

Water Demand Management Programme Business Case

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QUEENSTOWN
LAKES DISTRICT
COUNCIL

Queenstown Lakes District Council

Water Demand Management Programme Business Case

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V1	22/04/2026	Initial draft of Economic Case.
V2	08/05/2026	Updated draft of Economic Case (initial QLDC feedback addressed), initial drafts of Commercial, Financial, and Management Cases
V3	28/05/2026	Updated draft of Strategic Case (initial QLDC feedback addressed and new graphs created based on Water Balance Model), Economic, Commercial, Financial, and Management Cases updated based on latest feedback from QLDC.
V4	15/06/2026	PBC updated following Council workshop, updates incorporate feedback on metering types and water charges for unoccupied households. QA completed of numbers.
V4.2	30/06/2026	PBC updated to include Letter from Hon. Simon Watts emphasising metering, and PCG feedback.

Document Review

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Document Sign-off

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Glossary

Abbreviation	Definition
Act	Local Government (Water Services) Act 2025
AMI	Advanced Metering Infrastructure
AMP	Asset Management Plan
AMR	Automated Meter Reading
BCR	Benefit-Cost Ratio
Capex	Capital expenditure
Council	Queenstown Lakes District Council
DBC	Detailed Business Case
District	Queenstown Lakes District
DMA	District Metered Area
ELT	Executive Leadership Team
FTE	Full-Time Equivalent
FY	Financial Year
ILM	Investment Logic Mapping
KPI	Key Performance Indicator
LRMC	Long Run Marginal Cost
LTP	Long Term Plan
LWDW	Local Water, Done Well
Mauri	Life force
MCA	Multi-Criteria Analysis
NEPM	Network Environmental Performance Measures
Opex	Operating expenditure
ORC	Otago Regional council
PBC	Programme Business Case
PCG	Programme Control Group
Programme	Water Demand Management Programme
PRV	Pressure Reducing Valves
PV	Present value
RFI	Request for Information
RFP	Request for Proposal
Rūnaka	Rūnanga – Tribal Council
SPAR	System Performance Assessment Report
SRO	Senior Responsible Owner

Abbreviation	Definition
Tākiwa	Area of authority
Taumata Arowai	The Water Services Authority – Taumata Arowai
WSCCO	Water Services Council Controlled Organisation

Executive Summary

Introduction

Investment proposal overview

This investment proposal outlines a suite of water demand management interventions across nine of Queenstown Lakes District Council's (Council) 11 public water supply schemes. The interventions combine supply upgrades, leakage reduction, metering, volumetric charging, pricing, and behaviour change measures, with the specific mix tailored to each scheme.

Purpose of the Programme Business Case

This Programme Business Case (PBC) seeks formal approval for a suite of water demand management interventions across the Queenstown Lakes district (the district). It confirms the strategic context for investment, presents the case for change, recommends a preferred programme, and identifies projects for delivery. It also outlines the proposed procurement approach, the financial implications of the preferred programme, and the management arrangements required for successful delivery.

Structure of this document

This document follows the New Zealand Treasury's Better Business Case methodology. The headings largely reflect those in the Treasury's PBC guidance and template, with some adjustments made to suit the context of this investment proposal.

A summary of each of the five cases within the Queenstown Lakes Water Demand Management Business Case is provided below. For each case, please refer to the relevant section.

Strategic Case summary

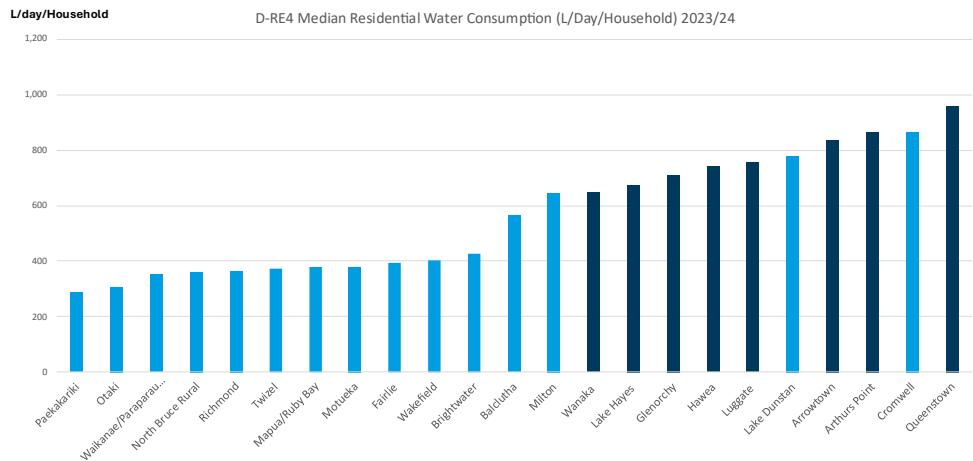
Why is investment needed?

Council must make decisions about its approach to water demand management. Due to excessive demand, on peak days water supply infrastructure is already at, or above capacity, consent limits are breached and there is risk of loss of reliable water supply in some schemes.

The district's residential water consumption is high relative to comparable New Zealand water supply schemes (Figure 1). As well as high consumption, there is high leakage across schemes, which drives high water demand. During peak periods in summer, water demand increases up to threefold.

There is also a mandate for this work, under the Long-Term Plan 2024-2034 which allocated funding for water demand management across the district's schemes.

Figure 1: Residential consumption per household – Queenstown Lakes and some comparable schemes



Council must invest in either measures to reduce water demand or capital to expand capacity. Historically, Council has prioritised supply-side interventions, such as adding capacity but this approach has led to increasingly substantial financial pressures. Plus, new economic regulation through the Local Water Done Well (LWDW) reforms require providers to operate efficiently, ensure financial sustainability, charge fairly for services and to report on their performance.

Managing water demand responds to Council’s supply challenges, and these new requirements:

- **The Local Government (Water Services) Act 2025 ('the Act')**: The Act requires water service providers to provide reliable, cost-effective, and financially sustainable water services, to use water efficiently and move away from rateable value-based charging. These requirements will be monitored by Taumata Arowai (water quality) and the Commerce Commission (cost efficiency and fairness).
To support meeting these requirements, the Act enables territorial authorities to transfer responsibility for providing water services to a Water Services Council Controlled Organisation (WSCCO). Council will transfer water service provision to a WSCCO from 1 July 2027.
- **The Commerce Commission**: the economic regulator for water services is introducing information disclosure (ID) requirements for suppliers. Specifically, how suppliers monitor and manage water demand and water loss, including strategies and technologies used to improve water use efficiency and minimise non-revenue water. These requirements are expected to become more stringent over time as the regulatory framework matures. Implementing water demand management will enable Council/WSCCO to accurately report on water loss and fulfill ID requirements.
- **Taumata Arowai**: the Water Services Authority, is the dedicated water services regulator, setting out and overseeing drinking water requirements. This includes Drinking Water Standards, which set the maximum acceptable values for substances that can affect the quality and safety of water, and Drinking Water Quality Assurance Rules which set out how suppliers must comply with the Standards. QLDC/WSCCO is required to adhere to these rules and standards.

Given economic regulation and the current funding environment, it is prudent to respond with water demand management. This investment proposal is for a suite of water demand management interventions across 9 of the 11 QLDC public water supply schemes. These interventions are a combination of network upgrades, leakage reduction, metering, volumetric charges, and behaviour-change measures. Implementing meters and volumetric charges is strongly supported by Central Government (see **Error! Reference source not found.**).

What problems will we solve with investment?

Council faces three interconnected challenges in delivering safe, reliable and sustainable water services:

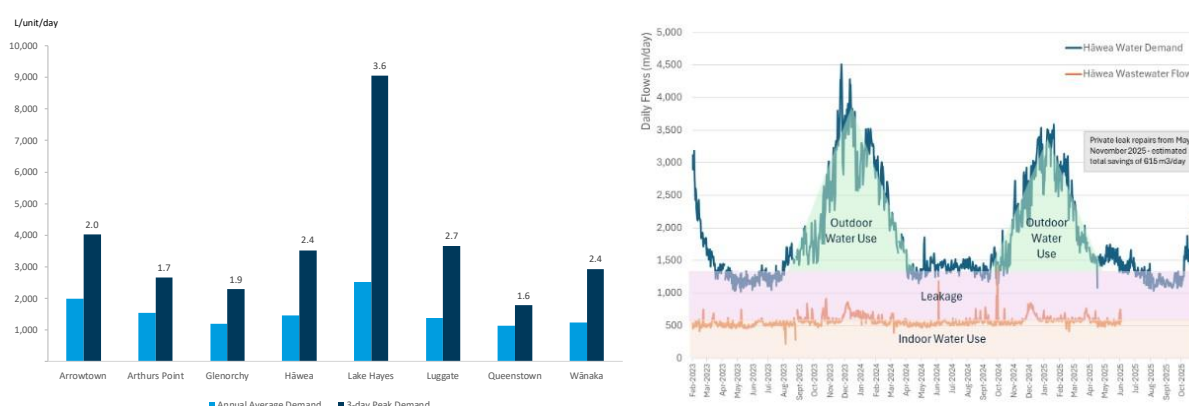


Excessive peak demand and infrastructure capacity

Excessive water demand jeopardises QLDC's ability to reliably supply safe water to local communities, meet regulatory requirements, and accommodate ongoing growth.

Most of Council's water supply schemes are at, or above, capacity during peak summer periods creating serious public health and safety risks and potential supply challenges. Four schemes (Wānaka, Hāwea, Lake Hayes, and Luggate) experience peak daily demands at least three times higher over the Christmas period than demand in the winter months. Peak demand is predominantly driven by outdoor water use.

Figure 2: Evidence of shoulder season vs peak demand, irrigation as driver of high demand



Across all schemes, a combination of water intake, treatment and storage limits are breached, overextended, or nearing capacity on peak days. With the district experiencing ongoing high population and visitor growth, current shortfalls in capacity are expected to increase. However, expanding capacity to meet peak demand is not fiscally prudent. Water assets would be underutilised for much of the year, even with population growth.

Health and safety risk

When there is very high demand, water supply schemes can experience low network pressure. This creates multiple risks:

- **Public health risks from low network pressure** allows drinking water contamination via backflow or leaks. Contaminated water can cause illness and even death.
- **Risk to security of supply** during drought conditions, leaving customers and communities without access to drinking water, and risk of insufficient supply for firefighting.

Customer behaviour and cost structures

The current water supply charging model means there are no incentives for efficient use of drinking water, and the cost of meeting peak water demand is inequitably distributed across customers and communities.

The district's water consumption is one of the highest in New Zealand, yet the current model provides no mechanisms to manage or disincentivise excessive use, distributes costs inequitably and is financially unsustainable.

Current charging model: The model is comprised of a fixed fee portion and a portion based on property rateable value and land use, both by scheme. This disconnects water bills from actual consumption.

Equity problem: A household using 200 litres per day pays the same as a household of the same value that is using 800 litres per day. High users have no financial incentive to reduce consumption, and low users have no reward for conservation. Ratepayers who conserve water cross-subsidise users who consume excessively.

Financial sustainability challenge: This approach is not financially sustainable. Council is operating in a constrained funding environment and has limited justification to respond with a capital solution (infrastructure expansion) when demand-side interventions are available. Therefore, incentivising reduced use through alternative charging models (as required via the Act) is an efficient way forward.

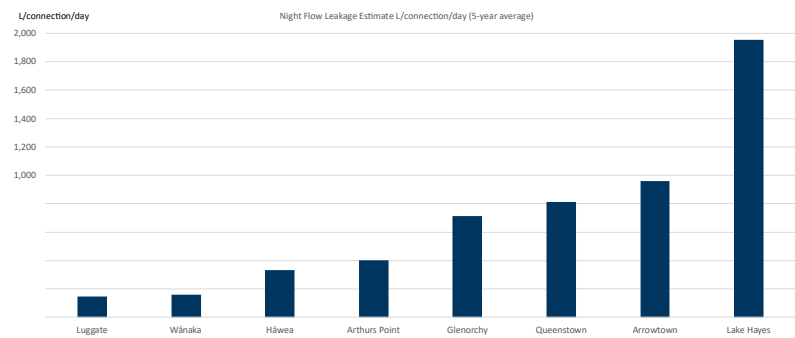
Water measurement and management

Council has limited ability to understand and manage water loss and consumption, resulting in inefficient water services and inability to demonstrate effective, cost-efficient water supply management to ratepayers and regulators.

Council is currently lacking the tools and resources (Council capacity) to understand, and therefore manage, water demand in the district. Tools and systems include network configuration, ability to manage pressure, the correct data to inform decision-making and customer engagement tools to support behaviour change.

Measurement limitations: Currently, the only means of measuring demand is at the production level, with reliance on estimates of per-person consumption. In some schemes, water intake exceeds consent limits (Lake Hayes on a peak demand day and Arrowtown annually). There are also challenges in accurately identifying leaks and high network system leakages, estimated at 20 to 50 percent of total water demand by scheme. This is both inefficient, and an issue for future regulatory compliance.

Figure 3: Evidence on water loss by scheme



In FY25, QLDC water supply produced over 700 metric tonnes of carbon emissions and used a considerable amount of electricity. The financial and environmental cost of water supply is high and increasing, and reduced demand, including both reduced consumption and leakage, will lower energy and carbon impacts.

Under ID requirements, Council needs to report on leakage, which it cannot currently measure effectively. These requirements may also drive ratepayer scrutiny of current water management.

What benefits would investment realise?

Investment in water demand management would lead to three primary benefits for the district. These would benefit both Council and the local community, aligning with legislative and regulatory requirements, protecting the environment and improving equity of water supply rates.



Safe and reliable Council water supply



Efficient and sustainable water demand



Fair and equitable charges for water supply

Safe and reliable Council water supply

Reliable means pressures in the network are maintained and there is sufficient pressure for emergency response, e.g., firefighting. Safe means water quality is secured. Together, these uphold public health and safety.

In addition to public health outcomes, network efficiency will improve from reduced leakage and consistent pressure, and this, combined with lower peak summer demand, will lead to higher network resilience. Higher network resilience safeguards public health and can reduce disruption time and operating costs.

Efficient and sustainable water demand

Reduction in peak summer demand for drinking water, including reductions in network water loss, will reduce pressure on the network and per capita energy use, improving environmental and financial sustainability. Sustainable demand will contribute to deferring the carbon and capital cost of new water infrastructure.

For the networks supplied by groundwater (every scheme excluding Queenstown and Wānaka), reduced demand will lower environmental impacts. By achieving efficient and sustainable demand, the district will be protecting Te Mana o Te Wai, prioritising the health and mauri / life force of freshwater. This aligns with Kāi Tahu and tākata whenua values and Council's commitment to supporting environmental, social, cultural and economic wellbeing.

Fair and equitable charges for water supply

The final primary benefit achievable through water demand management is a fair cost distribution where the beneficiary pays. This aligns with the Act's requirements to transition away from rateable value-based charging.

A beneficiary-pays charging model will reduce financial pressure on household ratepayers, as all users are not subsidising high users. Further, Council will be actively managing excessive use.

What could go wrong?

There are several major risks with this investment proposal:



These are discussed in the Management Case summary.

Economic Case summary

The Economic Case builds on the strategic context for implementing water demand management by analysing demand management options. All water demand management scenarios returned strongly positive benefit-cost ratio (BCR) in economic modelling, confirming any scenario represents a strong value-for-money response to the district's current water demand challenges. Universal customer metering with a volumetric charge is the single most significant lever for reducing water demand, improving fairness in charging and strengthening Council's ability to manage leakage and consumption across the network.

Approach to options analysis

Options analysis was a staged process to identify and assess water demand management measures. Options analysis commenced with a long-list of 56 possible physical, behavioural, and regulatory measures, which

were filtered through early screening to remove measures not suited to the Queenstown Lakes context. This finalised long-list of 32 measures was split into two parts for assessment – metering and non-metering measures. These measures were evaluated using multi-criteria analysis (MCA) of Critical Success Factors and Programme Investment Objectives. Post-MCA, 15 measures were carried through to the short-list. Water charge analysis occurred in a separate workstream, and a generic water charge (50-50 split between fixed charge and a uniform volumetric charge) was carried through to the shortlist.

The short-list of 14 non-metering and 1 metering (with the 50-50 water charge) measures was evaluated through cost-benefit analysis. Two measures were eliminated. The remaining 13 measures were combined into four programme scenarios, ordered from ‘basic’ which had the most cost-beneficial measures (excluding metering) to ‘do more, faster’, including all shortlist measures on a faster implementation timeline.

Cost-benefit analysis (estimated water savings and cost) of the four programme scenarios was completed, and this was the basis for selecting a preferred programme.

Long-list evaluation

Non-metering measures

The finalised long-list was split into metering and non-metering measures for assessment. The 29 non-metering measures were assessed against four Critical Success Factors – ability to reduce peak demand, likely water savings, cost effectiveness, and community acceptability – with each factor given a weighting. Reducing peak demand was assigned the highest weighting at 30 percent, given its direct impact on Council’s ability to achieve Investment Objective 1 (ensure safe and reliable water supply).

The non-metering measures that performed strongest in MCA were those that are relatively low-cost, practical to implement and / or able to influence peak demand or leakage. The highest-ranked measures included Council open space irrigation efficiency audits and retrofit, residential outdoor water efficiency education, excess water use enforcement, pipe leak repair remission policy, mandatory open space irrigation audits, customer communication, Council irrigation optimisation and proactive DMA monitoring and leak detection. A common theme across the highest-performing non-metering measures is that they either target outdoor water use, which is a major driver of peak demand, or improve Council’s ability to identify and respond to leakage. The evaluation also showed that Council-led measures support community acceptance because they demonstrate Council is leading by example.

Metering measures

The three long-list metering measures were analogue meters, Automatic Meter Reading (AMR), and Advanced Metering Infrastructure (AMI). The key difference between these meters is how they record and transmit data. Analogue meters are read manually and provide basic, periodic consumption data (monthly), AMR automates meter reading with one-way data transfer and potential for more regular reporting (normally monthly, can be daily), and AMI provides high-frequency two-way communication that supports near real-time monitoring.

The three metering measures were evaluated against three benefit and three effort MCA criteria. Benefit criteria were the Investment Objectives and effort criteria were implementation considerations - complexity, flexibility and whole-of-life costs. All metering measures scored well with AMI the highest, then AMR then analogue. AMI’s higher capital cost and greater technical complexity are offset by much stronger data capability, better leak detection, more flexible future charging options and better long-term network management. Whilst smart metering (AMI) is recommended, it is likely a mix of meter types will be required across the district due to technical and geographical constraints.

Water charge analysis

Water charging options were assessed separately because final decisions on pricing sit with the WSCCO and will require public consultation. Benchmarking analysis found the dominant direction for water charge

models in New Zealand is toward utility-style pricing that combines volumetric charges with supporting fixed components. As such, Council's current approach of a fixed charge with a rateable value-based element is increasingly out of step with water sector norms.

Fixed, variable, mixed, and non-uniform volumetric charges were analysed. Fixed-only charging is simple but provides no incentive to conserve water and is increasingly inconsistent with policy and legislative reform. Pure volumetric charging provides the strongest conservation signal but can create greater revenue volatility. A mixed approach, with both fixed and volumetric components, is the most practical and equitable basis for future charging. A 50-50 fixed and volumetric charge with no base allowance has been applied in short-list assessment as a placeholder until more detailed analysis is undertaken following public consultation, and as a part of WSCCO establishment and eventual water metering project.

Factors that will need to be considered when determining the preferred charging model include occupancy and consumption patterns. A higher fixed component or base allowance may be required to ensure low-occupancy holiday homes contribute equitably to system costs.

Short-list evaluation

The short-list of 14 non-metering and 1 metering (AMI with the 50-50 water charge) measures was evaluated through cost-benefit analysis. 10 of the 15 measures had a BCR of more than one (Table 2), meaning their benefit outweighs the cost, and were carried forward into programme scenarios. Educational measures performed the strongest, reflecting their low cost and ease of implementation. Physical measures are more capital intensive but achieve a high volume of water savings, so remain strongly positive.

Table 1: Cost-benefit analysis results - short-listed measures

MCA Rank	Measure description	Total cost (\$m FY26)	Annual water savings (m ³)	BCR*
3	Residential outdoor education	\$1.2	79,347	8.6
7	Customer communication	\$1.8	115,205	8.0
4	Excess water use and enforcement	\$1.5	63,477	5.7
2	Council open space irrigation audit and retrofit	\$0.1	6,833	5.5
9	Improve DMA monitoring and proactive leak detection & repair	\$21.6	1,036,562	4.7
12	Mandatory school water audits	\$0.4	15,204	2.2
13	Voluntary hotel audit	\$0.9	30,911	1.9
1	Universal metering with 50-50 charge	\$100.1	2,710,498	1.9
5	Pipe leak repair remission policy	\$1.0	15,422	1.8
8	Council open space irrigation optimisation	\$0.40	4,057	1.3
Measures with a BCR less than 1				
14	Pressure management for the network	\$17.6	165,850	0.6
11	Non-potable water for construction	\$49.0	115,205	0.3
15	Mandatory council facility water audits incl. operational use	\$1.6	3,003	0.1
10	Water efficient landscape design standards	\$7.2	6,447	0.1
6	Mandatory irrigation audit for large users	\$4.2	5,088	0.1

*Note: BCRs may understate the benefit achieved through short-list measures, as inputs were derived based on the Capital Plan which assumes a 30% reduction in water demand in the short-term due to universal water metering and volumetric charges. As such, the cost of supply is currently underrepresented.

*Shortlist evaluation used some different assumptions and metrics than the final scenario evaluation, hence had different BCRs. Refer to the end of **Error! Reference source not found.** for these metrics.

Universal metering with a two-part charge is the single most important measure for managing water demand, generating an estimated 2.7 times more annual water savings than the next closest measure, improving DMA monitoring and proactive leak detection and repair.

Scenario evaluation

Four programme scenarios were evaluated, containing 13 measures in total. This is the 10 measures with a BCR of more than one from short-list evaluation, plus three measures that were eliminated. The re-introduced measures are network pressure management (reduces maintenance and extends life of pipes), mandatory open space irrigation audit and retrofit (irrigation is a key driver of peak demand), and mandatory council facility water audits (Council leading by example is a programme objective and important to community acceptance). The four programme scenarios are:

- **Scenario 1 | Basic:** prioritises measures that deliver strong cost-effectiveness with immediate impact and low implementation complexity, specifically the education and excess water use enforcement measures. Improving DMA monitoring and proactive leak management sits at this scenarios core, reflecting the significance of network water loss as a demand driver. All Council measures are in this scenario too.
- **Scenario 2 | Basic, plus metering:** same as Scenario 1 but with the addition of Universal metering and the Pipe leak and repair remission policy. Metering installation is staggered across five, one-year phases, from July 2028, 1 year after WSCCO establishment. Schemes where consented raw water takes are exceeded (or close to being exceeded) and/or where leakage is high will be prioritised in the roll out.
- **Scenario 3 | Do more:** builds on Scenario 2 by extending the programme's reach across a broader range of customer types. Mandatory irrigation audits, school water audits and voluntary hotel audits are added, recognising that non-Council customers represent a significant untapped opportunity for demand reduction. Council-focused measures and leak management remain core to this scenario, consistent with the programme objectives established across all scenarios. Pressure Management is also added, noting pressure management opportunities by scheme will require further investigation to understand potential water savings versus the cost of implementation.
- **Scenario 4 | Do more, faster:** This scenario tests the cost and demand implications of compressing the implementation timeline. It is the same as Scenario 3, with an accelerated implementation pace. Metering is rolled out across three one-year phases from July 2028 (as opposed to five one-year phases).

These four scenarios were evaluated, with results in Table 2 below.

Table 2: Scenario evaluation results

Scenario	Total costs ¹ (\$m FY26)	Present value costs (\$FY26)	Annual average water savings (m ³)	Est annual water savings post metering (%)	Levelised cost (\$ spent per m ³ of water saved)	BCR
Scenario 1 - Basic	\$28.2	\$20,245,307	1,417,000	7.8%	\$0.69	8.52

¹ Total costs exclude capex requirements for additional FTEs, which was only calculated for the preferred option in the **Error! Reference source not found.**

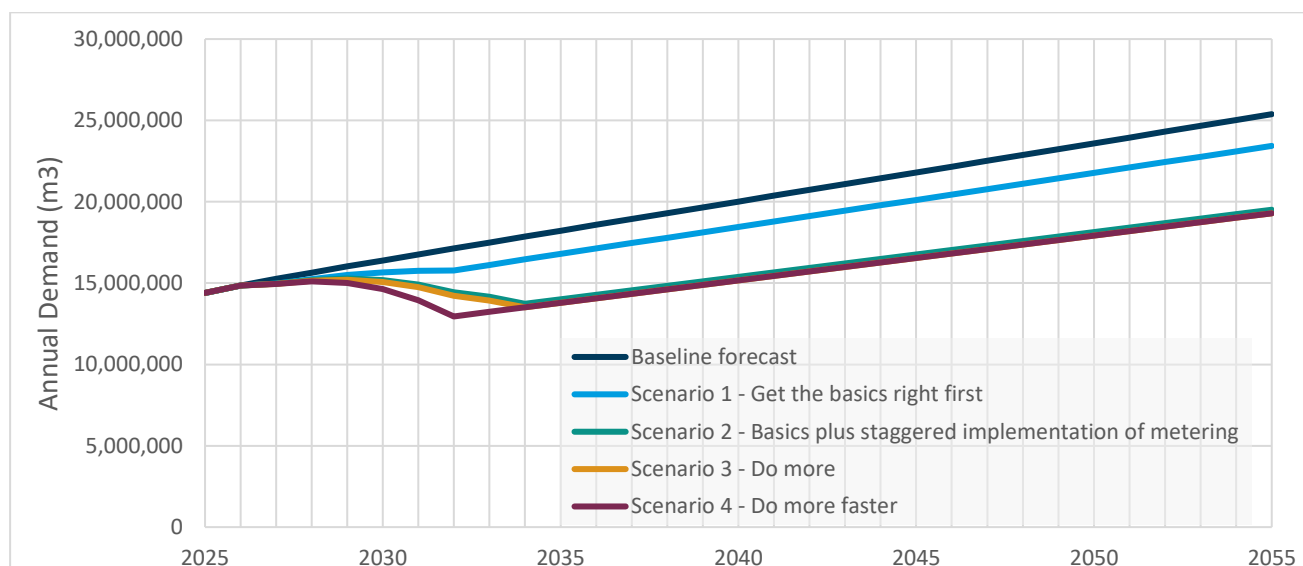
Scenario	Total costs ¹ (\$m FY26)	Present value costs (\$FY26)	Annual average water savings (m ³)	Est annual water savings post metering (%)	Levelised cost (\$ spent per m ³ of water saved)	BCR
Scenario 2 – Basic plus metering	\$129.3	\$99,704,096	4,021,000	23.1%	\$1.21	4.83
Scenario 3 – Do more	\$152.4	\$118,608,838	4,210,000	24.2%	\$1.38	4.26
Scenario 4 – Do more, faster	\$152.1	\$119,078,713	4,325,000	24.2%	\$1.34	4.39

All scenarios return a strongly positive BCR, confirming that any scenario would be cost-beneficial. Scenarios containing universal customer metering (2, 3, 4) deliver more than double the annual water savings of the non-metering scenario (1), reflecting metering's role in enabling consumption-based pricing and improving household-level leak identification, though at significantly higher cost.

Scenario 4 is marginally more cost-effective than Scenario 3, suggesting faster implementation reduces costs compared to a staggered rollout. However, the potential cost savings are not substantial, and this evaluation does not include capacity and delivery risks of a faster roll out. These would require further evaluation to better understand the value versus risk trade-off of accelerating delivery. Scenario 1 returns the highest BCR at 8.5, reflecting its lower cost base, but delivers marginal impact on overall water consumption compared to the metering scenarios. Scenario 3 and Scenario 4 deliver only marginally greater water savings than Scenario 2 but at higher cost and with greater delivery complexity.

The annual water demand forecast to 2055 (FY56) of each scenario, compared to the baseline, is illustrated in the figure below. Scenarios 2 through 4 have relatively similar impacts on demand as compared to Scenario 1.

Figure 4: Impact of demand management scenarios on annual water demand forecast to 2055



The preferred scenario

The preferred scenario is Scenario 2 – Basic plus metering as it provides the strongest balance of affordability, water savings and deliverability. It includes the core low-cost and high-performing non-metering measures, while also incorporating universal metering and a 50-50 fixed and volumetric charge, which are essential to achieving programme objectives. Projects in the preferred scenario (Scenario 2) are:

- **Council measures (Project 1):** Council open space irrigation audit and retrofit, Council open space irrigation optimisation, and Mandatory council facility water audits including operational use.
- **Education (Project 2):** Residential outdoor water efficiency education programme, and Customer communication programme.
- **Regulatory (Project 3):** Excess water use and enforcement, and Pipe leak repair and remission policy.
- **Active leak management (Project 4):** DMA monitoring and proactive leak detection and repair.
- **Universal metering (Project 5):** Universal customer metering and volumetric charging.²

Note: further work is required on metering and water charges. Detailed analysis (likely a Detailed Business Case) will be undertaken and signed off by the WSCCO.

Rationale for selecting Scenario 2

The **PCG determined the** preferred scenario should include metering with a volumetric charge (50-50 fixed - volumetric is the placeholder until more detailed analysis is undertaken). This is because:

- Universal metering is essential for equitable pricing, improved network insight and sustained demand reduction,
- Under the water services reform, metering and volumetric charging are increasingly signalled as the way forward in policy, legal and regulatory frameworks, and
- Metering materially improves the performance of other programme measures, especially leak detection, customer response and enforcement.

Once these factors are considered, a non-metering programme (Scenario 1) is determined insufficient, despite the lower costs and higher BCR.

Scenario 2 has the highest BCR of the three remaining scenarios. Scenarios 3 and 4 deliver marginally higher annual average water savings (Table 2) but at significantly higher costs. Scenario 2 is also less complex than Scenarios 3 and 4, as there are less projects implemented and implementation is more phased. Given Council operational capacity and capability is a key implementation risk, lower complexity is preferred to reduce the Programme risk profile.

Commercial Case summary

The Commercial Case sets out how the water demand management programme (Programme) will be delivered and procured. The proposed approach is intended to support delivery of the preferred programme while maintaining alignment with Council's Procurement Policy and achieving value for money.

What needs to be procured?

The Programme comprises five projects: (1) Council measures, (2) Education, (3) Regulatory updates, (4) Active leak management and (5) Universal metering. Projects 1 and 3, Council measures and Regulatory updates will be managed internally because Council has both the capability and capacity to deliver these projects. Procurement is required for projects (2) Education, (4) Active leak management and (5) Universal metering due to capability and/or capacity requirements.

The rest of the Commercial Case covers the procurement strategy and other commercial considerations for Projects 2, 4 and 5. Projects 1 and 3 are not discussed further as they do not require procurement.

² Specific water charge to be applied will be determined through more detailed analysis as the WSCCO is established / DBC is developed.

Procurement strategy

The required goods, works and services are:

- **(2) Education:** communications services to support delivery of a communications strategy and implementation of communications campaigns.
- **(4) Active Leak Management:** a supplier that can provide and install DMA meters. Potential for procurement for future leak management services and repairs.
- **(5) Universal Metering:** WSCCO will procure a smart meter vendor(s) to provide, install and manage smart meters across the district. Smart metering services could be provided by one vendor, or multiple vendors providing different service elements (e.g., hardware, telecommunications, systems integration). However, it is likely that the WSCCO will seek more integrated service solutions due to current in-house capability, to reduce the risk profile of delivering this project.

The indicative procurement method by project is:

- **(2) Education:** a single-stage open market approach to appoint a communications partner. May be procured through panel or existing relationship, subject to final contract value.
- **(4) Active Leak Management:** a single-stage open market approach is proposed for DMA improvements, with the treatment of leak repair works to be confirmed through detailed planning, although likely through existing relationships.
- **(5) Universal Metering:** a two-stage open market approach. Request for Information to test the market and refine the commercial model, followed by a Request for Proposal to secure an integrated delivery solution.

From an initial desktop market assessment, there is expected to be reasonable market interest in all three projects due to contract size, project complexity, and existing supplier relationships (project dependent). Given water sector reforms there is expected to be some competition for smart meter vendors. This will be tested through the Request for Information.

The next step is to progress detailed procurement planning for Projects 2 and 4, while using early market engagement from the Request for Information to inform the Detailed Business Case and final procurement approach for Project 5.

Financial Case summary

The Financial Case outlines the financial implications of the preferred programme, outlining the capital and operational costs of the programme and the funding requirements.

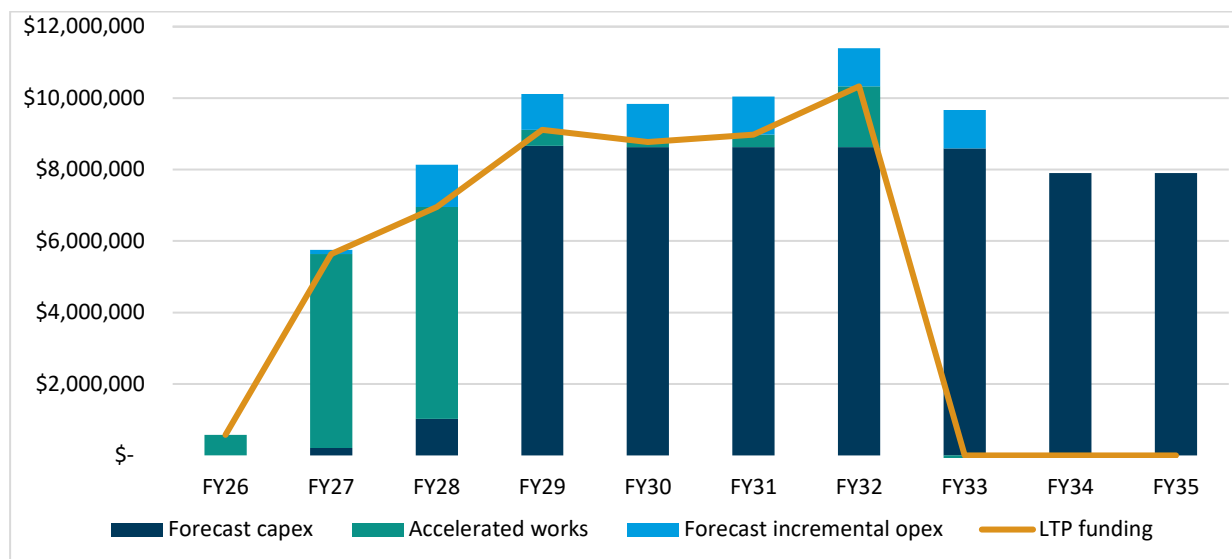
Programme costs

The total programme cost is estimated at **\$131.7 million** in real terms over 30 years, equivalent to approximately \$101.9 million present value using a 2% discount rate. This includes \$60.0 million capital expenditure (capex) over FY26-FY35 and \$71.7 million operational expenditure (opex) over FY26-FY56.

Metering (Project 5) accounts for about three quarters of total programme costs, with approx \$55.3 million capex and \$44.8 million opex. Active leak management is next with approx. \$2.0 million capex and \$19.6 million opex. The other three projects total \$7.6 million, of which \$0.3 million is capex and \$7.3 million is opex. There is an additional \$2.4 million in programme overheads (classified as capex) for additional internal Full-Time Equivalents to implement the Programme.

Funding availability

The 2024-2034 Long Term Plan (LTP) is a core funding source for capex, providing approximately \$51.6 million for water demand management over FY25-FY32, including about \$50.3 million from FY26-FY32. In the years where LTP funding is available, forecast programme capex is within or below available allocations.

Figure 5: LTP vs. forecast capex and incremental opex

There is, however, an estimated capex funding gap of about \$9.7 million beyond current LTP allocations. This gap is largely driven by metering, which is expected to sit within the future WSCCO funding and decision-making framework rather than being fully constrained by current LTP budgets.

Funding for opex is mixed. Some costs will be absorbed and addressed through prioritisation of internal resource. It is anticipated some metering opex will be recovered through the volumetric water charges

Overall affordability

The total capex and opex costs (undiscounted) of the programme is \$131,683,325 (real cost) over the 30 years of the expected lifetime of the programme.

Capex is substantially supported by existing LTP allocations, with the remaining gap and the largest cost component—metering—to be resolved through future WSCCO funding arrangements and Detailed Business Case decisions. Long-term affordability will be determined through confirmation of the metering delivery model, the final opex profile, and the extent of cost recovery through volumetric charging and/or other revenue sources.

Management Case summary

The purpose of the Management Case is to describe the arrangements that will be put in place to ensure successful delivery of the programme and to manage risk.

Programme governance and management

Council and the ELT is responsible for Programme governance and management until 1 July 2027, when the WSCCO is operational. From 1 July 2027 onwards, responsibility for the Programme transfers to the WSCCO.

Until 1 July 2027, the Programme will sit within Council's existing Property and Infrastructure governance framework, led by a Senior Responsible Owner and Programme Manager and overseen by the Programme Control Group and Engineering Control Group. From 1 July 2027, governance will transfer to a WSCCO-led Programme Board. This is except for the Three Waters bylaw, as Council cannot delegate responsibility for the bylaw to the WSCCO. However, some administration and enforcement functions may later be delegated. Maintaining broadly consistent governance arrangements across both phases is a key response to transition risk.

Day-to-day delivery will follow Council's standard project and programme management procedures and the Programme Management Office Assurance Management Framework. This includes stage-gate reviews,

audits, assurance reviews, and regular reporting on cost, schedule and risk. Clear delegation across the Programme Manager, Programme Board and WSCCO Board will support timely decisions on scope, budget, procurement, resourcing, risk and schedule. This is especially important because decision-making responsibility will shift as the WSCCO is established.

Programme plan

Implementation timelines, including key decision points and milestones, are provided for each of the five projects. More detailed planning will follow through project plans for Projects 1 to 4 and a Detailed Business Case for universal metering and water charging. In the programme plan, early implementation focuses on quick-start actions that can demonstrate progress and reduce demand early, including Council-led measures, education and communications, and active leak management.

Key milestones are:

- Council consideration of this Programme Business Case in July 2026
- Key procurement and policy decisions through late 2026 and early 2027
- Transfer of programme responsibility to the WSCCO on 1 July 2027
- Universal metering detailed analysis by mid-2027, procurement through 2027 to early 2028, and phased rollout from 2028 to 2033.

Organisational change management

There is already significant change underway in Council, due to the establishment of the WSCCO. It is therefore important that all the change elements of this Programme are addressed through the broader change management process and existing transformation work.

Benefits realisation and risk management

The key benefits will be monitored through Key Performance Indicators (KPIs) comprising both 'lead' and 'lag' indicators, where lead is predictive and indicate if the Programmes on track, while lag is result-oriented and indicate if the Programme was successful post-implementation.

A programme risk register was developed during the Business Case, identifying key risk, risk owners and mitigations. This risk register will be monitored and updated throughout implementation.

Decision sought

This Programme Business Case seeks formal approval of the proposed programme (Scenario 2), which contains a suite of water demand management measures, including metering and volumetric charging. This Business Case seeks approval of the investment proposal so that more detailed planning, procurement and implementation can commence (project dependent). This includes approval of the proposed programme and estimated costs, funding arrangements, commercial and management strategies.