

Watercare Services Limited – Quarterly Report

Quarter ended 30 September 2018



Watercare Maintenance Service Network servicepeople, Rangz Elliot and Rangz Fenton, working on the planned meter replacement programme

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EXECUTIVE SUMMARY

During the quarter we released our first integrated Annual Report for 2018, which recorded not only our financial and non-financial performance, but also a more detailed story about who we are, and how our customers, and their needs are at the heart of what we do. We also celebrated Māori Language Week, Engineering Week and various awards won by our people and projects.

Financial performance favourable

Revenue was \$172m, which was \$12m favourable to budget. This was primarily due to favourable revenue from water and wastewater and vested assets.

Expenditure (excluding depreciation) was \$71m, which was \$3m favourable to budget. This was primarily driven by a favourable interest expense result. Operating expenses were on budget for the quarter.

Treasury services now centralised with Council

On 2 July 2018 Watercare and Auckland Council entered into a service level agreement for the provision of treasury services post 30 June 2018 and an inter-company loan agreement for existing loans at 30 June 2018. The key objective of the centralised treasury function is to achieve cost savings and efficiencies across the Council group and access to funding at cheaper rates for Watercare. To date the new centralised process is working well and all service level agreement KPIs are being met.

Central Interceptor on target

On 14 September 2018, the following four contractors submitted their proposals, on schedule:

- CPB Contractors
- Ghella-Abergeldie Harker Joint Venture
- Pacific Networks, comprising McConnell Dowell, Fletcher Construction and Obayashi
- VINCI Joint Venture, comprising VINCI Construction Grands Projets, HEB Construction and Solentache Bachy.

We are now evaluating the proposals and a recommendation on the preferred contractor will be made to the Watercare Board in November 2018.

Watercare staff continue to work with Auckland Council to determine the viability of alternative financing and funding mechanisms for the Central Interceptor, which would allow Auckland Council to free up debt capacity for other investment.

Section 17A reviews

During the quarter, Watercare worked with the Value for Money team at Auckland Council to assist with the section 17A reviews into Customer Service and Information, Communications and Technology (ICT), as well as Financial Group Services.

Future of water in New Zealand

The Department of Internal Affairs (DIA) is currently reviewing the three waters in New Zealand. The outcome of their review may have a significant impact on the operation of water and wastewater in New Zealand. On 25 September 2018, the Watercare Board and the Governing Body received an update from the DIA at a workshop held at Watercare Head Office in Newmarket.

Statement of Intent 2018/2021 approved by Auckland Council

Watercare's final Statement of Intent for 2018/2021 was approved by the Governing Body on 21 August 2018. The report is published on our website.

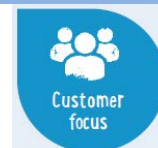
2018 Annual Report - our first integrated report

Watercare published its 2018 Annual Report on 28 September 2018. The Annual Report is available at <https://watercareannualreport.co.nz/>.

STRATEGIC PRIORITIES, FOCUS AREAS AND HIGHLIGHTS FOR THE QUARTER

1. Customer Focus

- We understand our customer needs and deliver value
- We consistently provide exceptional products and services
- We are trusted by our customers who understand our purpose and value our service

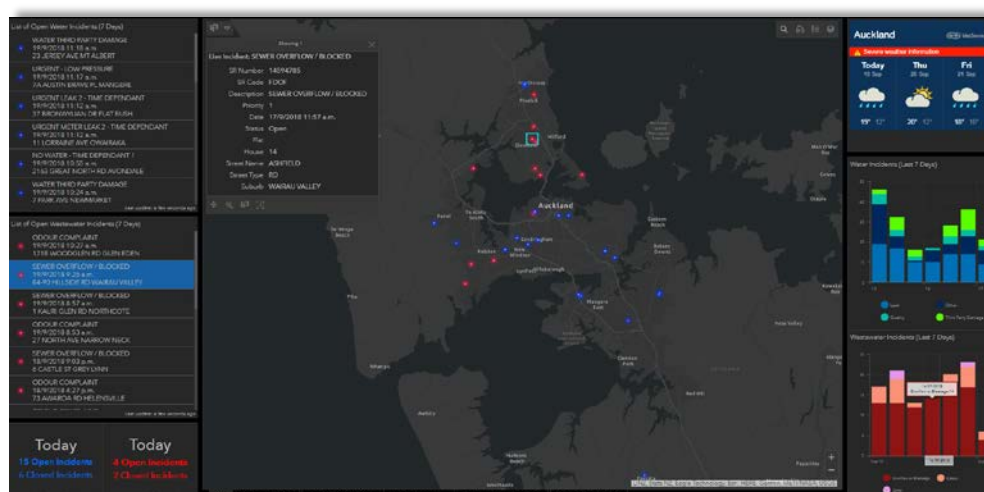


1.1 eBilling migration campaign

An eBill campaign is currently underway to increase the number of Watercare customers receiving their bills electronically. At present, around 41% of our customers receive their bills electronically. The aim is to increase that percentage to over 50%. Migration from paper to electronic invoices provides savings in paper and postage costs.

1.2 Wastewater overflow dashboard

A cross-functional team of our people have developed a real time wastewater overflow dashboard, which visually displays overflow locations on a map, as jobs are dispatched to the maintenance contractor. The dashboard also displays historical overflow data. This allows us to quickly identify repeated issues at the same location, and more easily identify the root cause of the overflow (e.g. fat, roots, wet wipes, etc.).



We generate a daily report that identifies repeat overflow locations. This information is used by our Operations engineers to assess and take appropriate action.

1.3 Water Utility Consumer Assistance Trust (WUCAT)

Over the last year, we have increased training to Watercare's customer-facing teams to enable better assistance and referrals of customers in hardship to WUCAT. The number of applications lodged, and the amount of relief granted in the 2018 financial year has increased on the 2017 financial year.

WUCAT's services are promoted through a number of channels, including:

- Tapped In, the hard-copy newsletter received by all Watercare customers
- Our website
- Regular meetings with various Citizens Advice Bureaus across Auckland (particularly in areas where most of the applicants reside)
- Distribution of brochures and information material at Local Board offices and public libraries

- Close relationships with community organisations, including various budgeting services to obtain referrals for potential applicants. The WUCAT administrator attends quarterly meetings at Age Concern, and also Work and Income in Henderson, Takapuna, Warkworth and Otara. She has also provided presentations to organisations such as The Fono Medical, Dental and Community Services.

Customers experiencing hardship are given shower timers by WUCAT in collaboration with EcoMatters (our water efficiency programme delivery partner). Customers are also provided with information on how to carry out a leak test. These are given to households with high bills for the number of occupants, or those who may think they have a leak. Customers working with WUCAT are sometimes recommended for a Watercare water audit with the objective of reducing water demand and therefore reducing cost for the customer.

Inaugural round-table

During the quarter, WUCAT initiated and hosted a round-table meeting at Watercare’s offices. Other community organisations who offer assistance to households in hardship attended including representatives from:

- Mercury Energy
- Habitat for Humanity
- Salvation Army Loan Scheme
- Ngā Tangata Microfinance (debt consolidation)
- EcoMatters Trust
- The Fono
- Auckland Council (Rates Rebate and Rates Postponement)
- Kainga Ora Healthy Homes Initiative

The workshop allowed each of the organisations to see each other’s “tools in the toolbox”. Often, customers in hardship are facing a number of issues, so knowing what other assistance programmes are available means the various administrators can utilise each other’s services to achieve better outcomes for customers in hardship.

Details of the results of the Trust and the WUCAT meetings held during the quarter are set out in **Appendix A**.

1.4 Working to reduce overflows

Our campaign to educate our customers on ways they can help to reduce overflows continued over the quarter. Our Head of Service Delivery, Simon Porter; Head of Water Value, Roseline Klein; and Environmental Technician, Liam Templeton each appeared on TV or radio in early August to talk about the effects of tree roots on the network and what not to put down drains.

The campaign also ran in our most recent Tapped In newsletter, which customers receive with their monthly bill.



2. Business Excellence

- We have a safe and engaged team
- We are a commercially-savvy business
- We are responsible stewards of our assets
- We continually strive for process excellence



2.1 Health and safety

At the end of September 2018, the rolling 12 month Lost Time Injury Frequency Rate for employees was 3.53 per million hours, below the Statement of Intent target of equal to or less than 5. The rolling 12 month Total Recordable Injury Frequency Rate decreased to 7.06 per million hours, below the Statement of Intent target of equal to or less than 20.

2.2 Institute of Directors health and safety forum

In late September, Watercare sponsored an Institute of Directors forum, which was attended by Watercare's Deputy Chair, Julia Hoare and Chief Executive, Raveen Jaduram. The forum focussed on health and safety, and where New Zealand companies would like to get to by 2022. Julia shared highlights from Watercare's health and safety journey, including our commitment to safety cards, which are part of our on-going drive to embed health and safety in our company DNA.

Our safety cards are a commitment from our Chief Executive to every staff member, expressly reminding all of our people that they have the authority to stop any activity that they consider unsafe. The message is that if we all take safety seriously, and exercise our individual authority to stop work that we deem unsafe, it will help ensure that all of us can go home safely at the end of our workday. It's an extension of the concept; 'I care, we care, Watercare'.



2.3 Our people and culture

This quarter, we welcomed several new people into key leadership roles, in particular in the Digital, Customer and People and Capability teams.

With the new team structures in place, the focus is now on empowering leaders to build their new teams and establish their new measures of success. To build on the structural changes our focus has included key drivers such as leadership, communications, working environment and new ways of working.

Activity over the next few quarters will focus on building capability through the development of an organisational-wide Capability Framework, a targeted leadership program and also the launch of a revised learning platform.

Plans are underway to change our working practices to support our new operating model. This will involve optimising the physical environment in our Newmarket office, whilst also developing productive and flexible working practices.

2.4 Water New Zealand Conference September 2018

Watercare was a premier sponsor of the Water NZ Conference, held in Hamilton 19-21 September 2018. The event was opened by Hon Minister Nanaia Mahuta, Minister of Local Government. Eight Watercare staff from across the business presented papers and demonstrated Watercare's thought leadership on a range of topics. This included presentations on "Sand removal during the water treatment process" and "Migratory bird management on the Manukau".

A number of our people and projects were recognised at Water New Zealand Awards. Details are set out below at point 2.8.

2.5 Māori Language Week

In September, we celebrated Māori Language Week. This year's theme was "Kia Kaha te Reo Māori: Let's make the Māori language strong". Watercare's celebrations were designed to increase awareness of Māori language revitalisation and to ensure it is *visible, heard, spoken and learnt*.

Staff organised or attended a number of events across various locations, including a 'Te Waiata Off', hosted by Auckland Council, a celebration of Te Reo Māori at MSN in Penrose, which included a hāngi lunch, a Hikoia te reo Māori, Auckland Central Māori Language Week Parade, which was a Council family event and finally a hāngi at Māngere wastewater treatment plant.



Ngā Korimako at "Te Waiata Off", hosted by Auckland Council to celebrate Te Wiki o Te Reo Māori 2018

2.6 Ageing water meter replacements

Our metering and contracts team has successfully completed the second phase of our planned meter replacement programme, installing 25,242 new water meters.

Meters older than 20 years typically tend to under-record consumption by up to 10 per cent so by proactively undertaking replacement, we ensure we charge customers accurately for what they use.

2.7 Engineering Week

In August, we celebrated Engineering Week by introducing our people to a number of our engineers through an internal promotion.

We're Auckland.

Mark is part of the strong Samoan community in Auckland. He is a wastewater operations engineer at Watercare.



"Sa amata ona ou faigaluega fa'amasani i le ologa faigaluega inisinia laipa mo le Civil Lab e su'esu'e le eleele ma material e fa'aaoga i mea eseese. Oute va'ai ma fesili i tagata o lo'o latou faia galuega, e fa'apena ona ou saili'iili lava ma ou fa'afia ai ia ave'a a'u ma inisinia ile galuega ua ou iai nei. E \$8 le tofogi ile itula. E lafiti le tofogi, a ole mea silij ia ou mafai ona fai au ma inisinia, ia mata ata ma fa'amaoni, ona maua lea o le tau, alu ile iunivesite O Aukilani."

"I first experienced engineering when working as a labourer for a civil lab company in East Tamaki. Talking with guys who were studying engineering and also watching the engineers work made me want to be paid like them (back then, I was getting paid \$8 an hour). I can

honestly say I made the right decision by choosing to study engineering at the University of Auckland. It was not an easy journey but definitely a rewarding one.

"In my role at Watercare I ensure our wastewater transmission assets are working as they should be to service the people of Auckland.

"I enjoy the challenges that come from looking after our assets and solving problems with the guidance of our more experienced engineers. Working with a great team makes you want to turn up to work."

"E le tu fa'amauga se tagata"

"No one stands alone like a mountain" – a Samoan proverb




We're Auckland.

Maria is part of Auckland's vibrant Cook Island community. She works at Watercare as a water network engineer.



"I love coming up with practical solutions for everyday problems – that's what inspired me to become an engineer.

"My job as a network engineer means I do everything from dealing with complex customer issues to working with our maintenance contractors to develop practical solutions.

"I'm proud of the role I play in giving 1.5 million Aucklanders access to safe, clean and affordable drinking water – a basic human right."




2.8 Award wins

New Zealand

Engineering New Zealand's Auckland Branch Centennial Awards

In August, Watercare principal planner, Brendon Harkness, was recognised with a highly commended award for his excellence in humanitarian service. The awards recognise exceptional local engineers who are setting a high standard for others to follow.



Brendon Harkness receiving his award

The judges commended Brendon for his involvement in a range of community development projects in the Pacific, Thailand and Africa. The projects that Brendon has led include:

- A long-term water supply strategy for 6,000 Samoan residents who had relocated inland following the 2009 tsunami, including the design of 14 independent rural schemes across both islands
- During 2016, Brendon undertook research for sustainable water pumping in a refugee camp in Tanzania as part of his M.Phil.
- In 2017, Brendon returned to Africa and spent two weeks in Sudan visiting three refugee camps. He assessed the infrastructure for upgrading drinking water systems and gave technical training to field staff in the water and sanitation team, incorporating the use of solar power in the water system pumping.

Water New Zealand Awards

In late September, the following people and projects were recognised at the Water NZ Awards:

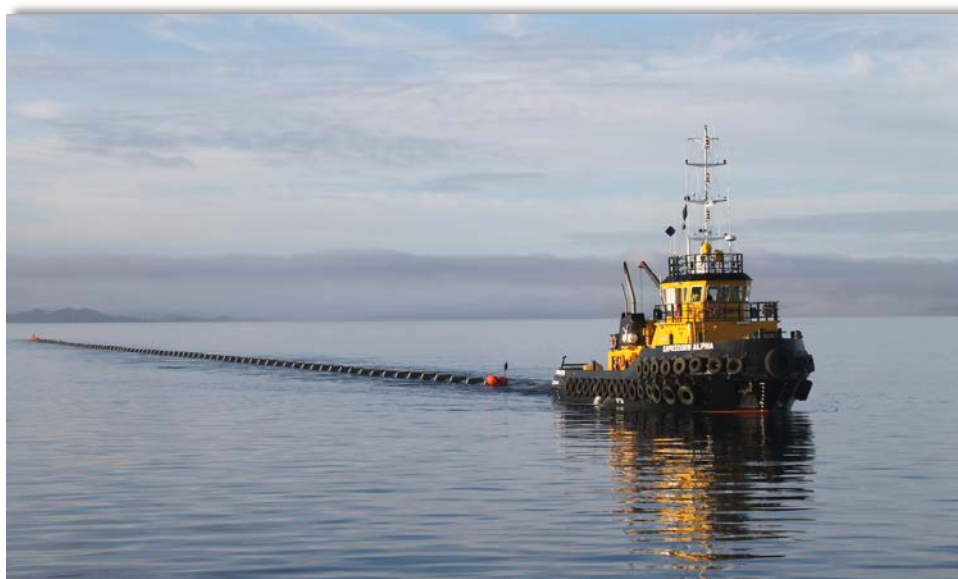
- Paper of the Year Award - Laurence Jenner and Lupe Suniula, for their paper on “Innovative energy opportunities for water utilities”
- Young Author of the Year - Olivia Philpott, for her paper on “Responding to challenges facing the delivery of water and wastewater due to climate change”
- Project Award of the Year - Sven Harlos, Māngere BNR
- Operations Excellence of the Year - Sharon Danks, Triangle Road Commissioning
- Presentation of the Year Award - Octavio Perez Garcia for his paper titled “A utilities guide to starting up Anammox”
- Health & Safety Innovation Award - MSN team, for our technical training centre at Māngere.

Project Management Institute NZ

The Māngere BNR won the Project of the Year award at the Project Management Institute NZ Awards in September.

2.9 450m long Army Bay outfall pipe now resting on the seabed

A 450m long outfall pipe is part of a \$31 million upgrade project to the Army Bay / Warkworth water treatment plant. The upgrade is necessary to cater for growth in this fast-growing area of Auckland and is due for completion next year.



Tug towing the 450m long, 800mm diameter outfall pipe from Kaiua to Army Bay in August 2018

As part of the project, the 800mm diameter, 450m long pipe was assembled in Kaiaua, half-way between Auckland and Thames. A large tug towed the pipe along the Seabird Coast, past Waiheke Island and into the Tiri channel. The long pipe (or "string") was dotted with orange buoys and concrete blocks, weighing one tonne each.

Once in place, the air in the pipe was released and it was gradually flooded with water so that it sank gently onto the sea floor. Watercare projects manager, John McCann said the operation went perfectly.

The Army Bay project team also hosted a group from Tauranga City Council who are working on their Southern Pipeline harbour crossing. Their project director, Steve Wiggill, commented that the work being done by Watercare and our contractors, and the manner in which it was being done was highly impressive.

2.10 Our Assets and Infrastructure projects

Work continued on a number of infrastructure projects during the quarter. A full update on major Watercare infrastructure projects is appended as **Appendix B**.

3. Fully Sustainable

- We are a socially-responsible business
- We protect and enhance our natural environment
- We meet all our legal and regulatory obligations



3.1 Replacement Huia water treatment plant planning continues

The current plant, built in the 1920s, is in urgent need of replacement to supply water for the next 100 years. The new plant is proposed to be located at the corner of Woodlands Park Road and Manuka Road, treating water from the Upper and Lower Huia Dams, plus the Upper and Lower Nihotupu Dams. This land is adjacent to the current Huia water treatment plant.

This quarter, our focus has been on completing ecological reports and mitigation. Ecologists have completed an extensive investigation into the Huia site's ecological values. The ecologist's surveys and analysis are being used to determine the footprint of the proposed replacement water treatment plant and reservoirs. The footprint is being designed to avoid the areas with high ecological values.

There have also been discussions around some of the opportunities the replacement works could provide to the surrounding community. For example, re-purposing the heritage buildings.

Ecological technical reports are being finalised which assess the effects that the regional resource consents may have on the environment (i.e. vegetation removal and earthworks). Finalisation of the technical reports is scheduled for October 2018. We then plan to lodge regional resource consent applications in late 2018. These regional consent applications will be notified given the level of interest in the replacement plant.

An Outline Plan of Works will be lodged for the construction of the water treatment plant and reservoirs on the designated land.

In the meantime, we continue to answer questions from local residents regarding the project. The Community Liaison Group (CLG) meets regularly to consider the technical reports being developed by the project team. The CLG's current focus concerns the footprint of the plant.

3.2 120,000 trees planted in the Hunua Ranges

Over winter, Watercare planted 120,000 native trees as part of our Hunua Ranges regeneration project.

In 2017, Watercare purchased a 1,900-hectare forestry right in the ranges to help protect Auckland's water sources in the Hunua Ranges. Commercial forestry activities in our catchments pose risks. Sloped areas where younger pine trees are growing are more vulnerable to slips. We saw evidence of this during the March 2017 Tasman Tempest. Cosseys Dam had the most forestry activity in the catchment and was most affected by massive landslips. These landslips deposited silt into the dam and muddied our raw water.

Under our management, no more pines will be planted in this area. Instead it will be progressively restored to its natural state for the people of Auckland.

Planting crews average about 5,000 plants a day. 120,000 natives have been planted over 22 hectares in the Mangatāwhiri catchment, where pines were most recently harvested.

The native plants include kānuka, mānuka, mahoe, mako mako (wineberry), kohuhu (black matipo), puahou (five finger), karamu (*Coprosma robusta*) and harakeke (flax).

The plants are grown from seeds eco-sourced from the existing native vegetation growing in the area. Local nurseries then grew them until they were ready to be planted.



Chief Executive, Raveen Jaduram with Headworks Manager, Joe Chaloner-Warman, planting native trees in the Hunua Ranges in August 2018

3.3 Lawn-mowing flock of sheep on the hills of the BNR at Māngere

In August, we welcomed a flock of 60 Coopworth ewes and lambs, which were sourced from the Auckland Council farm business. The sheep will “mow” the grass on our BNR hill, providing cost savings of \$20,000 a year in lawn mowing services. It is a more sustainable solution than petrol-fuelled mowing tractors and the sheep, rather than herbicides, will control the weeds.

In preparation for the sheep's arrival, fences were built to make four paddocks, water troughs were installed and a shelter erected. The sheep will eventually go to market and another flock will take their place on the BNR hill.



60 sheep are working 24/7 to keep the grass mown on the BNR hill

3.4 Energy Efficiency and Conservation Authority (EECA) Business Awards

In late September 2018, Watercare's Head of Water Value, Roseline Klein, was recognised for her leadership in energy efficiency and emissions reductions by EECA.

The EECA Business Awards are held every two years and celebrate people and projects that have achieved stand-out energy and emissions savings for New Zealand's largest energy users.

Watercare started its energy efficiency journey in 2016. Roseline has steered this initiative and has been instrumental in shaping our energy strategy and programme of works for achieving energy gains of 8 GWh by 2019 and energy neutrality at our Māngere and Rosedale wastewater treatment plants by 2025.

With the annual energy week events at Watercare, she has successfully engaged the wider business and made energy-saving a team effort and this has been commended by the judges.

So far the programmes have produced successful outcomes such as 3.5 GWh in energy savings in 2017/18, our growing fleet of EVs and the introduction of solar panel installations at two of our sites.



Roseline Klein, Watercare's Head of Water Value, accepts the award for leadership in energy efficiency and emissions reductions at the EECA Awards

3.5 Our Strategic Consents

During the quarter, good progress was made on a number of Watercare's strategic consents. An update on key projects is appended as **Appendix C**.

3.6 Our Statutory Planning

Watercare has made a number of submissions in relation to various Acts and Plans. We have worked with Council staff on these. A list of key submissions made over the quarter is appended as **Appendix D**.

4. Financial Responsibility

- We are a minimum-cost service provider
- We are financially stable over the long term



Financial Performance

\$'m	FY18 Q1 YTD Actual	FY18 Q1 YTD Budget	Variance YTD Favourable/ (unfavourable)
<u>Operational</u>			
Revenue	172	160	12
Expenditure excluding depreciation	71	74	3
Depreciation and amortisation	61	62	1
Capital Expenditure	84	102	18
Net borrowings - AC	1,495	1,517	22
Net borrowings – External	125	125	0

Revenue - favourable

Revenue was \$172m. The result was \$12m favourable to budget primarily due to water and wastewater revenue favourable \$5.0m and vested assets revenue favourable \$7.0m.

Expenditure - favourable

Expenditure was \$71m, which was \$3m favourable to budget. This is primarily driven by interest expense which was \$3m favourable to budget. Operating costs were on budget with maintenance costs being \$0.9m unfavourable to budget. These were offset by favourable variances for net labour \$0.5m, asset operating costs \$1.7m and overheads \$0.5m. Also included in the Q1 budget was an efficiency target of \$1.8m which needs to be factored in.

Depreciation and amortisation - favourable

Depreciation and amortisation was \$1m favourable to budget.

Capital expenditure – under budget

Capital expenditure was under budget by \$18m (18%) due primarily to:

- Consenting delays and purchase deferrals for Hunua 4, Clevedon Water & Wastewater Servicing Projects and Sidmouth WW PS Mairangi Bay Upgrade.
- Procurement deferrals to gain bundling and cost efficiencies on Waterpipe renewals programme, Pukekohe WWTP Upgrade and Glendowie Branch Sewer Upgrade
- Reprioritisation of works and design/construction delays at Albany Pinehill Watermain and Pump Station, Upgrade of North Shore Trunk Sewer 8

The underspend did not impact on Watercare's overall risk profile and management expects the underspend to be caught up by the end of the year.

Borrowings – under budget

Overall net borrowings were \$22m below budget due primarily to higher revenue and lower capital expenditure.

FUTURE OUTLOOK

1. TRADE WASTE BYLAW REVIEW

Watercare continues to work with staff from the Auckland Council Social Policy and Bylaws team to review the Trade Waste Bylaw. The statutory review of the Bylaw was completed in accordance with the Local Government Act, following acceptance of the Options report in July 2018.

The next step is to complete the public consultation. This involves the preparation of a statement of proposal and amended Trade Waste Bylaw. The amended Bylaw will incorporate improvements around fats, oils and grease as well as clarifications around the definitions and removal of redundant clauses.

Planning has commenced on the Statement of Proposal and draft Bylaw. We aim to present the Statement of Proposal and draft Bylaw to the Regulatory Committee and Governing Body by November 2018. Public consultation will then start in February 2019. In the meantime, the Governing Body will appoint a Panel to consider public submissions.

The amended Bylaw is on schedule to come into force mid-2019.

2. SECTION 17A VALUE FOR MONEY REVIEWS

Procurement Review

Watercare's Supply Chain team is working with their counterparts at Auckland Council and Auckland Transport (AT) to determine how the report's recommendations will be implemented. General managers from all three organisations are already sharing their enterprise risk frameworks with each other to ensure the group has a more consistent approach to procurement risk. The Group are working to identify "hard savings". Sharing of information, pipelines and work programmes will highlight opportunities where we can consolidate spend to deliver shared benefits across the Group.

Three Waters (and the Auckland Waters Strategy) Review

Over the quarter, Watercare, Auckland Council and AT have continued to work together to identify programmes of work where Watercare has worked jointly with Council and other CCOs to obtain savings. They are also continuing to work on identifying future opportunities for collaboration, which could achieve further savings in relation to the "three waters".

Work to date has identified a sum of \$293m of deferred and avoided expenditure and savings in joint activities between Watercare, Auckland Council and AT to be delivered over the next decade. In the first year (2017/18) a sum of \$181m has been realised through savings, deferred and avoided capital expenditure. Auckland Council and AT between them constituted \$2m of savings. Watercare by reviewing its Asset Management Plan identified the bulk of the savings, namely \$179m of capital expenditure that can be deferred or avoided without increasing operational risk. This has allowed funding for the Western Isthmus Water Quality Improvement Programme to be brought forward and assisted Auckland Council in managing its debt to revenue ratio.

Further benefits have been achieved through joint co-ordination of projects between Watercare, Healthy Waters and AT. For example, joint projects underway include Lion Road, Tamaki College, Morgan Street, Newmarket and Picton Street.

Work is continuing to evaluate the possible outsourcing of stormwater operations and maintenance, with a report due to be presented to the APRVFM Committee in December 2018.

Communications & Engagement Review

Auckland Council and the CCOs have an agreed framework to guide Council Group communications and engagement collaboration. Watercare Communications has now joined the Council Group agreement for media monitoring services.

In the meantime, Watercare's Communications team continues to regularly meet with Council family to assist with the implementation of the recommendations, where Watercare can assist. This includes work with Council to lift Māori engagement.

Customer Service Review and Information, Communication Technology Review

We have been assisting the Value for Money team in the data collection stage of these two reviews, leading up to the finalisation of the current state report.

Group Financial Services Review

Watercare is working with the VFM team to provide the information required to complete the first stage of this review. Recommendations are expected in January/February 2019.

PERFORMANCE MEASURES

Measure	2018/19 Target	Jul 2018	Aug 2018	Sep 2018
The extent to which Watercare's drinking water supply complies with part 4 of the Drinking Water Standards (bacteria compliance criteria)	100%	100%	100%	100%
The extent to which Watercare's drinking water supply complies with part 5 of the Drinking Water Standards (protozoal compliance criteria)	100%	100%	100%	100%
Average number of wet weather overflows per engineered overflow point per discharge location in the transmission system	≤ 2 overflows per year	Annual measure		
The number of dry weather overflows from Watercare's sewerage system, expressed per 1000 sewerage connections to that sewerage system	≤10	0.3	0.34	0.37
Compliance with Watercare's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by Watercare in relation to those resource consents	a) ≤2 b) ≤2 c) ≤2 d)0	0	0	0
Median response time for attendance for urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site.	≤ 60 mins	53 mins	52 mins	52 mins
Median response time for resolution of urgent calls-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 5 hours	3 hours	3 hours	3 hours
Median response time for attendance for non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel reach the site	≤ 5 days	2.6 days	2.3 days	2.2 days
Median response time for resolution of non-urgent call-outs: from the time that Watercare receives notification to the time that service personnel confirm resolution of the fault or interruption	≤ 6 days	3.2 days	3.1 days	3.1 days
The total number of complaints received by Watercare about any of the following: a) drinking water clarity; b) drinking water taste; c) drinking water odour; d) drinking water pressure or flow; e) continuity of supply; and f) Watercare's response to any of these issues.	≤ 10 per 1000 connections to Watercare's networked reticulation system	4.4	4.4	4.4
Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that Watercare receives	≤ 60 mins	47 mins	46 mins	46 mins

Measure	2018/19 Target	Jul 2018	Aug 2018	Sep 2018
notification to the time that service personnel reach the site				
Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that Watercare receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤ 5 hours	3 hours	3 hours	3 hours
The total number of complaints received by Watercare about any of the following: a) sewerage odour; b) sewerage system faults; c) sewerage system blockages; and d) the territorial authority's response to issues with its sewerage system.	≤ 50 per 1000 connections to Watercare's sewerage system	18.7	18.7	18.9
The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	266 + / - 2.5%	278*	Two-month lag on data sourced from meter readings	
The percentage of real water loss from Watercare's networked reticulation system (rolling 12 month average)	≤13%	13.4%**	Two-month lag on data sourced from meter readings	
Net Promoter score – strive to achieve a score of >30	30	29	29	29

*The drinking water consumption per day, per resident remains above our target, after the long, hot summer. Consumption increased by 5% from late spring to early autumn during the 2017/18 year compared to the same period in 2016/17. This measure is a 12-month rolling average. The highest ever use during the previous summer will continue to affect the results for a further six months. We have established a squad to escalate programmes in our Water Efficiency Strategy to increase Auckland's water efficiency.

** Real-water losses from the network are above the desired level. The July 12 month rolling average is 13.4%, against a target of ≤13%. Work continues on improving measurement quality at our Bulk Supply Points (some of which are overestimating supply). We are creating district metered areas (DMAs) which will allow us to have more granular detail of water accounting. In addition, we are investigating unauthorised use (theft). The real loss calculation assumes unauthorised consumption is 0.45% of production. However, we believe this assumption may be conservative and we are trying to identify modes of theft and processes to better manage these. A squad has been established to focus on water efficiency strategy to lower real loss.

***NPS has stayed steady, just below target. Initiatives to improve the customer experience, across all channels should see this measure improving over the coming months.

CONTRIBUTION TO MĀORI OUTCOMES

Kei aku iti kei aku rahi

Tēnā koutou, tēnā koutou, tēnā koutou katoa

tuiā ngā Iwi o Tāmaki herenga waka, tui tuiā Tāmaki Makaurau.

Over the first quarter, Watercare has continued to embed Auckland Council's Whiria te muka tangata (Māori Responsiveness Framework, including the three goals of Auckland Council) within the organisation. All Iwi relationship engagements with Watercare are opened and closed in tikanga Māori protocol. Te Reo Māori is encouraged to be spoken throughout the engagements with Poutiaki Tikanga Māori translating where necessary.

Over the quarter, spend on Māori engagement was \$359,256. Activity included the following:

- We continued to align both Kaitiaki Forums (Watercare & Auckland Council).
- Mana whenua managers' Kaitiaki forum hui held in August 2018. Improved understanding of mātauranga Māori, has resulted in project staff considering concepts and frameworks not generally available to western science.
- The new Kaitiaki Forum Chairs (Ngarimu Blair and Patience Te Ao) are becoming more involved in the Central Interceptor project to support the strategic goals of the Forum.
- Collaborative approach with Council, working with Mana Whenua Governance forum. Central Interceptor project identified as a vehicle to develop a co-ordinated approach to Mana whenua Governance forum's Identity & Culture, Economic development and Infrastructure and Property work streams.
- Mana whenua engaged site blessing (Ngai Tai ki Tāmaki, Te Akitai Waiohua) at Hunua 4, 176 Khyber Pass Road. Effectiveness achieved through mana whenua presence, karakia, karanga, whaikōrero, waiata and manaakitanga.
- Relationship hui with Nga Puhi Nui tonu committee members, Joseph Kingi, Jane Hotere and Miriama Solomon Mahurangi and Gulf Island claims.
- Hūnua Ngāhere Native Rākau Regeneration project, mana whenua hui held with Ngāti Tamaoho and Ngāi Tai ki Tāmaki.
- 25 of our people are completing an 18 week programme of customs and language at NCEA Level 3 through Te Whāinga o Te Ao, Te Reo Māori me ōnā Tikanga - Watercare and Te Wānanga o Aotearoa. This includes marae visits held at Umupuia Marae. (Ngai Tai ki Tāmaki) where our people delivered a kaupapa on Te Pārenoreno Māori (Māori Philosophy).
- Continued collaborative approach with Council to give effect to Priority #1 Marae Development and Water, Tāmaki Makaurau needs analysis report.
- Watercare attended Ngāti Whātua ki Orākei, Te Huinga o Te Kahu 2018. Our group showcased two beautiful waiata and a haka.
- Iwi consultation with Ngāti Whanaunga, Ngāti Te Ata and Ngāti Paoa in September to support our Hunua Forest Regeneration rehabilitation project.
- We continue to work with the Māori Outcomes Steering Group to progress Te Toa Takitini portfolio and Engagement with Māori recommendations of the s124 review.
- Collaborative approach with Council & wider council family on Mana Whenua engagement rates. We are developing a consistent model.
- Watercare's Ngā korimako rōpū (staff waiata group) participated in the 'Waiata off'.
- We were also involved in the Hīkoia Te Reo Māori kaupapa Council Whānau celebration on 13 September
- Relationship meetings held in September with Te Taniwha o Waikato, Ngāi Tai ki Tāmaki, Ngāti Manuhiri, Ngāti Rehua and Ngā Puhi Nui Tonu claims committee.
- Hui dates are being scheduled with Ngāti Te Ata Ngāti Whanaunga, Ngāti Paoa and Waikato Tainui.

KEY LOCAL BOARD ISSUES

In July:

- We hosted the Manukau Harbour Forum at the Māngere wastewater treatment plant (WWTP). The aim was to showcase the many people and talents behind Watercare and help build understanding and trust among our elected officials. The members toured the facility and learned more about our innovation and technology. This included the significant challenges we have set ourselves and the passionate people behind our success. The trip concluded with a visit to Puketutu Island.
- Feedback was extremely positive with several Local Board members stating that we far exceeded their expectations for the visit. Saffron Toms, Chair of the Forum concluded by noting, “One thing that struck me is that there seems to be a real culture of innovation and fostering of innovation and that people working at Watercare feel that they can experiment with new technologies, which is something that is not often seen so that’s awesome.”



Franklin Local Board member, Sharlene Druyven



Advisor, Lee Manaia and Papakura Local Board members, XXX, Felicity Auva'a and Brent Catchpole, with Watercare's Anin Nama and Brent Evans at the Māngere in July

In August:

- Information on the e-billing campaign was shared with local board members.
- Representatives from Franklin, Papakura and Manurewa Local Boards joined Watercare staff at the Māngere WWTP for a presentation on the challenges we face with wastewater treatment and operation of the network. We also updated them on how we are using talent and innovation to meet these challenges. The trip concluded with a site visit of the plant and Puketutu Island. Feedback from those attending was extremely positive.
- Network operations staff responded to issues of wastewater overflows in the Wellsford network. They met with Local Board representatives on site to discuss the situation, and explained the significant investment being made in the local water and wastewater infrastructure.
- Henderson Massey Local Board approved landowner access for Moire Park. This will allow important wastewater upgrades to proceed as local housing development proceeds.

In September:

- Our primary focus has been on progressing work required for the Central Interceptor (CI) consent order. Watercare has been working with Auckland Council Parks and the Meola Stream Community Liaison Group to prepare material on the Roy Clements Treeway Enhancement Plan in preparation for a meeting with the Albert Eden Local Board on 16 October 2018. The plan is a cooperative effort between Watercare, the Local Board, Auckland Council Parks and the Meola Stream stakeholders, including the Community Liaison Group. The plan will present opportunities to build community relationships as part of the CI project.
- Regular updates are being sent to the Maungakiekie Tāmaki Local Board on the wastewater upgrades in Glen Innes.
- Information has also been shared with the Upper Harbour Local Board on the Whenuapai Area Project.

QUARTERLY RISK MANAGEMENT UPDATE

Risk Management and Governance

Watercare has an established risk management policy and framework which follows the guidance of the ISO 31000 risk management standard. Risks are therefore identified and evaluated using likelihood and consequence scores, then ranked. The highest ranked and significant emerging risks are reviewed by senior management and the Board via management and Board level reporting.

There have been no substantial changes to Watercare's risk profile in the reporting period.

The Internal Audit function produces an annual plan which is approved by Watercare's Audit and Risk Committee and there is quarterly reporting by management against the plan for the Committee.

The Audit and Risk Committee maintains oversight of progress by management in implementing the recommendations arising from Internal Audit's work. The Committee is satisfied that all matters raised are being addressed by management.

Risk reporting to Auckland Council

Watercare continues to provide Quarterly Risk Reports to Auckland Council. The last report was sent in August 2018 and the next report will be provided in November 2018.

Whistle-blower service

Watercare's Confidential Whistle-Blower service is managed by PwC. The Audit and Risk Committee receives regular reports on the use of the whistle-blower service.

Disclosures

The Watercare Executive Management Team regularly gives consideration as to the possibility of events that would trigger a requirement for continuous disclosure. There were no such events during the reporting period.

Appendix A – WUCAT and Restrictions

Summary for the Water Utility Consumer Assistance Trust since 2011/12 start		
Financial year	Trust approved applications (includes WSL additional write offs)	\$000's
June 2012	33	\$29
June 2013	172	\$196
June 2014	123	\$114
June 2015	150	\$149
June 2016	118	\$90
June 2017	115	\$97
June 2018	131	\$121
June 2019 (YTD)	23	\$25
Total	865	\$820

Summary of WUCAT Arrangement Approvals			
No. of Arrangements Entered Into	No. of Arrangements Fully Satisfied	No. of Arrangements Still Being Met	No. of Arrangements Lapsed Unfulfilled
865	652	100	113
Amount of Relief Approved \$	Amount of Relief Fully Earned \$	Relief Yet to be Fully Earned \$	Relief Voided due to Lapsed Unfulfilled Arrangement \$
\$821K	\$647K	\$99K	\$75K

The last three WUCAT meetings have seen 25 applicants successfully complete the budget process with \$25K of hardship relief approved by the Trust.

WUCAT Summary last 3 meetings		
Month	Trust approved applications	\$000's
July 2018	7	7
August 2018	4	3
September 2018	14	15
Total	25	\$25

Restrictions

The status of restrictions as at 30 September 2018 was as follows:

Restriction Summary Year ending	Commercial		Residential		Total	
	Restriction	De-restriction	Restriction	De-restriction	Restriction	De-restriction
30 June 2012	1		5		6	0
30 June 2013	13	11	6	4	19	15
30 June 2014	20	20	17	14	37	34
30 June 2015	31	30	53	39	84	69
30 June 2016	8	9	16	17	24	26
30 June 2017	15	11	19	13	34	24
30 June 2018	17	8	49	27	66	35
30 June 2019 (YTD)	0	0	0	0	0	0
TOTAL	105	89	165	114	270	203
Restrictions Currently	16		51		67	

Appendix B - Infrastructure project updates

1. Hunua No. 4 watermain

Section 11 of the Hunua No 4 watermain is the last section of a watermain stretching 31km from Redoubt Road to the Khyber Pass Road reservoirs, thereby increasing resilience to the water transmission network. Early works have commenced to install the final connection points at the Khyber reservoir complex ahead of the main contract. Detailed design is complete and is awaiting the final resource consent from Auckland Council. Construction will commence in late September 2018 with completion programmed for October 2020.

2. Army Bay wastewater treatment plant outfall replacement and UV plant upgrade

This design-build construction project is progressing well with the steel casing pipe being completed early in August 2018. The Direct Pipe Tunnel Boring Machine (TBM) set a world record for the longest direct pipe drive at 1,929 metres and the TBM has been retrieved from the sea bed. Both seabed pipe strings of 450 metres have been sunk into position and will be joined together this month. The HDPE pipe liner is currently being installed. Construction of the new control room, emergency overflow pipe and modifications to the existing effluent pump station have commenced and are scheduled for completion at the end of October 2018 and the new outfall will be put into service by the end of 2018. Construction of the new UV structure will commence in October 2018 with completion in the New Year.



The 450m long seabed pipe string at Kaiaua, before it was towed to Army Bay

3. Wairau Eastern rising main

This project provides a duplicate rising main from the Wairau wastewater pump station. The contractor utilised trenchless technology (pipe jacking) for the majority of the Wairau Rd route to minimise disruption along this heavily trafficked corridor. The tunnelling for the rising main was completed this period with just connection works remaining to be undertaken.

4. Pukekohe wastewater treatment plant upgrade

This project provides an upgrade to accommodate growth in the area and improves the water quality discharged to the Waikato River. The design is complete. Tenders for the construction works are under evaluation with a staged implementation of plant upgrades to progressively meet growth needs.



Project manager, Sven Harlos at the Pukekohe wastewater treatment plant upgrade construction site

5. Warkworth water treatment plant

This project will provide a new source of water and associated treatment plant to service the projected population growth and pressure on surface water supply in Warkworth. Construction is finished and commissioning of the new water treatment plant is in progress. The plant is programmed to be brought into production prior to year end.

6. North Harbour 2 watermain and Northern Interceptor

The North Harbour 2 watermain is a 33km trunk watermain from the proposed Huia water treatment plant to Albany reservoirs, serving Auckland's north. The advance works in Sinton Road and Ockleston Landing are nearing completion, avoiding clashes with planned developments. The balance of the Greenhithe Bridge Watermain Duplication (GBWD) project is ready for award.

The future stages of the watermain will be phased to meet growth as required. Close co-operation continues with stakeholders, particularly with the NZ Transport Authority where major upgrades at the Squadron Drive interchange have been advanced to dovetail with Watercare's major projects.

The Northern Interceptor will cater for growth in the area and enable wastewater flows (which otherwise go to the Māngere wastewater treatment plant), to be directed to the Rosedale wastewater treatment plant. The future works will be phased with growth over several decades. Phase 1, a pipeline from Hobsonville to Rosedale, is currently in the tender phase (combined with the GBWD). The North Shore Memorial Park advanced works are complete.

The Phase 2 portion of the Northern Interceptor, a gravity tunnel from Westgate to Hobsonville may be expedited through the Housing Infrastructure Fund (HIF) initiative, and the business case is being prepared.

7. Rosedale wastewater treatment plant upgrade

The liquid and solid streams of the Rosedale plant are being progressively upgraded to cater for growth and improve operational efficiency. The design for the liquid stream upgrade is complete and construction has commenced.

The design of the solid stream upgrade started in November 2017, with construction currently programmed to commence in 2019. The overall plant upgrade is due to be complete by 2021.

8. Pukekohe East reservoir

This reservoir is being constructed to increase the resilience of the water supply system to North Franklin and Auckland. It will be one of Watercare's largest reservoirs. The design and build contractor has been engaged. Design and planning for the site works has commenced with completion scheduled for October 2020.

9. Albany Pinehill watermain and pumping station

The project is to construct a new watermain and pump station to pump water from Albany Reservoir to Pinehill Reservoir, to provide additional redundancy in the Albany area and an alternative supply to Pinehill Reservoir. The construction works for both the watermain and pump station are underway. Watercare is collaborating with NZTA and contributing towards a shared path bridge across State Highway 1, beneath which the pipeline will be supported. This project is due for completion in mid-2019.

10. Local network watermain renewal programme

The programme is to replace deficient watermains that have reached the end of their economic life throughout multiple sites. Since Q1 FY 2018-19, we have new commitments for renewing over 10km of watermain across Auckland over the next 6 months. These will be undertaken until Q4 FY 2018-19, along with other sites to be established in Q3.

11. Local network wastewater renewal programme

This programme is to replace wastewater pipes, pipe bridges and undertake lining of pipes. In FY18, 96 sites across multiple locations throughout Auckland have been completed. Another 10 new project sites have been added to the programme recently and nine of them have been completed. The last one will be completed in early 2019 when the necessary resource consent and land owner approvals are secured.

12. Glendowie branch sewer upgrade

This project will provide additional network capacity for the projected population growth in Point England (including Tamaki Regeneration Company) and reduce network overflows. The work comprises the construction of a new wastewater pump station, a new storage tunnel and local network upgrades. Site establishment and early works are underway. Collaboration discussions are currently underway between Healthy Waters and Watercare regarding the possible inclusion of new stormwater works in the Watercare contract, to minimise disruption from construction activities. These works are due for completion in March 2020. The Local Board receives monthly updates on this project from Watercare.

13. Waikato water treatment plant 175 MLD upgrade

The expansion of the Waikato water treatment plant to 175MLD will provide additional system resilience. The project is being delivered in staged work packages based on priority.

The installation of a sand removal system, the upgrade of critical process ventilation, the installation of a new clarifier, two new membrane trains and the upgrade of the raw and treated water pump stations have been completed and commissioned. The treated water pipeline upgrade is being designed. Design of the electrical and chemical upgrades is ongoing. These upgrades are programmed to be completed in March 2020.

14. Ardmore water treatment plant - treated water resilience project

This project will improve the disinfection process and flows within the existing treated water tanks and filters. These improvements will enable process units to be removed from service for maintenance while maintaining output from the plant. The construction works tenders have been assessed and will shortly be awarded. These upgrades are programmed to be completed in late 2019.

15. Ardmore water treatment plant - sludge handling systems upgrade

Two new automated sludge press units with greater sludge throughput will be installed to cater for the high solids loadings experienced during major storm events, e.g. the Tasman Tempest of March 2017.

Detailed design has been completed and orders have been placed for the sludge presses. The construction works tenders have been assessed and will shortly be awarded. The first dewatering unit will be commissioned in the 2018/19 summer and the second over winter 2019.

16. Ardmore water treatment plant - second protozoa barrier (UV light dosing)

An ultraviolet dosing system is planned for installation to treat the A block filtered water flow. This is in response to the Tasman Tempest event. High solids loadings in water entering the plant during extreme storm events such as the Tasman Tempest necessitate a reduction in plant throughput to enable the water to be treated to Drinking Water Standards. The UV dosing will enable higher plant flows to be maintained during extreme events.

A design/build contractor has been engaged and the works are now in construction with commissioning planned for the 2018/19 summer.

17. Central Interceptor

The four contractors' proposals were submitted, as planned, on 14 September 2018.

We are now evaluating the proposals and a recommendation on the preferred contractor will be made to the Board in November 2018.

18. Māngere wastewater treatment plant – BNR upgrade

The BNR comprises a new four-stage treatment reactor, two new 52-metre diameter clarifiers and associated pump stations, pipes and blower facilities. The Māngere plant currently treats 75 per cent of Auckland's wastewater. The BNR increases the Māngere wastewater treatment plant's capacity so it can treat the wastewater of an additional 250,000 Aucklanders. With the increased capacity, Watercare can continue to produce high-quality wastewater, even during and following heavy rainfall events.

This project is now complete, marking the end of a 6 year, \$141 million project delivered on time and on budget.

Appendix C – Strategic consents

During the quarter, the following progress was made on a number of Watercare’s strategic consents.

Clevedon Water and Wastewater Servicing

The project options assessment was completed in October 2014 and identified the preferred option as conveyance to the Māngere wastewater treatment plant via the Takanini branch sewer. Watercare will deliver the design and consents as funded by the developer, through a design and build contract. A consent application was lodged on 18 December 2017 to construct a new wastewater and water reticulation system.

The application was publicly notified on 6 July 2018 and submissions closed on 2 August 2018. There were 24 submissions received in total – 22 in support and 2 opposed. At the end of September, one submitter had withdrawn their opposition, and one remained. Technical reports and consent conditions are being prepared to address outstanding issues from the submitter and the Council.

Army Bay wastewater treatment plant discharge consent project

The existing Army Bay wastewater treatment plant discharge consent will expire in 2021. Due to the unprecedented growth projected (50,000 in 2017 to 190,000 in 2053), Watercare will need to make significant investment into this wastewater facility over the next 20 years. The new discharge consent application will need to provide for the growth as well as ensure environmental outcomes are appropriately managed. The preferred option is a discharge from the existing Army Bay wastewater treatment plant in the Whangaparāoa Passage (off Huaroa Point).

Since our first public open days held in March 2018, our team of experts has undertaken a series of workshops and site visits to assess potential discharge options. Specialist and expert assessments have helped to narrow down viable options for the consent application.

Following a workshop held in early June 2018 involving mana whenua, internal stakeholders, legal consultants, planners and the technical experts, we are now finalising the phasing of the preferred options.

The land that the Army Bay plant sits on has a number of constraints under the Auckland Unitary Plan. This includes a significant ecological area (SEA) on the entire area of land owned by Watercare. This affects the phasing of technology upgrades to the plant. We are currently holding workshops with mana whenua to confirm the preferred phasing to be taken forward. Watercare has been having on-going discussions with Auckland Council regulatory team on the project.

Appendix D - Statutory Planning

Watercare has made a number of submissions in relation to various Acts and Plans.

Waikato Regional Council Regional Plan Change (“Healthy Rivers”) Number 1

The Waikato Regional Council has completed processing public submissions on its Proposed Regional Plan Change (“Healthy Rivers”) Number 1. A summary of all submissions was released on 28 November 2017. Watercare made a submission on this plan change. Proposed Plan Change Number 1A (which covers the area of Watercare’s Waikato River take, and the discharge from the Pukekohe wastewater treatment plant) was notified on 10 April 2018 and Watercare made a submission to ensure our interests in the Northern Waikato area are not compromised. Public Hearings are due to commence in February 2019.

Waikato District Council – Proposed Waikato District Plan (Stage 1)

The Waikato District Council publicly notified its Proposed Waikato District Plan (Stage 1) on 18 July 2018, with submissions closing on 9 October 2018. This is a review of its existing District Plan. Watercare submitted feedback on the WDC’s Draft District Plan earlier this year. Watercare will now make a submission on this Proposed District Plan. Watercare’s main interest is where (and when) growth will occur within the northern part of the Waikato region.

Submission to the Ministry for the Environment’s “Our Climate Your Say: Consultation on the Zero Carbon Bill – Discussion Document”

The Ministry for the Environment released its “Our Climate Your Say: Consultation on the Zero Carbon Bill – Discussion Document” in early June. Submissions to this discussion document closed on 19 July 2018 and Watercare made a submission. Watercare’s submission was broadly consistent with Auckland Council’s submission and gave overall support for many of the discussion document proposals. Watercare’s submission also included input from Watercare’s Environmental Advisory Group (EAG).

Submission to the Ministry for the Environment’s “Improvements to the New Zealand Emissions Trading Scheme – Consultation document”

The Ministry for the Environment released its “Improvements to the New Zealand Emissions Trading Scheme – Consultation document”. This is a set of proposals aimed at refining and strengthening NZ’s existing ETS. Watercare made a submission in response to the document.

Submission to Forestry New Zealand’s “A Better ETS for Forestry – Proposed amendments to the Climate Change Response Act 2002”

Forestry New Zealand released its “A Better ETS for Forestry – Proposed amendments to the Climate Change Response Act 2002”: This consultation document offers a set of proposals to help reduce complexity and other barriers, and offers improved incentives to forest owners (both exotic and indigenous) who want to be part of the ETS. Watercare made a submission, generally in support of the proposals particularly to encourage replanting, especially for permanent forests.