with SSPE is an equivalent document to LOE) • Comments on SOI from Regional Representatives that need to be considered but no approval right • Mana whenua in the region relevant to the WSE produce a Te Mana o Te Wai Statement, which the WSE is required to respond to via a Statement of Response 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> • Role of the RRG to include approval of the SOI (on the assumption that the SOI is limited to strategic direction only). This includes clarification of SSPE scope to exclude direction of an entity at a project, investment, or management level

<p>Appointment of Regional Representative Group</p>	<ul style="list-style-type: none"> Regional Representative Group appointed by relevant Local Authorities and iwi/Māori Regional Representatives are not subject to legislative independence requirements (e.g., independence requirements) The total number Regional Representatives currently contemplated as 12, being 6 Local Authority Regional Representatives and 6 Mana Whenua Regional Representatives 	<p>As per Aug 2021 Base Case. However, with the following refinements:</p> <ul style="list-style-type: none"> RRG co-chairs to consist of one council and one iwi/hapū representative Consensus decision making for all decisions on RRG. Where consensus cannot be reached within an appropriate timeframe, 75% majority vote will be sought as agreed by co-chairs RRG group size to be a minimum of 12 and a maximum of 14, split equally between Local Authority and Mana Whenua Regional Representatives Council representatives to include a mix from urban / provincial / rural councils Entity A RRG to consist of 14 members with 50:50 Council and iwi/hapū composition. Including 4 Auckland Council representatives, 4 Tāmaki Makaurau iwi/hapū representatives, 1 representative each from the Northland Councils and 3 iwi/hapū representatives from Te Tai Tokerau. Summary of the Entity A RRG is outlined in Error! Reference source not found. Option for the establishment of regional advisory groups (sub-RRGs) to the RRG to exist within legislation. Other than 50/50 co-governance between council and iwi/hapū, composition and number of advisory groups (sub-RRGs) will be left to individual WSE constitutions Provision for a non-voting Crown liaison to the RRG (if it is believed a serious issue exists)
<p>Regional Representative Group will have limited decision-making powers</p>	<ul style="list-style-type: none"> Provide the WSE with a SSPE that will influence the SOI that a WSE produces Establish and monitor the Independent Selection Panel that appoints and removes members to the WSE Board The remainder of powers will generally be exercised by the Boards of the WSEs Regional Representative Group to develop charter that sets out procedural matters to govern its operation e.g., appointment of chair and deputy chair 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> RRG to collate inputs to the SSPE, including to align with the GPS, direction from regulators, local community priorities within the region, Te Mana o te Wai statements, and RMA SSPE, which covers a period of 3 years, be issued to the WSE and reviewed annually. RRG may amend or issue a new SSPE annually should it see fit The role of the RRG be extended in legislation to allow comment on the operational direction of the WSE through the Asset Management Plan and key documents
<p>Independent Selection Panel (ISP)</p>	<ul style="list-style-type: none"> ISP members and chair appointed by Regional Representative Group, with a legislative requirement that ISP members be independent and appropriately qualified Regional Representatives may remove an ISP member via a vote, with the threshold for that vote expected to be high e.g., special majority ISP members can be removed by Regional Representatives 	<ul style="list-style-type: none"> Independent Selection Panel removed

Appointment / removal of WSE Board	<ul style="list-style-type: none"> ISP appoints Board members, also utilising skills and competency matrix ISP members will have duties to consider when making Board appointments Only ISP able to initiate the chair or a member be removed and/or assess a member as being fit for the position, with ISP having the discretion to ultimately remove a member 	<ul style="list-style-type: none"> RRG is responsible for appointing, monitoring and, if necessary, removing entity board members
Accountability of WSE Board	<ul style="list-style-type: none"> Formally report to representatives annually on the performance of the entity against the Statement of Strategic and Performance Expectations and other strategic documents Independent selection panel to conduct an annual performance review of the board WSE to report twice annually to local authority owners WSE to report on performance to 'owners' in a public meeting Board performance reports to be provided to owners and representatives Ability for Councils to call Chair and Chief Executive to attend Council meetings Councils will have ability to provide direction to the appointments panel on additional matters to consider when appointing the Board 	As per Aug 2021 Base Case.
Appointment of Management	<ul style="list-style-type: none"> WSE appoint (and can remove) CEO and Executive Management 	As per Aug 2021 Base Case
Setting of pricing methodology	<ul style="list-style-type: none"> Pricing methodology set by WSE in accordance with principles outlined in legislation Requirement for WSEs to demonstrate the extent to which their pricing methodology is consistent with the pricing principles (including the reasons for any inconsistency) 	As per Aug 2021 Base Case
Prioritisation of pricing principles	<ul style="list-style-type: none"> WSE prioritises pricing principles No approval by Regional Representatives (but could influence through SSPE) 	As per Aug 2021 Base Case

Prioritisation methodology for infrastructure investment	<ul style="list-style-type: none"> WSE produces prioritisation methodology No approval of prioritisation methodology by Regional Representative Group (but methodology could be influenced by the SSPE) WSE responsible for decisions relating to the prioritisation of investment (noting below that WSE will need to balance growth requirements with purpose and objectives, SSPE, SOI and the requirements of other stakeholders) WSE will be required to act consistently with Local Authority land use, growth and development plans and strategies 	As per Aug 2021 Base Case
Approval of key documents (AMP, FPP)	<ul style="list-style-type: none"> WSE prepares, and Board approves, key documents Regional Representative Group will be consulted on but will not have an approval right over the form of the FPP, with the ability for the Regional Representative Group to comment on the FPP. Comments received must be considered by the WSE. Importantly, this means that Local Authorities will not have an approval right or right to direct the WSE on pricing/charging decisions. Aspects of key documents reviewed and approved by water quality and economic regulators WSE will be required to act consistently with Local Authority land use, growth and development plans and strategies when preparing key documents 	As per Aug 2021 Base Case. However: <ul style="list-style-type: none"> The role of the RRG will allow comment on the operational direction of the entity through the asset management plan
WSE operational and financial decision-making	<ul style="list-style-type: none"> WSE Board and Management has autonomy for operational and financial decision-making 	As per Aug 2021 Base Case
Spatial planning and infrastructure delivery	<ul style="list-style-type: none"> WSE able to balance growth requirements with purpose and objectives, SSPE, SOI and the requirements of other stakeholders WSE must act consistently with local authority land use, growth and development plans and strategies 	As per Aug 2021 Base Case
Financial position of WSE	<ul style="list-style-type: none"> Refer to Section 7.3 in the full IM for key assumptions and financial risk assessment 	Updated financial forecast provided in table x
Regulatory environment	<ul style="list-style-type: none"> Economic regulation via IPP regulatory approach (refer to Section 5.4 in the full IM) Drinking water quality regulation via Taumata Arowai (refer to Section 5.2 in the full IM) 	As per Aug 2021 Base Case

Consumer voice	<ul style="list-style-type: none"> • Consumer panel and/or advocacy council • Disputes resolution process • Consultation requirements 	<p>As per Aug 2021 Base Case. However, in addition:</p> <ul style="list-style-type: none"> • Provisions to ensure that Treaty settlement mechanisms which interrelate with or affect the current legal regime are carried across and have application to the equivalent or analogous aspects of the new water services regime • Te Mana o te Wai is reflected at all levels of the WSE framework
Government support	<ul style="list-style-type: none"> • Legislative amendment to extend the CDEM arrangement to apply to WSEs • Enabling legislation includes a clause that enables the Crown to lend money to a WSE if it is in the public interest to do so, or to meet a temporary shortfall in a timely manner (consistent with LGFA's enabling legislation (the Local Government Borrowing Act 2011) and informed by the applicable constraints on such lending in this Act, e.g. such lending must be on commercial terms) • Crown provision of a liquidity facility of \$0.5b that can be accessed by a WSE 	<p>As per Aug 2021 Base Case. However, with the following clarification:</p> <ul style="list-style-type: none"> • Prohibition on local authorities to provide financial support to, or for the benefit of, WSEs – this includes by way of guarantee, indemnity or security, or the lending of money or provision of credit or capital

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Friday, 1 April 2022 4:45 pm
To: Walker, Anthony
Cc: Campbell Will; Petra Lapish; Louise Marsden; Alistair Birchall [TSY]; Kyle Berryman [TSY]; David Lai [TSY]
Subject: RE: DIA three waters RES update
Attachments: For SP 220401 The Three Waters Reform Programme IM - Addendum - Scenario 1 _ 2.pdf

Kia ora Anthony

Trust you've had a good week. As discussed, please find attached a draft IM for your consideration. It remains draft as our legislative team has not had an opportunity to comment, so there may be some minor changes early next week. The attached should enable you to scope the work and agree timing.

Huge thanks to Petra and Campbell for their efforts.

Have a great weekend

Ngā mihi

Mike

From: Walker, Anthony <anthony.walker@spglobal.com>
Sent: 28 March 2022 2:17 PM
To: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Cc: Campbell Will <campbell.will@mafic.co.nz>; Petra Lapish <petra.lapish@mafic.co.nz>; Louise Marsden <louise.marsden@mafic.co.nz>; 'Alistair Birchall [TSY]' <Alistair.Birchall@treasury.govt.nz>; 'Kyle Berryman [TSY]' <Kyle.Berryman@treasury.govt.nz>; 'David Lai [TSY]' <David.Lai@treasury.govt.nz>
Subject: RE: DIA three waters RES update

Thanks Mike, look forward to seeing the IM.

Regards
Anthony

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Monday, March 28, 2022 9:31 AM
To: Walker, Anthony (Analytical) <anthony.walker@spglobal.com>
Cc: Campbell Will <campbell.will@mafic.co.nz>; Petra Lapish <petra.lapish@mafic.co.nz>; Louise Marsden <louise.marsden@mafic.co.nz>; 'Alistair Birchall [TSY]' <Alistair.Birchall@treasury.govt.nz>; 'Kyle Berryman [TSY]' <Kyle.Berryman@treasury.govt.nz>; 'David Lai [TSY]' <David.Lai@treasury.govt.nz>
Subject: DIA three waters RES update

EXTERNAL MESSAGE

Ata mārie Anthony

I hope you had a good weekend.

Many thanks again for your time on Thursday. Following our conversation, please find **attached** for your consideration the indicative scenarios we'd like to test. We have consolidated where feasible and would like to prioritise scenarios one and two to meet our drop dead date of May 2.

These scenarios are being finalised internally and we will aim to have an updated IM to you by the end of the week.

Please note, I have separately reached out to John Birch.

Ngā mihi nui,

Mike Chatterley ([he/him](#)) | Three Waters Reform Programme
Department of Internal Affairs | Te Tari Taiwhenua
Phone: +s 9(2)(g)(ii) | www.dia.govt.nz



Te Tari Taiwhenua
Internal Affairs

The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.

Information Memorandum
DRAFT

Commercial in confidence

Information Memorandum
Three Waters Reform
Addendum
March 2022

Information Memorandum
DRAFT

Table of contents

1. Introduction and Background	2
1.1 Introduction	2
1.2 Background	2
1.3 Working Group recommendations	2
1.4 Information provided	3
1.5 Assumptions.....	3
2. Previous RES undertaken.....	4
2.1 GRE methodology	4
2.2 Previous RES feedback – GRE methodology	4
2.3 WSE rating methodology	6
2.4 Previous RES feedback – WSE rating.....	6
3. Scenarios for this RES	8
4. Detailed overview of scenario 1	9
4.1 Scenario 1: Implementation of working Group recommendations	9
4.2 Scenario 2: RRG approval rights over the SOI removed and transitional price path restrictions for the WSE	17
5. Glossary	18

Information Memorandum
DRAFT

1. Introduction and Background

1.1 Introduction

The New Zealand Government (**Government**) is undertaking a programme to reform the delivery of three waters in New Zealand (the Reform Programme). New Zealand's three waters system is facing several significant challenges, and will continue to do so without major, transformational reform.

The Government has indicated that its starting intention is to enable the transfer of water service delivery obligations, and the associated infrastructure, from local government to newly formed publicly-owned multi-regional water service delivery entities (**WSE or WSEs**) to realise the benefits of scale for communities and reflect neighbouring catchments and communities of interest. Design of the proposed new arrangements is being informed by discussion with Local Authorities.

1.2 Background

In February 2021, the Department of Internal Affairs (**DIA or the Department**) undertook a rating evaluation process (**RES**) with S&P. Feedback received from S&P has been used to inform the design of the proposed Reform Programme and to inform discussions with local authorities.

Through this initial engagement, Auckland Council indicated that it would like to understand the ratings treatment of specific variations to the original base case presented in the RES undertaken in February 2021. These updated scenarios were presented through an IM Addendum in August 2021, which S&P provided feedback on.

In October 2021, a Working Group on Representation, Governance and Accountability (**Working Group**), was established to deliver recommendations for a preferred strengthened approach to the ownership, representation, governance and accountability frameworks for the new water services entities. Following the recommendations provided by the Working Group¹, an additional [four] scenarios have been identified to understand the ratings impact on sample local authorities as well as the credit rating of the WSEs.

The purpose of this IM Addendum and the additional scenarios set out below is to understand the Government Related Entity (**GRE**) assessment for the WSEs in relation to two local authorities. Specifically, whether the WSEs will be included or excluded from the credit rating assessment for Auckland Council and Wellington City Council, in relation to the partial or full incorporation of the Working Group recommendations on structure and governance.

1.3 Working Group recommendations

On 7 March, the Working Group provided 47 recommendations focussed on ensuring:

- Community ownership of water services assets
- Protection from privatisation
- A stronger voice for local communities in drinking water, wastewater and stormwater network development
- Strengthening Te Mana o te Wai
- Co-governance embracing Te Ao Māori to improve Three Waters service delivery and environmental protection

The recommendations are being considered by the Government and, subject to the outcome of this RES process, the following changes are proposed:

- **Strengthened protections against privatisation:** Shares are provided to local authorities that carry voting rights expressly limited to privatisation and merger proposals, with one vote per share. Local authorities would be provided one share for each 50,000 people (rounded up). Privatisation proposals would require a unanimous vote from the RRG (with a 75% vote as a backstop, at the discretion of co-chairs), unanimous

¹ [Report from the Working Group on Representation, Governance and Accountability](#)

Information Memorandum
DRAFT

agreement of the territorial authority owners, 75% vote through referendum, and 75% vote in parliament to proceed. The purpose of this is to provide additional protections against privatisation of the WSEs.

No other decision-making rights would flow from shareholding. Influence of local Councils over the governance of each respective WSE would continue to be through RRG involvement within pre-determined circumstances (outlined below). Shares will not give any right, title or interest in the assets of the entity, and would not be able to be sold or transferred.

- **Strengthened role of mana whenua:** RRG co-chairs are introduced, consisting of one council and one iwi/hapū representative. Co-chair involvement will embed co-governance principles across the water services framework with the aim of ensuring the continued improvement of three waters service delivery and environmental protection whilst incorporating increased representation of communities (inclusive of iwi/hapū).
- **Strengthening and clarifying the role of the RRG:** Tighter accountability from each water services entity board to the community, through both additional and refined mechanisms. The RRG would approve the strategic direction of the WSE as outlined within the Statement of Intent, which guides the Board's decision making. Together with the requirement for the Board to give effect to a Statement of Strategic and Performance Expectations set by the RRG, this is intended to increase board accountability to the RRG and, through it, to local communities.

There would also be an option for the establishment of regional advisory groups (sub-RRGs) to the RRG, which would exist within legislation to strengthen the connection to local communities and facilitate a clear and guiding input into drinking water, wastewater and stormwater network development. There continues to be the ability for the RRG to approve further operational or financial aspects of the WSE, including through the FFP or AMP.

- **Removal of the Independent Selection Panel.** The RRG will be responsible for appointing, monitoring and, if necessary, removing entity board members.

Further detail on the proposed changes (relative to the "Updated Base Case" in the November 2021 RES) is provided in Section 3. Other parameters are as per the Base Case set out in the February 2021 IM.

1.4 Information provided

This IM Addendum provides an overview of the additional scenarios being tested with respect to the Reform Programme, and is subdivided into the following sections:

- Section 1: Introduction and Background
- Section 2: Previous RES undertaken
- Section 3: Additional scenarios for consideration by S&P under this RES
- Section 4: Detailed overview of scenarios
- Glossary

This IM addendum should be read in conjunction with the full IM document provided in February 2021 and the IM Addendum provided in August 2021.

1.5 Assumptions

Standalone GRE assessment is requested on the assumption that corporate ratings on the WSEs will remain unchanged. S&P should assume for the additional scenarios highlighted within this IM that purposes that the WSE SACP is bbb+ and ICR of AA+. Full breakdown of assessments across previous RES scenarios are detailed in Table 3 below.

Information Memorandum
DRAFT

2. Previous RES undertaken

2.1 GRE methodology

The GRE methodology assesses the link between both central and local government and a WSE and the likelihood that either central or local government will provide support to a WSE. As a general principle, the higher the likelihood of sufficient and timely extraordinary support, the closer the GRE's creditworthiness is likely to be to the creditworthiness of the relevant governmental entity.

S&P use the matrix below to assess the likelihood that a government entity will provide support for a GRE in the case of stress. The GRE will be included in the government's debt burden at very high or above (red box in Table 1).

A GRE managing water assets is assessed as very important or critical to a government entity as water assets are viewed as a key public service, essential to public health and the local economy. This means the link between the WSE and Council needs to be assessed as strong or lower for the WSE to be excluded from debt burden.

Table 1: S&P matrix for assessing the likelihood of extraordinary support

		Importance of the GRE's role to Government			
		Critical	Very important	Important	Limited importance
Link between the GRE and Government	Integral	Almost certain	Extremely high	High	Moderately high
	Very strong	Extremely high	Very high	High	Moderately high
	Strong	High	High	Moderately high	Moderate
	Limited	Moderately high	Moderately high	Moderate	Low

2.2 Previous RES feedback – GRE methodology

April 2021 RES feedback

S&P feedback identified a 'moderately high' likelihood of extraordinary support from local councils during a distress scenario for scenarios 1, 2, 4 and 6 under the initial IM. This was based on:

- A **'very important'** role. While these local councils will not be legally responsible for the WSE, S&P believe a default of the WSE would have a major impact for each local council. This is because the WSE operates essentially as an independent not-for-profit entity and plays a very important role in the implementation of key regional water policies.
- A **'limited'** link. S&P believe the proposed changes to the Local Government Act, the absence of shareholders, and the structure of the WSE's governance arrangements mean local councils will have limited interference with the WSE. Under the governance structure, individual councils are unlikely to interfere more than any other council in strategic decisions and operations.

Further, the Regional Representatives do not have approval rights over the WSE's statements of intent. There is also no track record or policy of providing support to the WSE and, in S&P's view, the Crown is more likely to be involved under the scenario presented. S&P believe there is sufficient separation between the councils and the WSE.

For scenario 3, S&P raised the debt burden assessment one notch reflecting the presence of a contingent liability under scenario 3 compared to scenario 1. A contingent liability was determined to apply because of the 'very high' likelihood of Council's providing extraordinary support to the WSE during a stress scenario, particularly given the control exerted by the Regional Representatives over the WSE, such as approving the

Information Memorandum
DRAFT

statement of intent. This incorporated S&P’s view of the current risk of materialization, and presence of sovereign support.

For scenario 5, the likelihood of support was assessed as ‘high’ where a council has a larger shareholding. However, S&P determined that the change was not sufficiently large as to affect the Council’s contingent liability assessment or its individual credit profile.

November 2021 RES feedback

S&P considered the structures would separate the water-related activities from Auckland Council when determining Auckland Council's credit rating under the methodology. Therefore, S&P excluded the water-related revenues, expenditures, assets and liabilities from Auckland Council's financial analysis.

Under scenario 9 (medium term indemnity to Watercare), prior to the transfer of water activities on 1 July 2024, all water-related revenues, expenditures, assets, and liabilities (including indemnified debt) remained within S&P’s financial analysis of Auckland.

Table 2: GRE assessment for scenarios 1-9

Scenario	Role	Link	Likelihood of support	Comment
April 2021 RES				
S1. Base case	Very important	Limited	Moderately high	WSE excluded from LG ratings assessment
S2. Low degree of Regional influence	Very important	Limited	Moderately high	WSE excluded from LG ratings assessment
S3. Very high degree of Regional influence	Very important	Very Strong	Very high	WSE included in LG rating assessment as a contingent liability
S4. Central Government support variant	Very important	Limited	Moderately high	WSE excluded from LG ratings assessment
S5. Ownership structure variant	Very important	Limited / Strong	Moderately high / High	Large shareholding results in a higher likelihood of support
S6. Number of entities variant (13 entities)	Very important	Limited	Moderately high	WSE excluded from LG ratings assessment
November 2021 RES				
S7. Updated Base Case	n/a	n/a	n/a	WSE excluded from AC’s ratings assessment
S8. Alternative governance arrangements	n/a	n/a	n/a	WSE excluded from AC’s ratings assessment
S9. Medium term indemnity to Watercare	n/a	n/a	n/a	Water activities included in AC’s rating assessment until the transfer on 1 July 2024

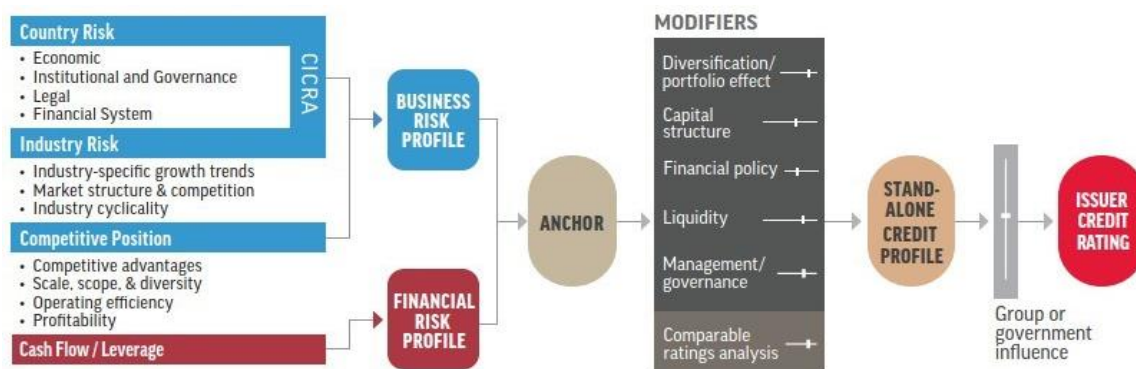
Information Memorandum
DRAFT

2.3 WSE rating methodology

A regulated water utility is assessed using the Corporate Methodology² informed by key credit factors for the regulated utilities industry criteria³ and other ratings criteria.

The rating methodology (summarised in Figure 1) involves an assessment of the business and financial risk profiles of the entity to derive the Anchor rating, which is then adjusted for specific modifiers and group/government influence.

Figure 1 Corporate methodology rating framework



2.4 Previous RES feedback – WSE rating

S&P's assessed the WSE stand-alone credit profile as bbb- under scenarios 1 to 5, reflecting an 'excellent' business risk profile, 'aggressive' financial risk profile and a one notch downgrade for the financial policy modifier. Scenario 6 had a lower stand-alone credit profile given the smaller size of entities in the 13-entity scenario.

For all scenarios the regulatory assessment was considered strong/adequate (rather than strong).

S&P made a negative adjustment for financial policy reflecting a longer-term downward trend in the FFO / debt ratio (which stabilised at 8% in the IM). In addition, under scenario 6, there was a positive adjustment for comparable analysis.⁴

S&P assessed the likelihood of support from the Crown to be 'high' under all scenarios except scenario 4 which was 'extremely high'. This reflected the additional Crown support (in the form of a \$500m liquidity facility, similar to that made available to LGFA).

The final credit rating of WSE reflects the link to, and importance of support from, the Crown, resulting in an issuer credit rating of A- for scenarios 1, 2, 3 5 and 6. Scenario 4, with increased Crown support, resulted in an issuer credit rating of AA+.

The WSE credit rating under each scenario is summarised in Table 3 overleaf.

² Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013

³ Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

⁴ The comparable analysis adjustment is based on a holistic review of a company's stand-alone credit risk profile, in which the issuer's credit characteristics are evaluated in aggregate

Information Memorandum
DRAFT

Table 3: WSE rating for GRE assessment for scenarios 1-9

Scenario	Business risk	Financial risk	Anchor	Modifiers	Stand-alone credit rating (SACP)	Central Government support	Issuer credit rating (ICR)
April 2021 RES							
S1. Base case	Excellent	Aggressive	bbb	-1 Financial policy	bbb-	High	A-
S2. Low degree of Governor influence	Excellent	Aggressive	bbb	-1 Financial policy	bbb-	High	A-
S3. Very high degree of Governor influence	Excellent	Aggressive	bbb	-1 Financial policy	bbb-	High	A-
S4. Central Government support variant	Excellent	Aggressive	bbb	-1 Financial policy	bbb-	Extremely high	AA+
S5. Ownership structure variant	Excellent	Aggressive	bbb	-1 Financial policy	bbb-	High	A-
S6. Number of entities variant (13 entities)	Strong	Aggressive	bb+	-1 Financial policy +1 Comparable analysis	bb+	High	BBB+
November 2021 RES							
S7. Updated Base Case	n/a	n/a	n/a	n/a	n/a	n/a	n/a
S8. Alternative governance arrangements	n/a	n/a	n/a	n/a	n/a	n/a	n/a
S9. Medium term indemnity to Watercare	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Information Memorandum
DRAFT

3. Scenarios for this RES

To assist ongoing work for the Reform Programme in 2022, two additional scenarios have been identified, summarised in Table 4. The key changes concentrate on recent Cabinet decisions as well as the partial or full incorporation of the Working Group recommendations on structure and governance.

Further detail on each scenario is provided in Section 4.

Table 4: Summary of 2022 scenarios

RES Scenario	Summary description
Scenario 1 (GRE – Auckland Council and Wellington Council)	<p>An amended base case, updated to reflect changes following Cabinet decisions and Working Group recommendations</p> <ul style="list-style-type: none"> • Shares provided to local authorities that carry voting rights only in respect of privatisation and merger proposals, with one vote per share • Strengthening of co-governance with RRG co-chairs to consist of one council and one iwi/hapū representative • Consensus voting on RRG decisions, with 75% backstop at discretion of the co-chairs • Role of the RRG clarified to include issuance of SSPE and an approval right over the Statement of Intent (on the assumption that the SOI is limited to strategic direction only) • Removal of the Independent Selection Panel. The RRG is responsible for appointing, monitoring and, if necessary, removing entity board members • Option for the establishment of regional advisory groups (sub-RRGs) to the RRG to exist within legislation
Scenario 2 (GRE – Auckland Council and Wellington Council)	<p>Scenario 1 above, but without the RRG having approval rights over the Statement of Intent</p> <ul style="list-style-type: none"> • The RRG does not have approval rights over the Statement of Intent

Table 5 sets out the ratings outcome to be tested as part of this IM, which includes:

- The ratings impact on Auckland Council
- The ratings impact on Wellington City Council

Table 5: Ratings outcome to be tested as part of 2022 RES

Scenario		Ratings outcome to be tested	
	Summary Description	Impact on Auckland Council Rating	Impact on Wellington City Council Rating
Scenario 1	An amended base case, updated to reflect changes following the Working Group recommendations	✓	✓
Scenario 2	Scenario 1 above, but without the RRG having approval rights over the Statement of Intent	✓	✓

Information Memorandum
DRAFT

4. Detailed overview of scenario 1

4.1 Scenario 1: Implementation of working Group recommendations

Differences between Scenario 1 and the “Updated Base Case” presented in the August 2021 IM addendum are set out in Table 6. These changes reflect recommendations provided by the Working Group.

Table 6: Scenario 1 parameters

Key features	Base Case position (<i>as per August 2021 Addendum</i>)	Scenario 1 position
Number of WSEs	Base Case scenario envisages a four WSE system	As per Aug 2021 Base Case
Ownership structure of WSE	Entity established under statute with no shareholding ownership structure	As per Aug 2021 Base Case. However, with additional protections against privatisation: <ul style="list-style-type: none"> Shares issued to local authorities that carry voting rights expressly limited to privatisation and merger proposals, with one vote per share. Local authorities would be provided one share for each 50,000 people (rounded up). Privatisation proposals would require consensus vote from RRG (with 75% backstop at co-chair discretion), unanimous agreement of the territorial authority owners, 75% vote through referendum and 75% vote in parliament to proceed. The purpose of this is to provide additional protections against privatisation of the WSEs. No other decision-making rights would flow from shareholding. Shares will not give any right, title or interest in the assets of the entity, and would not be able to be sold or transferred
Ownership of water assets	Assets will be owned by the WSEs	As per Aug 2021 Base Case
Purpose, functions and primary objectives of WSE	<ul style="list-style-type: none"> Government Policy Statement developed to provide direction to WSE, and guidance to wider sector on objectives and priorities for the WSEs Purpose and primary objectives set by Legislation, as: <ol style="list-style-type: none"> The purpose of a water services entity is to provide safe, reliable and efficient water services in its area The objectives of a WSE are to: <ul style="list-style-type: none"> deliver water services, and related infrastructure, in an efficient and financially sustainable manner protect and promote public health and the environment support and enable housing and urban development 	As per Aug 2021 Base Case. However: <ul style="list-style-type: none"> There is to be a single constitution that governs the RRG and WSE for each region, with modifications requiring co-governance consensus agreement of the RRG. Minimum requirements to be recorded in legislation.

Information Memorandum
DRAFT

Key features	Base Case position (<i>as per August 2021 Addendum</i>)	Scenario 1 position
	<ul style="list-style-type: none"> operate in accordance with best commercial and business practices act in the best interests of consumers and communities, in the present and for the future be consistent with Te Mana o te Wai to the extent Te Mana o te Wai applies to the duties and functions of an entity deliver water services in a sustainable and resilient manner that seeks to mitigate the effects of climate change and natural hazards 	
Setting of strategic direction of WSE	<ul style="list-style-type: none"> RRG to provide strategic direction to the WSE through the Statement of Strategic and Performance Expectations (SSPE) SOI drafted by WSE in response to SSPE (with SSPE is an equivalent document to LOE) Comments on SOI from Regional Representatives that need to be considered but no approval right Mana whenua in the region relevant to the WSE produce a Te Mana o Te Wai Statement, which the WSE is required to respond to via a Statement of Response 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> Role of the RRG to include approval of the SOI (on the assumption that the SOI is limited to strategic direction only). This includes clarification of SSPE scope to exclude direction of an entity at a project, investment, or management level.
Appointment of Regional Representative Group	<ul style="list-style-type: none"> Regional Representative Group appointed by relevant Local Authorities and iwi/Māori Regional Representatives are not subject to legislative independence requirements (e.g., independence requirements) The total number Regional Representatives currently contemplated as 12, being 6 Local Authority Regional Representatives and 6 Mana Whenua Regional Representatives 	<p>As per Aug 2021 Base Case. However, with the following refinements:</p> <ul style="list-style-type: none"> RRG co-chairs to consist of one council and one iwi/hapū representative Consensus decision making for all decisions on RRG. Where consensus cannot be reached within an appropriate timeframe, 75% majority vote will be sought as agreed by co-chairs RRG group size to be a minimum of 12 and a maximum of 14, split equally between Local Authority and Mana Whenua Regional Representatives Council representatives to include a mix from urban / provincial / rural councils Entity A RRG to consist of 14 members with 50:50 Council and iwi/hapū composition. Including 4 Auckland Council representatives, 4 Tāmaki Makaurau iwi/hapū representatives, 1 representative each from the Northland Councils and 3 iwi/hapū representatives from Te Tai Tokerau. Summary of the Entity A RRG is outlined in Figure 3

Information Memorandum
DRAFT

Key features	Base Case position (<i>as per August 2021 Addendum</i>)	Scenario 1 position
		<ul style="list-style-type: none"> Option for the establishment of regional advisory groups (sub-RRGs) to the RRG to exist within legislation. Other than 50/50 co-governance between council and iwi/hapū, composition and number of advisory groups (sub-RRGs) will be left to individual WSE constitutions Provision for a non-voting Crown liaison to the RRG (if it is believed a serious issue exists)
Regional Representative Group will have limited decision-making powers	<ul style="list-style-type: none"> Provide the WSE with a SSPE that will influence the SOI that a WSE produces Establish and monitor the Independent Selection Panel that appoints and removes members to the WSE Board The remainder of powers will generally be exercised by the Boards of the WSEs Regional Representative Group to develop charter that sets out procedural matters to govern its operation e.g., appointment of chair and deputy chair 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> RRG to collate inputs to the SSPE, including to align with the GPS, direction from regulators, local community priorities within the region, Te Mana o te Wai statements, and RMA SSPE, which covers a period of 3 years, be issued to the WSE and reviewed annually. RRG may amend or issue a new SSPE annually should it see fit The role of the RRG be extended in legislation to allow comment on the operational direction of the WSE through the Asset Management Plan and key documents
Independent Selection Panel (ISP)	<ul style="list-style-type: none"> ISP members and chair appointed by Regional Representative Group, with a legislative requirement that ISP members be independent and appropriately qualified Regional Representatives may remove an ISP member via a vote, with the threshold for that vote expected to be high e.g., special majority ISP members can be removed by Regional Representatives 	<ul style="list-style-type: none"> Independent Selection Panel removed
Appointment / removal of WSE Board	<ul style="list-style-type: none"> ISP appoints Board members, also utilising skills and competency matrix ISP members will have duties to consider when making Board appointments Only ISP able to initiate the chair or a member be removed and/or assess a member as being fit for the position, with ISP having the discretion to ultimately remove a member 	<ul style="list-style-type: none"> RRG is responsible for appointing, monitoring and, if necessary, removing entity board members. Appointments to, and removals from, the board will be made by a board appointment committee that is part of the regional representative group RRG will be responsible for preparing and maintaining an appointment and remuneration policy for the board of its respective WSE
Accountability of WSE Board	<ul style="list-style-type: none"> Formally report to representatives annually on the performance of the entity against the Statement of Strategic 	As per Aug 2021 Base Case.

Information Memorandum
DRAFT

Key features	Base Case position (<i>as per August 2021 Addendum</i>)	Scenario 1 position
	<p>and Performance Expectations and other strategic documents</p> <ul style="list-style-type: none"> • Independent selection panel to conduct an annual performance review of the board • WSE to report twice annually to local authority owners • WSE to report on performance to 'owners' in a public meeting • Board performance reports to be provided to owners and representatives • Ability for Councils to call Chair and Chief Executive to attend Council meetings • Councils will have ability to provide direction to the appointments panel on additional matters to consider when appointing the Board 	
Appointment of Management	<ul style="list-style-type: none"> • WSE appoint (and can remove) CEO and Executive Management 	As per Aug 2021 Base Case
Setting of pricing methodology	<ul style="list-style-type: none"> • Pricing methodology set by WSE in accordance with principles outlined in legislation • Requirement for WSEs to demonstrate the extent to which their pricing methodology is consistent with the pricing principles (including the reasons for any inconsistency) 	As per Aug 2021 Base Case
Prioritisation of pricing principles	<ul style="list-style-type: none"> • WSE prioritises pricing principles • No approval by Regional Representatives (but could influence through SSPE) 	As per Aug 2021 Base Case
Prioritisation methodology for infrastructure investment	<ul style="list-style-type: none"> • WSE produces prioritisation methodology • No approval of prioritisation methodology by Regional Representative Group (but methodology could be influenced by the SSPE) • WSE responsible for decisions relating to the prioritisation of investment (noting below that WSE will need to balance growth requirements with purpose and objectives, SSPE, SOI and the requirements of other stakeholders) • WSE will be required to act consistently with Local Authority land use, growth and development plans and strategies 	As per Aug 2021 Base Case

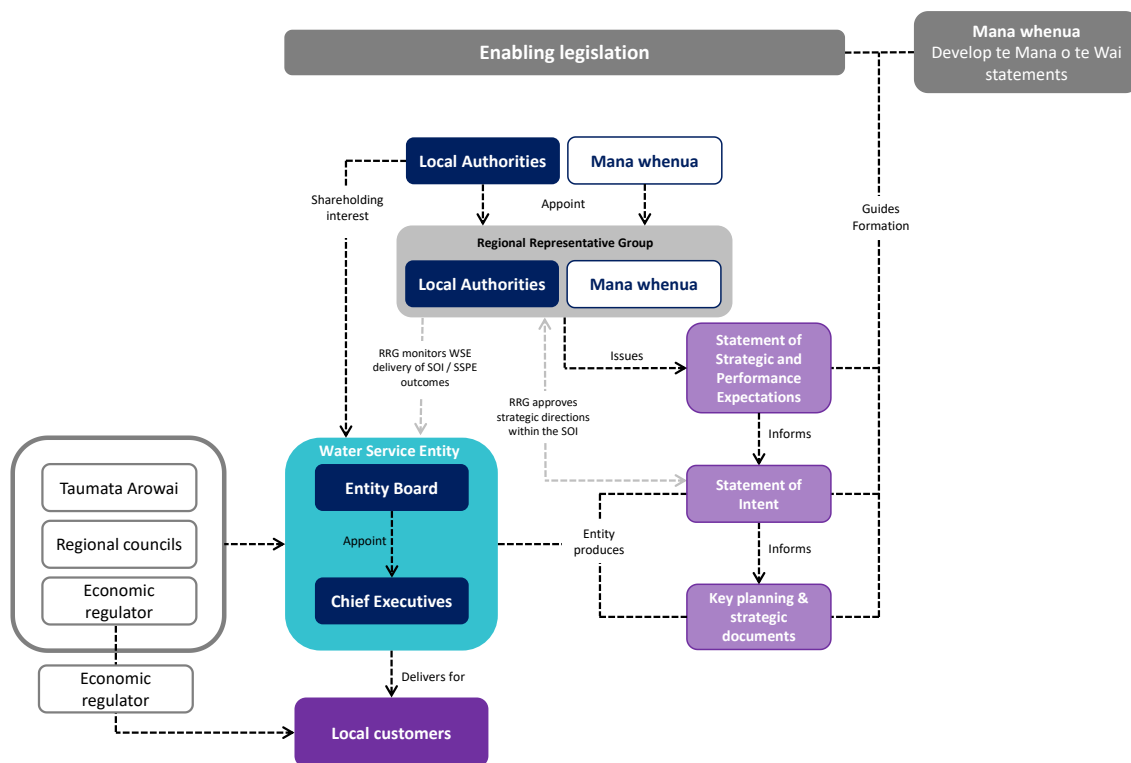
Information Memorandum
DRAFT

Key features	Base Case position (<i>as per August 2021 Addendum</i>)	Scenario 1 position
Approval of key documents (AMP, FPP)	<ul style="list-style-type: none"> WSE prepares, and Board approves, key documents Regional Representative Group will be consulted on but will not have an approval right over the form of the FPP, with the ability for the Regional Representative Group to comment on the FPP. Comments received must be considered by the WSE. Importantly, this means that Local Authorities will not have an approval right or right to direct the WSE on pricing/charging decisions. Aspects of key documents reviewed and approved by water quality and economic regulators WSE will be required to act consistently with Local Authority land use, growth and development plans and strategies when preparing key documents 	<p>As per Aug 2021 Base Case. However:</p> <ul style="list-style-type: none"> The role of the RRG will be enabled to comment on the operational direction of the entity through the asset management plan and Statement of Intent.
WSE operational and financial decision-making	<ul style="list-style-type: none"> WSE Board and Management has autonomy for operational and financial decision-making 	As per Aug 2021 Base Case
Spatial planning and infrastructure delivery	<ul style="list-style-type: none"> WSE able to balance growth requirements with purpose and objectives, SSPE, SOI and the requirements of other stakeholders WSE must act consistently with local authority land use, growth and development plans and strategies 	As per Aug 2021 Base Case
Financial position of WSE	<ul style="list-style-type: none"> Refer to Section 7.3 in the full IM for key assumptions and financial risk assessment 	As per Aug 2021 Base Case
Regulatory environment	<ul style="list-style-type: none"> Economic regulation via IPP regulatory approach (refer to Section 5.4 in the full IM) Drinking water quality regulation via Taumata Arowai (refer to Section 5.2 in the full IM) 	As per Aug 2021 Base Case
Consumer voice	<ul style="list-style-type: none"> Consumer panel and/or advocacy council Disputes resolution process Consultation requirements 	<p>As per Aug 2021 Base Case. However, in addition:</p> <ul style="list-style-type: none"> Provisions to ensure that Treaty settlement mechanisms which interrelate with or affect the current legal regime are carried across and have application to the equivalent or analogous aspects of the new water services regime Te Mana o te Wai is reflected at all levels of the WSE framework

Information Memorandum
DRAFT

Key features	Base Case position (as per August 2021 Addendum)	Scenario 1 position
Government support	<ul style="list-style-type: none"> Legislative amendment to extend the CDEM arrangement to apply to WSEs Enabling legislation includes a clause that enables the Crown to lend money to a WSE if it is in the public interest to do so, or to meet a temporary shortfall in a timely manner (consistent with LGFA's enabling legislation (the Local Government Borrowing Act 2011) and informed by the applicable constraints on such lending in this Act, e.g. such lending must be on commercial terms) Crown provision of a liquidity facility of \$0.5b that can be accessed by a WSE 	<p>As per Aug 2021 Base Case. However, with the following clarification:</p> <ul style="list-style-type: none"> Prohibition on local authorities to provide financial support to, or for the benefit of, WSEs – this includes by way of guarantee, indemnity or security, or the lending of money or provision of credit or capital

Figure 2: Governance structure under Scenario 1



Information Memorandum
DRAFT

Figure 3: Expanded Regional Representative Group for Entity A

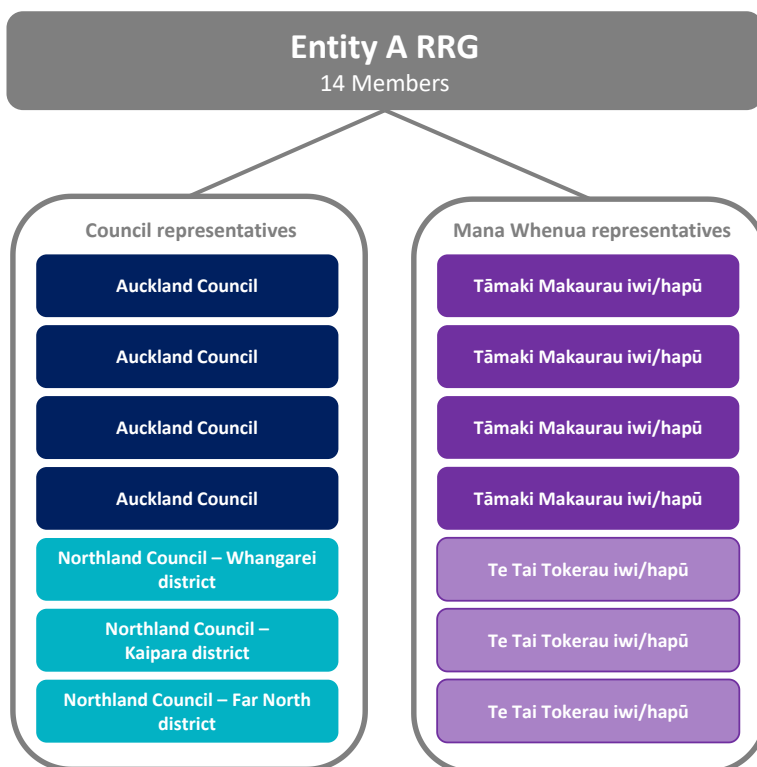
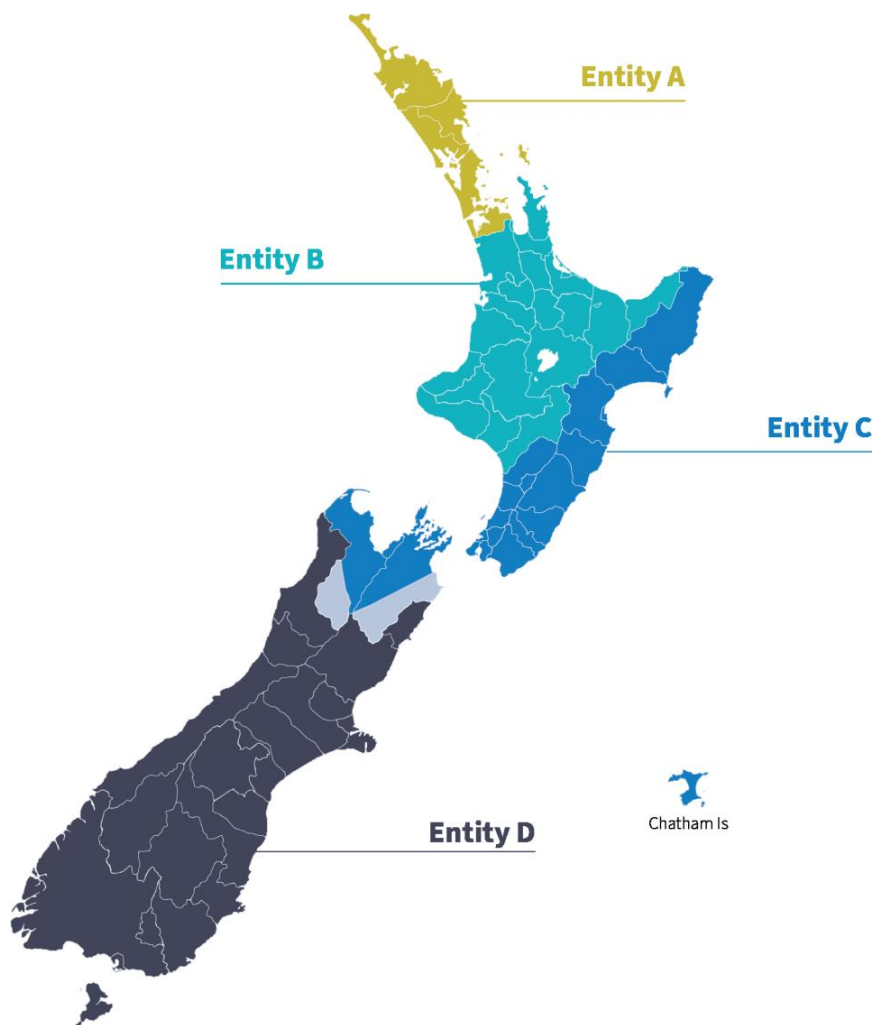


Table 7 Proposed Council grouping (four entity scenario)

Entity A	<ul style="list-style-type: none"> • Auckland • Far North • Kaipara • Whangarei 		
Entity B	<ul style="list-style-type: none"> • Hamilton • Hauraki • Kawerau • Matamata-Piako • New Plymouth • Opotiki • Otorohanga • Rangitikei 	<ul style="list-style-type: none"> • Rotorua Lakes • Ruapehu • South Taranaki • South Waikato • Stratford • Taupo • Tauranga • Thames-Coromandel 	<ul style="list-style-type: none"> • Waikato • Waipa • Waitomo • Western Bay of Plenty • Whakatane • Whanganui
Entity C	<ul style="list-style-type: none"> • Carterton • Central Hawke's Bay • Chatham Islands • Gisborne • Hastings • Horowhenua • Kapiti Coast 	<ul style="list-style-type: none"> • Lower Hutt • Manawatu • Marlborough • Masterton • Napier • Nelson • Palmerston North 	<ul style="list-style-type: none"> • Porirua • South Wairarapa • Tararua • Tasman • Upper Hutt • Wairoa • Wellington
Entity D	<ul style="list-style-type: none"> • Ashburton • Buller • Central Otago • Christchurch • Clutha • Dunedin • Gore 	<ul style="list-style-type: none"> • Grey • Hurunui • Invercargill • Kaikoura • Mackenzie • Queenstown Lakes • Selwyn 	<ul style="list-style-type: none"> • Southland • Timaru • Waimakariri • Waimate • Waitaki • Westland

Information Memorandum
DRAFT

Figure 4 Indicative map of WSE regions (four entity scenario)

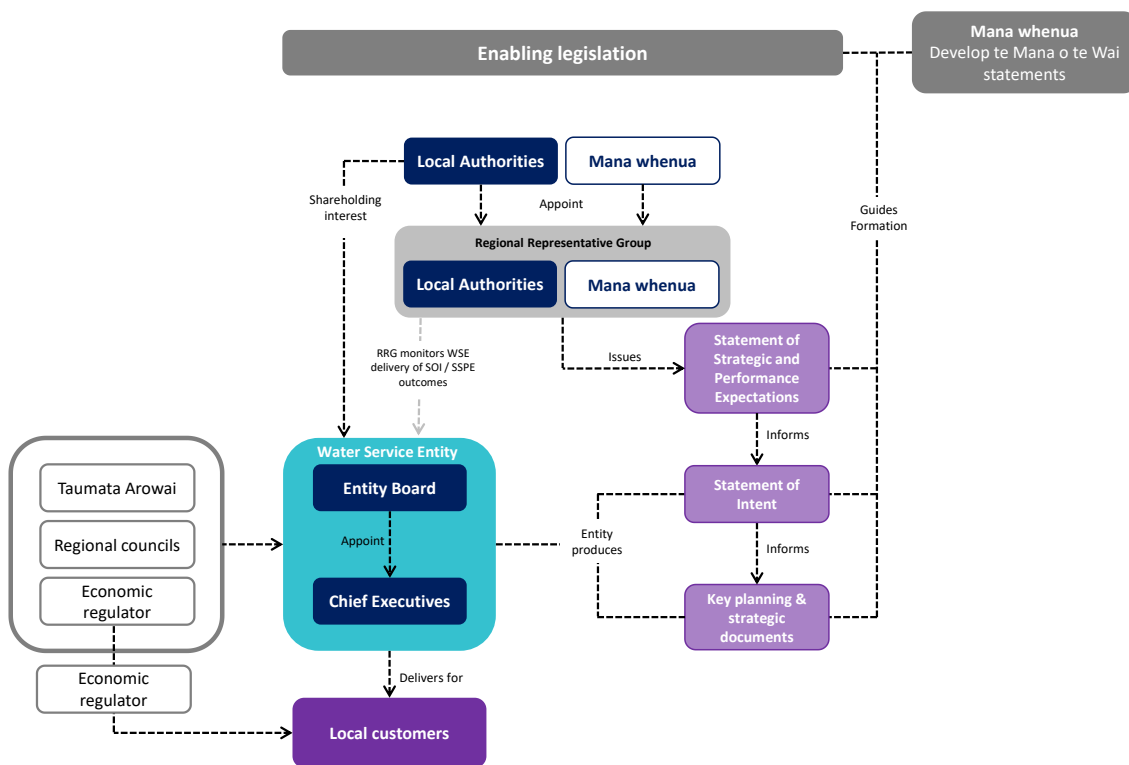


Information Memorandum
DRAFT

4.2 Scenario 2: RRG approval rights over the SOI removed and transitional price path restrictions for the WSE

Scenario 2 reflects implementation of Working Group recommendations as identified in Table 6 above, however RRG is not enabled to approve the SOI issued by the WSE.

Figure 5: Governance structure under Scenario 2



Information Memorandum
DRAFT

5. Glossary

Glossary and abbreviations are outlined in Table 8 below.

Table 8: Glossary and abbreviations

Term	Definition
AMP	Asset Management Plan
DIA	Department of Internal Affairs
Government	The New Zealand Government
GPS	Government Policy Statement
GRE	Government-Related Entity
IM	Information Memorandum
ISP	Independent Selection Panel
LGFA	The New Zealand Local Government Funding Agency
Reform Programme	The New Zealand Government's reform programme in respect of local government water services delivery arrangements
Review	The Three Waters Review
RMA	Resources Management Act 1991
RRG	Regional Representative Group
S&P	Standard & Poor's
SACP	Stand-alone credit profile
SOI	Statement of Intent
SSPE	Statement of Strategic and Performance Expectations
Treaty	Treaty of Waitangi
Water Services	Drinking water and waste-water
Working Group	Working Group on Representation, Governance and Accountability
WSE	Water Services Entities

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Monday, 29 November 2021 6:08 pm
To: 'Jason Isherwood'; 'Bram Van Melle'; Morgan Dryburgh [TSY]; 'John Bishop'; Alastair Cameron; 'Megan Tyler'; Walker, Anthony; Hrvatin, Rebecca; Nick Davis; Alistair Birchall [TSY]
Subject: RE: S&P, DIA, AC catch-up on RES
Attachments: RES feedback slide.pdf

Kia ora team

Ahead of tomorrow, please find attached a summary slide with DIA and Auckland council feedback on the RES letter for discussion tomorrow.

Ngā mihi nui,

Mike Chatterley (he/him) | Three Waters Reform Programme
s 9(2)(g)(ii)

-----Original Appointment-----

From: Mike Chatterley
Sent: Wednesday, 24 November 2021 1:15 PM
To: Mike Chatterley; 'Jason Isherwood'; 'Bram Van Melle'; Morgan Dryburgh [TSY]; 'John Bishop'; Alastair Cameron; 'Megan Tyler'
Subject: S&P, DIA, AC catch-up on RES
When: Tuesday, 30 November 2021 2:45 PM-3:30 PM (UTC+12:00) Auckland, Wellington.
Where: <https://dia-nz.zoom.us/j/83407286538?pwd=S1lIRTYzdVdJL1BEZEZySGIZeE1sZz09>

Kia ora Auckland Council team – slight adjustment to the timing for tomorrow's session. Shortening by 15 min to accommodate an urgent meeting at DIA.

Ngā mihi

Mike



Use Zoom for meetings which are classified up to a level of 'In Confidence' ONLY

Hi there,

Mike Chatterley is inviting you to a scheduled Zoom meeting.

[Join Zoom Meeting](#)

Phone one-tap: New Zealand: [+6436590603,83407286538#](tel:+643659060383407286538) or
[+6448860026,83407286538#](tel:+644886002683407286538)

Meeting URL: [https://dia-
nz.zoom.us/j/83407286538?pwd=S1IIRTYzdVdJL1BEZEZySGIZeE1sZz09](https://dia-nz.zoom.us/j/83407286538?pwd=S1IIRTYzdVdJL1BEZEZySGIZeE1sZz09)

Meeting ID: 834 0728 6538

Password: 2021

Join by Telephone

For higher quality, dial a number based on your current location.

Dial:

New Zealand: +64 3 659 0603 or +64 4 886 0026 or +64 9 884 6780

Meeting ID: 834 0728 6538

Password: 2021

[International numbers](#)

Join from an H.323/SIP room system

H.323: global.zoomcrc.com

Meeting ID: 834 0728 6538

Password: 2021

SIP: 83407286538@global.zoomcrc.com

Password: 2021

Skype for Business (Lync)

<https://dia-nz.zoom.us/skype/83407286538>

**Use Zoom for meetings which are classified up to a level
of 'In Confidence' ONLY**

Potential alternative governance scenario

IN CONFIDENCE

Not Government Policy



Te Tari Taiwhenua
Internal Affairs

Governance

- The Department has been considering alternative governance arrangements to take into account feedback from the sector. This includes:
 - greater flexibility for the regional representative group to determine its own arrangements through a constitution;
 - replacing the ISP with a board appointment panel. This would be a committee of the regional representative group;
 - requiring the board to give effect to the statement of strategic and performance expectations issued by the regional representative group; and
 - clarifying the intent for the WSE board to report directly to the RRG.
- The Minister of Finance has requested the Department engage with you (S&P) to attain an early **indication** about whether these changes are likely to change the balance sheet outcome of the 'base case scenario' (refer updated base case scenario from August 2021).
 - We appreciate you will not be able to provide a definitive view, or advice at this stage.
 - We would like to discuss the potential implications of the enclosed proposal.

An alternative

We heard	We propose
Local authority representation on RRG is small	Expanding the RRG so that it <ul style="list-style-type: none"> includes a representative from every council retains an even split between local authorities and mana whenua
Perceived lack of clarity around Board accountability	<ul style="list-style-type: none"> Clarified that the Board is directly accountable to the RRG for the performance of their duties Introduced a requirement for the Board to give effect to the RRG issued SPE (in addition to the GPS).

Issue	Improved?
Local authority representation and political legitimacy	↑
ISP too complex	↑
Community influence on entity	↑



Governance arrangements – overview and comparison

Key features	Base case position (per August 2021)	Alternative position
Setting of strategic direction of WSE	<ul style="list-style-type: none"> • SOI drafted by WSE in response to Strategic and Performance Expectations (SPE) from Regional Representatives • Comments on SOI from Regional Representatives that need to be considered but no approval right • Mana whenua in the region relevant to the WSE produce a Te Mana o Te Wai Statement, which the WSE is required to respond to via a Statement of Response 	<ul style="list-style-type: none"> • WSE required to give effect to SPE issued by Regional Representative Group
Appointment of Regional Representative Group	<ul style="list-style-type: none"> • Regional Representatives appointed by relevant Local Authorities and iwi/Māori • Regional Representatives are not subject to legislative independence requirements • Governor Representative Group has been renamed as a Regional Representative Group • The total number Regional Representatives currently contemplated as 12, being 6 Local Authority Regional Representatives and 6 Mana Whenua Regional Representatives 	<ul style="list-style-type: none"> • Number of representatives is not fixed, but local authority representative number greater than the number of member local authorities. • RRG must retain 50:50 local authoty:mana whenua split
Regional Representative Group will have limited decision-making powers	<ul style="list-style-type: none"> • Provide the WSE with a SPE that will influence the SOI that a WSE produces • Establish and monitor the Independent Selection Panel that appoints and removes members to the WSE Board • The remainder of powers will generally be exercised by the Boards of the WSEs • Ability for the Regional Representative Group to develop charter that sets out procedural matters to govern its operation e.g., appointment of chair and deputy chair 	<ul style="list-style-type: none"> • RRG to provide a SPE to the WSE. WSE required to give effect to SPE issued by Regional Representative Group • RRG decision-making procedures including voting procedures, procedures for the weighting of votes, to be determined via constitution (to be developed). The constitution may be amended by a 75% majority vote. • RRG to appoint the Board Appointment Committee.
Independent Selection Panel	<ul style="list-style-type: none"> • ISP members and chair appointed by Regional Representative Group, with a legislative requirement that ISP members be independent and appropriately qualified • Regional Representatives may remove an ISP member via a vote, with the threshold for that vote expected to be high e.g., special majority 	<ul style="list-style-type: none"> • ISP is removed. Replaced by a board appointment committee. • Board Appointment Committee is a sub-committee of the RRG • A person may only be appointed as a member of the board appointment committee if they are also a member of the RRG
Appointment of WSE Board	<ul style="list-style-type: none"> • ISP appoints Board members, also utilising skills and competency matrix • ISP members will have duties to consider when making Board appointments 	<ul style="list-style-type: none"> • Appointment and removal via the RRG board appointment committee. Removal only with just cause
Accountability of WSE Board	<ul style="list-style-type: none"> • Formally report to representatives annually on the performance of the entity against the Statement of Strategic and Performance Expectations and other strategic documents • Independent selection panel to conduct an annual performance review of the board • WSE to report twice annually to local authority owners • WSE to report on performance to 'owners' in a public meeting • Board performance reports to be provided to owners and representatives • Ability for Councils to call Chair and Chief Executive to attend Council meetings • Councils will have ability to provide direction to the appointments panel on additional matters to consider when appointing the Board 	<ul style="list-style-type: none"> • Direct accountability for duties imposed on the entity board and its members to the regional representative group. <p>Other notes:</p> <ul style="list-style-type: none"> - No dividends - Role of economic regulator remains

Appendix: Overseas examples

IN CONFIDENCE

Not Government Policy



Te Tari Taiwhenua
Internal Affairs

Welsh Model

- Ownership Structure - there are no shareholders, 'members' (~60 individuals currently) limited by guarantee to 1 pound.
- Members Group - Individuals independently drawn from across the supply area (with no financial stake in the business) who hold the Board to account for the stewardship of their assets and for providing an essential public service.
- The Board may at any time invite any person to become a Member provided that the total number of Members at any time shall not exceed 200. The Board can also dismiss members. Members are not part of the board.
- Members are not representatives of outside stakeholder groups but rather are unpaid individuals whose duty is to promote the good running of the company, in the best interests of its customers – appointed by an independent selection panel.
- Capital is sourced from the bond market
- The Board comprises a majority of independent non-executive directors.
- Executive Directors are appointed by the Board.
- A Director can be requested to resign in writing by not less than three-quarters of the other Directors.

From: Mike Chatterley <Michael.Chatterley@dia.govt.nz>
Sent: Monday, 29 November 2021 6:06 pm
To: Hrvatin, Rebecca; Walker, Anthony
Cc: Morgan Dryburgh [TSY]; Alistair Birchall [TSY]; Tim Walker; 'Campbell Will'; Nick Davis; Michael Petherick
Subject: RE: RES letter discussion + other discussion
Attachments: S&P slides - new governance arrangements.pdf

Kia ora Rebecca and Anthony

Please find attached a short summary of the arrangements we'd like to test with you tomorrow, before we meet with Auckland Council.

I'll separately share the slides for the Auckland Council session.

Proposed agenda:

1. Introductions: 5min
2. Overview of proposal: 10min
3. Open discussion: 30min
4. Auckland Council arrives (@Michael Petherick, no need to stay here)
5. Opening comments: 5min
6. General discussion

Ngā mihi nui,

Mike Chatterley (he/him) | Three Waters Reform Programme
s 9(2)(g)(ii)

-----Original Appointment-----

From: Mike Chatterley
Sent: Monday, 29 November 2021 11:22 AM
To: Mike Chatterley; Morgan Dryburgh [TSY]; 'Alistair Birchall [TSY]'; Tim Walker; Hrvatin, Rebecca; Walker, Anthony; 'Campbell Will'; Nick Davis; Michael Petherick
Subject: RES letter discussion + other discussion
When: Tuesday, 30 November 2021 2:00 PM-3:30 PM (UTC+12:00) Auckland, Wellington.
Where: <https://dia-nz.zoom.us/j/83407286538?pwd=S1lIRTYzdVdJL1BEZEZySGlZeE1sZz09>

Kia ora Rebecca and Anthony

Looking forward to catching-up tomorrow. We have had an urgent request from our Minister of Finance in relation to some changes to the governance arrangements which we'd like to discuss with you and Treasury **before** Auckland Council join us at 2.45pm.

For the second half of the session, we'll catch-up on the RES letter as we have a couple of queries / clarifications. Auckland Council will join us for that session.

I'll do my best to get some materials for the two sessions to you today, but the priority will be the first session.

Ngā mihi

Mike



Use Zoom for meetings which are classified up to a level of 'In Confidence' ONLY

Hi there,

Mike Chatterley is inviting you to a scheduled Zoom meeting.

[Join Zoom Meeting](#)

Phone one-tap: New Zealand: [+6436590603,83407286538#](tel:+643659060383407286538) or
[+6448860026,83407286538#](tel:+644886002683407286538)

Meeting URL: <https://dia-nz.zoom.us/j/83407286538?pwd=S1lIRTYzdVdJL1BEZEZySGlZeE1sZz09>
Meeting ID: 834 0728 6538
Password: 2021

Join by Telephone

For higher quality, dial a number based on your current location.

Dial:

New Zealand: +64 3 659 0603 or +64 4 886 0026 or +64 9 884 6780

Meeting ID: 834 0728 6538

Password: 2021

[International numbers](#)

Join from an H.323/SIP room system

H.323: global.zoomcrc.com

Meeting ID: 834 0728 6538

Password: 2021

SIP: 83407286538@global.zoomcrc.com

Password: 2021

Skype for Business (Lync)

<https://dia-nz.zoom.us/skype/83407286538>

Use Zoom for meetings which are classified up to a level of 'In Confidence' ONLY

From: Campbell Will <campbell.will@mafic.co.nz>
Sent: Thursday, 13 October 2022 4:18 pm
To: Vora, Meet
Cc: Iyer, Parvathy; Louise Marsden; Kyle Berryman [TSY]; Tim Walker
Subject: RE: [SPGConfidential] WSE RES Feedback

Hi Meet

Thanks again for the work on the latest RES. We have been discussing the feedback with DIA and Treasury and a few questions have come up regarding the assessment of the liquidity facility and liquidity more generally. In particular, regarding the underlying assumptions S&P made for the purposes of undertaking the RES and also more generally in regard to how the rating methodology considers liquidity (ie sources and uses).

Would you and/or Parvathy be available early next week for a call to talk through a few questions to help us understand the rating methodology further?

Cheers,
Campbell



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Campbell Will
Sent: Thursday, 22 September 2022 3:43 pm
To: Vora, Meet <meet.vora@spglobal.com>
Subject: RE: [SPGConfidential] WSE RES Feedback

Thanks Meet!



Campbell Will
Mafic Partners Limited
M: +64 27 300 6623

From: Vora, Meet <meet.vora@spglobal.com>
Sent: Wednesday, 21 September 2022 5:55 pm
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz; Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker <tim.walker@mafic.co.nz>; ambrose.beaney@spglobal.com
Subject: RE: [SPGConfidential] WSE RES Feedback

This message was sent securely using Zix®

Hi Campbell,

Please find attached the RES feedback letter for the Water Service Entity.

If you have any questions, please feel free to reach out to me or Parvathy.

Regards,
Meet

Meet Vora
Director
Infrastructure Ratings

S&P Global
T: 61.2.9255.9854 | M: 61.400.258.045


From: Vora, Meet (Analytical)
Sent: Friday, 16 September 2022 4:16 PM
To: Campbell Will <campbell.will@mafic.co.nz>
Cc: Iyer, Parvathy (Analytical) <parvathy.iyer@spglobal.com>; Kyle.Berryman@treasury.govt.nz; Joseph Lundberg <Joseph.Lundberg@dia.govt.nz>; philippa.yasbek@dia.govt.nz; Tim Walker <tim.walker@mafic.co.nz>; Beaney, Ambrose (Analytical) <ambrose.beaney@spglobal.com>
Subject: [SPGConfidential] WSE RES Feedback

Hi Campbell,

Thanks for making the time this afternoon to catch up with us.

As discussed, below is the table with brief scores and outcomes from our RES committee process. We will start working on the letter, which we should be able to send through to you sometime later half of next week as I have a couple of days of leave coming up next week.

s9(2)(f)(iv)



Regards,
Meet

Meet Vora

He/Him
Director, APAC Infrastructure

S&P Global Ratings

Level 22, 400 George Street, Sydney, NSW 2000, Australia

T: 61.2.9255.9854 | M: 61.400.258.045

meet.vora@spglobal.com

spglobal.com



The information contained in this message is intended only for the recipient, and may be a confidential attorney-client communication or may otherwise be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, please be aware that any dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please immediately notify us by replying to the message and deleting it from your computer. S&P Global Inc. reserves the right, subject to applicable local law, to monitor, review and process the content of any electronic message or information sent to or from S&P Global Inc. e-mail addresses without informing the sender or recipient of the message. By sending electronic message or information to S&P Global Inc. e-mail addresses you, as the sender, are consenting to S&P Global Inc. processing any of your personal data therein.


This message was secured by [Zix](#)[®].

From: Kyle Berryman [TSY]
Sent: Monday, 19 September 2022 10:26 am
To: Morgan Dryburgh [TSY]; Alistair Birchall [TSY]; David Lai [TSY]
Subject: 3W - S&P call summary
Attachments: Three Waters Reform Programme IM Addendum - WSE rating (21 July 2022).pdf

Morena,

I joined the S&P call on Friday, for which as there were no prepared materials/presentation making it a little hard to follow. Attached is the scenarios that Mafic presented to S&P and included below is that table that they spoke to on the call but didn't share until afterwards.

s9(2)(f)(iv)



I asked Pavathy whether the Crown Standby Liquidity Facility could be instead provided at a Centralised Borrowing Entity level rather than at each WSE for the same outcome. Her view was that S&P likes that each WSE has a direct line/connection into the Crown as a lifeline.

S&P Feedback discussion: 16 September 2022

Mafic
Campbell Will
Tim Walker


DIA
Philippa Yasbek (Joe was also invited but didn't attend)

S&P
Meet Vora
Ambrose Beaney
Pavathy Iyer


S&P shared this after the call:

below is the table with brief scores and outcomes from our RES committee process. We will start working on the letter, which we should be able to send through to you sometime later half of next week as I have a couple of days of leave coming up next week.

s9(2)(f)(iv)



s9(2)(f)(iv)



s9(2)(f)(iv)

Sovereign Team assesses that the Likelihood of Support is “Extremely High”. The did note that they hadn’t considered if this reform might signal a change in the Likelihood of Support for councils

On the levers, the passage of time for management and regulation to prove themselves will transition the metrics used for Cash Flow/Leverage from “Medial Volatility” table to a “Low Volatility” table. Strong regulation would move to the Low Volatility Table enabling the entities to operate at lower FFO/Debt ratios. Moving to Strong might be 1-2 periods of PQ regulation applying, which corresponds to 2033-2036, but it need not be. Pavathy explained that there is “flexibility on financials” and that a move to the Low Volatility Table could be from S&P “giving value to how an WSE is being run”, i.e. if management are doing a good job. Pavathy then gave the example of Sydney Water which has seen lots of chopping and changing of regulatory periods given how political charging for water is [which didn’t provide my comfort that it would be easy].

s9(2)(f)(iv)



Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions, Capital Markets | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Kyle Berryman [TSY]
Sent: Tuesday, 13 September 2022 12:14 pm
To: Mat Carter; Stuart Ritson [TSY]
Cc: DCM; Louise Marsden (louise.marsden@mafic.co.nz)
Subject: RE: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

Kia ora Mat,

Ahead of meeting please find below some discussion points intended to help us ensure that we have consistency in our approach. I'm also extending the invitation to Louise Marsden from Mafic Partners to join via Teams. Mafic is advising the Department of Internal Affairs, which is leading the reforms.

The discussion points are framed for each Water Services Entities (WSE), as contemplated in the Three Waters reforms, approaching the capital markets in their own right. This can also be a proxy for a centralised borrowing entity similar to the role of LGFA with councils. We welcome your thoughts.

Base assumptions:

- Four WSEs that benefit from Crown Standby Liquidity Facilities and have AA+ credit ratings (i.e. LGFA is a tangible reference point).
- WSE proforma debt positions are 1 x \$5bn and 3 x \$3bn, collectively \$14bn, which will grow with capital expenditure over time.
- WSEs have financing in place with an intent to transition to capital markets as market capacity allows and can consider an immediate transition to capital markets if optimal.
- WSEs are likely to undertake financial markets hedging with banks .
- WSEs will have transactional banking requirements. This is for context only as it is not yet under consideration and is out of scope for this engagement.

Discussion points – Capital Markets:

1. What would be your recommended approach to implementing the water reforms and financing these WSEs?
2. How much time and what work is required to introduce each WSE entity or an LGFA-equivalent and warm the market?
3. What volumes could be achievable in a first issuance (can involve multiple tranches)?
4. What additional issuance volumes might be achievable in the first and subsequent years?
5. If the larger WSE comes to capital markets first, and alone given its larger funding task, how would you see it building up its volumes to \$5bn?
6. When might it be optimal for the smaller entities to begin issuing?
7. Would there be an annual capacity limit(s) that all four entities would need to fit under?
8. How long will it take the full \$14bn to be raised in capital markets?
9. Please share your insights as to the merits of approaching different markets, i.e. NZ vs offshore markets with discussion of pricing, volumes and speed trade-offs
10. Any guidance on whether a secondary credit rating(s) would be required, noting that the working assumption is for an S&P rating only in the first instance?
11. What are the implications for New Zealand capital markets and existing issuers from adding four new High Grade issuers?

Discussion points – Bank Debt/Syndications:

1. Would your bank also have interest in lending to a water entity beyond providing support to transactional banking arrangements? If yes, in what circumstances and at what indicative pricing, tenor and volume for any single entity, all four entities in total or an LGFA-equivalent?
2. Any thoughts on market appetite and pricing for a syndicated facility for this type of borrower(s)?

Ngā mihi,

Kyle



TE TAI ŌHANGA
THE TREASURY

Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions, Capital Markets | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Mat Carter <Mat.Carter@westpac.co.nz>

Sent: Tuesday, 13 September 2022 9:23 am

To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>; Stuart Ritson [TSY] <Stuart.Ritson@treasury.govt.nz>

Cc: DCM <DCM@westpac.co.nz>

Subject: RE: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

Hi Kyle – no problem, have sent an invite for this Wed at 4.15pm. If you come to our reception we can go from there and then Teams with Stuart.

Regards,
Mat.

Mat Carter

Head of Debt Capital Markets & Syndicate

Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 8, 16 Takutai Square, PO Box 934, Auckland 1010

P: +64 9 352 0850 | **M:** +64 27 8399 263

E: mat.carter@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

Important Information

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (company number 1763882) (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and

lodged under the Financial Markets Conduct Act 2013 (FMCA) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

From: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Sent: Tuesday, September 13, 2022 9:02 AM
To: Mat Carter <Mat.Carter@westpac.co.nz>
Cc: Stuart Ritson [TSY] <Stuart.Ritson@treasury.govt.nz>; DCM <DCM@westpac.co.nz>
Subject: RE: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

CAUTION: This email originated from outside of the Westpac Group. Do not click links or open attachments unless you recognise the sender.

Hi Mat,

Thanks for agreeing to meet. Since reaching out to you we've filled a couple of the time slots.

Would between 10.15am and 11.45am on Thursday be possible? Or Wednesday 12pm to 1pm or from 3.00pm? If any of those times work then please send through an invitation for a combined in person meeting at Westpac with a Teams/Zoom link.

Best regards,

Kyle

From: Mat Carter <Mat.Carter@westpac.co.nz>
Sent: Monday, 12 September 2022 8:33 pm
To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Cc: Stuart Ritson [TSY] <Stuart.Ritson@treasury.govt.nz>; DCM <DCM@westpac.co.nz>
Subject: RE: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

Hi Kyle – sounds good.

Would this Thurs at 11.30am work? (if that is too late we can look to another time). We could have at Westpac's offices and have Stuart join by Teams?

Regards,
Mat.

Mat Carter
Head of Debt Capital Markets & Syndicate
Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 8, 16 Takutai Square, PO Box 934, Auckland 1010

P: +64 9 352 0850 | M: +64 27 8399 263

E: mat.carter@westpac.co.nz | www.westpac.co.nz





If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

Important Information

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (company number 1763882) (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

From: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>

Sent: Monday, September 12, 2022 1:45 PM

To: Mat Carter <Mat.Carter@westpac.co.nz>

Cc: Stuart Ritson [TSY] <Stuart.Ritson@treasury.govt.nz>

Subject: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

CAUTION: This email originated from outside of the Westpac Group. Do not click links or open attachments unless you recognise the sender.

[UNCLASSIFIED]

Kia ora Mat,

Would there be an opportunity for us to catch-up with the appropriate persons from your DCM team later this week regarding the Three Waters reforms?

We are looking to build an independent Treasury view around capital structure options for the Water Services Entities (WSEs) and we would welcome Westpac's indicative thoughts and insights.

In the first instance we are looking to engage with DCM teams only as our focus is capital markets given these will be high grade issuers with large amounts of borrowing requirements, and noting neither that LGFA nor Kāinga Ora have material bank borrowings. Ahead of meeting we would look to share some discussion points.

Ideal time windows for us to meet are Wednesday afternoon, excluding 1:30pm - 2:30pm, or Thursday morning, excluding 10:00am - 10:30am. Would any of these suit? We can potentially offer a mixed in-person and virtual format, or fully virtual. I'm able to attend in person in Auckland and my colleague, Stuart Ritson from the NZDM team, is based outside of Auckland and will join via Teams/Zoom.

Please let us know how you're placed. We look forward to speaking soon.

Ngā mihi,

Kyle



**TE TAI ŌHANGA
THE TREASURY**

**Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions,
Capital Markets | Te Tai Ōhanga – The Treasury**

Mobile: +s 9(2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Kyle Berryman [TSY]
Sent: Thursday, 13 October 2022 3:08 pm
To: Fiona Doddrell
Cc: Mat Carter
Subject: RE: S&P's Credit FAQ on Three Waters Reform

[UNCLASSIFIED]

Hi Fiona,

It's my first day back from leave and I hadn't seen it so many thanks.

This may be a question for Tracey, who I'm pretty sure I saw last week in a coffee shop in Parua Bay near Whangarei, but would the syndicated facility she mentioned be for a single entity or collectively for all entities? i.e. would 4 x \$1.2-1.5bn be possible/realistic from the bank market?

Best regards,

Kyle

From: Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>
Sent: Thursday, 13 October 2022 2:54 pm
To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Cc: Mat Carter <Mat.Carter@westpac.co.nz>
Subject: S&P's Credit FAQ on Three Waters Reform

You don't often get email from fiona.doddrell@westpac.co.nz. [Learn why this is important](#)

Hi Kyle

Hope you are well.

Just in case you missed it – please see attached from S&P which was published yesterday.

Kind Regards
Fiona

Fiona Doddrell
Director Debt Capital Markets & Syndicate | Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 15, 318 Lambton Quay, PO Box 691, Wellington 6011

P: +64 9 348 9991 | Ext. 83991 | M: +64 27 809 6677

E: fiona.doddrell@westpac.co.nz | www.westpac.co.nz





If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

IMPORTANT INFORMATION

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Kyle Berryman [TSY]
Sent: Thursday, 10 November 2022 11:14 am
To: Tracey Walker
Cc: Connor Gibson; Leslie Teh; Matt Rea; Richard Anderson-WIB; Fiona Doddrell; Mike Sussock
Subject: RE: Three Waters Reform

[UNCLASSIFIED]

Kia ora Tracey,

Many thanks for reaching out. Please suggest some days and times that might suit.

I'll be guided by you on preferred format. Likely attendees from our side are me in Auckland, with perhaps one colleague, and John Forster (ex-HSBC and working on the reforms at DIA) in Wellington. John would welcome the opportunity to go the Westpac offices to join with Fiona.

Ngā mihi,

Kyle



TE TAI ŌHANGA
THE TREASURY

Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions, Capital Markets | Te Tai Ōhanga – The Treasury

Mobile: +64 9 (2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

From: Tracey Walker <tracey.walker@westpac.co.nz>
Sent: Wednesday, 9 November 2022 4:21 pm
To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Cc: Connor Gibson <connor.gibson@westpac.co.nz>; Leslie Teh <Leslie.Teh@westpac.co.nz>; Matt Rea <matt.rea@westpac.co.nz>; Richard Anderson-WIB <Richard.Anderson-WIB@westpac.co.nz>; Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>; Mike Sussock <Mike.Sussock@westpac.co.nz>
Subject: Three Waters Reform

You don't often get email from tracey.walker@westpac.co.nz. [Learn why this is important](#)

Hi Kyle,

I hope this email finds you well? We have been discussing internally how best to support you with financing and funding ideas as we progress through the reforms. Our Corporate Advisory team have been looking at some offshore examples and the types of funding being undertaken in other jurisdictions. We wondered if it would be helpful to have a follow-up wide board session to discuss the various funding types and when and where they might work best in the process? Is that something that might be beneficial?

Let me know and we will come back with some dates that could work.

Talk soon

Tracey

Tracey Walker
Head of Institutional Banking
Institutional & Business Banking

Level 3, 16 Takutai Square, Auckland 1010
M +64 27 207 3298 | E tracey.walker@westpac.co.nz



Classification: PROTECTED

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Tracey Walker <tracey.walker@westpac.co.nz>
Sent: Thursday, 13 October 2022 4:08 pm
To: Fiona Doddrell; Kyle Berryman [TSY]
Cc: Mat Carter
Subject: RE: S&P's Credit FAQ on Three Waters Reform

You don't often get email from tracey.walker@westpac.co.nz. [Learn why this is important](#)

Ha! Kyle – I thought that was you – but I didn't think you noticed me. s9(2)(a)

In terms of total bank appetite it would depend a bit on what the final structure (balance sheet strength of each entity looked like) However, if we proxied the northern entity for something like AC then \$1.2b is achievable (majors in for around \$200m and the Chinese banks/MUFG/HSBC in for around \$50-\$70m) Then appetite on the others would be similar or lower depending on their end state structure and what their balance sheets look like.

Pure stand-by facilities don't model well under regulatory capital and basel 3 (making them more expensive than in the recent past) , however, if I remember correctly these facilities would be drawn as you manage the underlying maturities of existing borrowing and accumulate debt ready for DCM.

Does that help?

Tracey

Tracey Walker
Head of Institutional Banking
Institutional & Business Banking

Level 3, 16 Takutai Square, Auckland 1010
M +64 27 207 3298 | E tracey.walker@westpac.co.nz



Classification: PROTECTED

From: Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>
Sent: Thursday, October 13, 2022 3:13 PM
To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>; Tracey Walker <tracey.walker@westpac.co.nz>
Cc: Mat Carter <Mat.Carter@westpac.co.nz>
Subject: RE: S&P's Credit FAQ on Three Waters Reform

Hi Kyle

Have looped in Tracey so she can revert on the facility and whether she was in Parua bay for coffee

Regards
Fiona

Fiona Doddrell
Director Debt Capital Markets & Syndicate | Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 15, 318 Lambton Quay, PO Box 691, Wellington 6011

P: +64 9 348 9991 | Ext. 83991 | M: +64 27 809 6677

E: fiona.doddrell@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

IMPORTANT INFORMATION

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit- taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

From: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>

Sent: Thursday, October 13, 2022 3:08 PM

To: Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>

Cc: Mat Carter <Mat.Carter@westpac.co.nz>

Subject: RE: S&P's Credit FAQ on Three Waters Reform

CAUTION: This email originated from outside of the Westpac Group. Do not click links or open attachments unless you recognise the sender.

[UNCLASSIFIED]

Hi Fiona,

It's my first day back from leave and I hadn't seen it so many thanks.

This may be a question for Tracey, who I'm pretty sure I saw last week in a coffee shop in Parua Bay near Whangarei, but would the syndicated facility she mentioned be for a single entity or collectively for all entities? i.e. would 4 x \$1.2-1.5bn be possible/realistic from the bank market?

Best regards,

Kyle

From: Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>
Sent: Thursday, 13 October 2022 2:54 pm
To: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Cc: Mat Carter <Mat.Carter@westpac.co.nz>
Subject: S&P's Credit FAQ on Three Waters Reform

You don't often get email from fiona.doddrell@westpac.co.nz. [Learn why this is important](#)

Hi Kyle

Hope you are well.

Just in case you missed it – please see attached from S&P which was published yesterday.

Kind Regards

Fiona

Fiona Doddrell

Director Debt Capital Markets & Syndicate | Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 15, 318 Lambton Quay, PO Box 691, Wellington 6011

P: +64 9 348 9991 | Ext. 83991 | M: +64 27 809 6677

E: fiona.doddrell@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

IMPORTANT INFORMATION

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Mat Carter <Mat.Carter@westpac.co.nz>
Sent: Monday, 12 September 2022 8:33 pm
To: Kyle Berryman [TSY]
Cc: Stuart Ritson [TSY]; DCM
Subject: RE: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

Hi Kyle – sounds good.

Would this Thurs at 11.30am work? (if that is too late we can look to another time). We could have at Westpac's offices and have Stuart join by Teams?

Regards,
Mat.

Mat Carter
Head of Debt Capital Markets & Syndicate
Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 8, 16 Takutai Square, PO Box 934, Auckland 1010

P: +64 9 352 0850 | M: +64 27 8399 263

E: mat.carter@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

Important Information

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (company number 1763882) (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

From: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Sent: Monday, September 12, 2022 1:45 PM
To: Mat Carter <Mat.Carter@westpac.co.nz>
Cc: Stuart Ritson [TSY] <Stuart.Ritson@treasury.govt.nz>
Subject: The Treasury/Westpac DCM - Three Waters capital markets discussion on Wednesday afternoon or Thursday morning?

CAUTION: This email originated from outside of the Westpac Group. Do not click links or open attachments unless you recognise the sender.

[UNCLASSIFIED]

Kia ora Mat,

Would there be an opportunity for us to catch-up with the appropriate persons from your DCM team later this week regarding the Three Waters reforms?

We are looking to build an independent Treasury view around capital structure options for the Water Services Entities (WSEs) and we would welcome Westpac's indicative thoughts and insights.

In the first instance we are looking to engage with DCM teams only as our focus is capital markets given these will be high grade issuers with large amounts of borrowing requirements, and noting neither that LGFA nor Kāinga Ora have material bank borrowings. Ahead of meeting we would look to share some discussion points.

Ideal time windows for us to meet are Wednesday afternoon, excluding 1:30pm - 2:30pm, or Thursday morning, excluding 10:00am - 10:30am. Would any of these suit? We can potentially offer a mixed in-person and virtual format, or fully virtual. I'm able to attend in person in Auckland and my colleague, Stuart Ritson from the NZDM team, is based outside of Auckland and will join via Teams/Zoom.

Please let us know how you're placed. We look forward to speaking soon.

Ngā mihi,

Kyle



Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions, Capital Markets | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- a. please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- b. any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

From: Mat Carter <Mat.Carter@westpac.co.nz>
Sent: Tuesday, 20 September 2022 12:18 pm
To: Kyle Berryman [TSY]
Cc: DCM
Subject: RE: Treasury/Westpac - Three Waters discussion thank you and further question

Hi Kyle – thanks for your time last week.

We will revert asap on the below.

Regards,
Mat.

Mat Carter
Head of Debt Capital Markets & Syndicate
Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 8, 16 Takutai Square, PO Box 934, Auckland 1010

P: +64 9 352 0850 | M: +64 27 8399 263

E: mat.carter@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

Important Information

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (company number 1763882) (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

From: Kyle Berryman [TSY] <Kyle.Berryman@treasury.govt.nz>
Sent: Tuesday, September 20, 2022 10:48 AM
To: Mat Carter <Mat.Carter@westpac.co.nz>
Subject: Treasury/Westpac - Three Waters discussion thank you and further question

CAUTION: This email originated from outside of the Westpac Group. Do not click links or open attachments unless you recognise the sender.

Kia ora Mat,

Many thanks for sharing your thoughts with us last week. We very much appreciated the openness of the discussion on financing considerations for the Three Waters entities.

While the discussions might be fresh we are keen to explore a further question with you the impact of the Water Services Entities' standalone credit profiles on capacities and appetite please. This is to frame up some sensitivities rather than signalling any intention.

Crown support provides a significant uplift to the standalone credit profiles such that both investment grade or sub-investment grade standalone credit profiles can be consistent with Water Services Entities having credit ratings that are robustly in the "high grade AA space". Our question is what would the relative impact be of the Water Services Entities having either an investment grade or sub-investment grade standalone credit profile? i.e. would there be any impact on the underlying appetites of the different investor classes or bank liquidity books or bank credit lines for hedging etc? For the hedging arrangements please assume it is in line with LGFA with collateral etc.

If you are able to share your thoughts it would be much appreciated.

Ngā mihi,

Kyle



**TE TAI ŌHANGA
THE TREASURY**

Kyle Berryman | Kaitohu Mātāmua, Moni Tōpū Hokohoko - Principal Advisor, Balance Sheet & Transactions, Capital Markets | Te Tai Ōhanga – The Treasury

Mobile: s 9(2)(g)(ii) | Email/IM: kyle.berryman@treasury.govt.nz

Visit us online at <https://treasury.govt.nz/> and follow us on [Twitter](#), [LinkedIn](#) and [Instagram](#)

CONFIDENTIALITY NOTICE

The information in this email is confidential to the Treasury, intended only for the addressee(s), and may also be legally privileged. If you are not an intended addressee:

- please immediately delete this email and notify the Treasury by return email or telephone (64 4 472 2733);
- any use, dissemination or copying of this email is strictly prohibited and may be unlawful.

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Tracey Walker <tracey.walker@westpac.co.nz>
Sent: Wednesday, 9 November 2022 4:21 pm
To: Kyle Berryman [TSY]
Cc: Connor Gibson; Leslie Teh; Matt Rea; Richard Anderson-WIB; Fiona Doddrell; Mike Sussock
Subject: Three Waters Reform

You don't often get email from tracey.walker@westpac.co.nz. [Learn why this is important](#)

Hi Kyle,

I hope this email finds you well? We have been discussing internally how best to support you with financing and funding ideas as we progress through the reforms. Our Corporate Advisory team have been looking at some offshore examples and the types of funding being undertaken in other jurisdictions. We wondered if it would be helpful to have a follow-up wide board session to discuss the various funding types and when and where they might work best in the process? Is that something that might be beneficial?

Let me know and we will come back with some dates that could work.

Talk soon

Tracey

Tracey Walker
Head of Institutional Banking
Institutional & Business Banking

Level 3, 16 Takutai Square, Auckland 1010
M +64 27 207 3298 | E tracey.walker@westpac.co.nz



Classification: PROTECTED

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.

From: Fiona Doddrell <Fiona.Doddrell@westpac.co.nz>
Sent: Thursday, 13 October 2022 2:54 pm
To: Kyle Berryman [TSY]
Cc: Mat Carter
Subject: S&P's Credit FAQ on Three Waters Reform
Attachments: RatingsDirect_CreditFAQLiftingTheLidOnNewZealandsThreeWatersReforms_52926572_Oct-13-2022.pdf

You don't often get email from fiona.doddrell@westpac.co.nz. [Learn why this is important](#)

Hi Kyle

Hope you are well.

Just in case you missed it – please see attached from S&P which was published yesterday.

Kind Regards

Fiona

Fiona Doddrell

Director Debt Capital Markets & Syndicate | Westpac Banking Corporation, New Zealand

Westpac Institutional Bank. Level 15, 318 Lambton Quay, PO Box 691, Wellington 6011

P: +64 9 348 9991 | Ext. 83991 | M: +64 27 809 6677

E: fiona.doddrell@westpac.co.nz | www.westpac.co.nz



If you wish to unsubscribe from this type of email communication from Westpac please reply to the sender via email, typing unsubscribe and the type of communication in the subject line. Please note that if you are receiving more than one type of email communication from Westpac, you will need to unsubscribe from these emails individually.

IMPORTANT INFORMATION

Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 (**Westpac**) or Westpac New Zealand Limited (**WNZL**). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. This email is issued in New Zealand and is intended for distribution in New Zealand only. The distribution of this email may be restricted in certain jurisdictions. If you receive this email, you must inform yourself about and observe all relevant restrictions. Unless otherwise stated, this email is confidential. If received in error, please delete and inform the sender by return email. Unauthorised use, copying or distribution of this email is prohibited. If a product disclosure statement has been prepared and lodged under the Financial Markets Conduct Act 2013 (**FMCA**) for any product(s) referred to in this email copies are available from www.business.govt.nz/disclose. The supply or receipt of this email or a product disclosure statement is not an offer to buy or sell any financial product. Whether or not any financial product is available to be purchased by you depends on your investor status under the FMCA in respect of that offer, amongst other things. This email has been prepared without taking account of your particular financial situation or goals and is not to be construed as an indication or prediction of future results. Westpac strongly recommends that you seek appropriate independent advice before acting on any information provided in this email. The current disclosure statements for the New Zealand division of Westpac and for WNZL can be obtained at the internet address www.westpac.co.nz.

Classification: PROTECTED

The contents of this email and any attachments are confidential and may be legally privileged. If you are not the intended recipient please advise the sender immediately and delete the email and attachments. Any use, dissemination, reproduction or distribution of this email and any attachments by anyone other than the intended recipient is prohibited.