

water
NEW ZEALAND
CONFERENCE & EXPO
25-27 SEPTEMBER 2024
Claudelands, Kirikiriroa Hamilton



Jeremy Cain

Economic regulation

What does it mean in practice?

Concept Consulting

A lot of urgent activity now

Industry developing water service delivery plans:

- Structuring / partnerships
 - Firm up investment / funding needs
 - Prepare for ID, engage with “Bill 3” development
- ... and progressing generational investment programmes

Government preparing for WSDPs, broader policy changes:

- Financing, other statutory enablers
- Setting up for economic regulation
- Taumata Arowai amendments

Step back and look ahead

Regardless of final rules, a few things hold true

What matters to customers matters to you

Business-wide impacts

Honesty is the best policy

It is what you make of it

A new level of governance, controls, assurance

Learn the rules

Asset management is a strategic imperative

Interim solutions should be interim

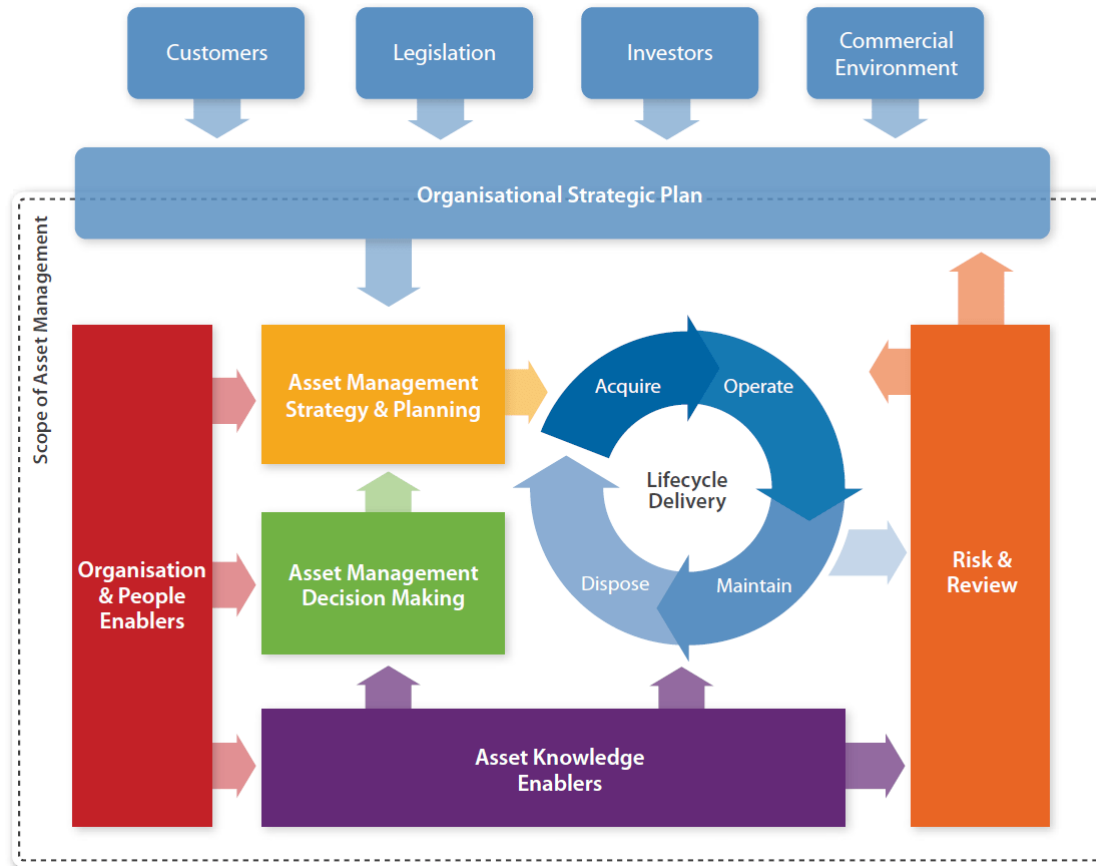
Customers matter most

Customers are why we're all here.

Customers should be front of mind:

- in decision making – investment priorities, cost, pricing, quality, amenity impacts
- engage, listen, take into account – and demonstrate this
- better decisions, community and customer support, favorable regulatory outcomes

Sound asset management is essential



To gain confidence of investors, customers, regulators, stakeholders

Needs to be pervasive across business, with continual learning:


- Asset information is an asset
- Asset health, risk-criticality frameworks
- Deliverability and cost estimation
- Planning, scheduling, executing

Even for best-in-class, technological progress drives continual improvement

Need to know: the rules

The regulation is conceptually simple, but:

- rules themselves can be complicated and non-intuitive
- to operate effectively you need to know the rules, their intent and implication
- that requires investment in capability and capacity
- fast-start avoids catch up (+mistakes, costly rework, and unintentional non-compliance)



Law 15 Tackle: Ball Carrier Brought to Ground

(e) Any player who gains possession of the ball at the tackle must play the ball immediately by moving away or passing or kicking the ball.
Sanction: Penalty kick

(f) Any player who first gains possession of the ball must not go to the ground at the tackle or near to it unless tackled by an opposition player.
Sanction: Penalty kick

(g) Any player who first gains possession of the ball at the tackle or near to it may be tackled by an opposition player providing that player does so from behind the ball and from directly behind the tackled player or the tackler closest to that player's goal line.
Sanction: Penalty kick

There are business-wide impacts

Economic regulation affects the whole business to differing degrees:

- For most staff, a base level of understanding is beneficial
- Accountable teams need to know what they're required to do, why, how, and to what standard
- Executives need to know enough to manage effectively and sign management representations
- Directors need to be able to confidently make regulatory certifications on behalf of the company

Regulatory staff need to be competent advisers (and know when and where to go for help)

Asset management, service quality, customer services, pricing, finance, strategy ...

Next level: assurance & governance

ID is likely to require independent audit and director certification

This is akin to certifying financial statements, but broader in scope, more complex, less intuitive

There are serious penalties for non-compliance – financial, reputational and potentially strategic consequences

Business processes, controls and assurance need to be robust, formalized and applied consistently



Interim solution ≠ enduring solution

Virtually every firm will have to deploy 'interim solutions' initially to meet regulatory requirements

It can be difficult to value compliance risk so traditional business case can be difficult

Over-reliance on interim solutions

- increases complexity, key person risk, cycle times and compliance risk
- reduces information value / availability, confidence

Investing in enduring solutions (and embedding new processes as core activities) likely to be the path of least regret

This problem usually disappears after a major compliance issue!

Honesty is the best policy

Things will go wrong. Companies can:

- be reluctant to reveal the true state of affairs
- 'gild the lily' - overstating maturity and proficiency
- be tempted to hide inconvenient truths, non-compliance, mistakes

The new degree of transparency means you'll likely be found out, damaging credibility

Experience shows it's best to be up-front and honest from the outset



Easy as?

Keep these tips in mind and you'll be well placed to succeed

Remember:

- the regulator has an interest in your success
- but is an agent for consumers so its overriding interest is your performance

Perform well, play within the rules and your business and customers will be well set for success

... and should avoid any red cards!



Discussion

