

November 2024

Fact Sheet

Water Services regulators - levy consultation

The Water Services Authority – Taumata Arowai (the Authority) and the Ministry of Business, Innovation and Employment (MBIE) are consulting on proposed levies to fund regulation of water services from July 2025. The proposed levies will fund two separate and important regulatory regimes for New Zealand’s water services:

- Water Services Authority – Taumata Arowai is the drinking water quality regulator supporting New Zealanders access safe drinking water. It also has an oversight and standard setting role for environmental performance of public drinking water, wastewater and stormwater networks.
- The Commerce Commission will be the economic regulator, focusing on supporting water infrastructure to be appropriately invested in, maintained and delivered for the long-term benefit of Kiwi consumers.

Consultation on these levies has been coordinated to assist councils and other regulated water services suppliers to provide feedback across both regimes at the same time.

We are seeking feedback via two discussion documents. This fact sheet provides a summary of both levy proposals. Links to both discussion documents and information about how to have your say are available on the final page of this fact sheet.

About the Authority’s levy for water services quality regulation

The Water Services Act 2021 includes provisions for a levy to be introduced to fund the Authority’s work regulating drinking water suppliers for safety and quality and overseeing the environmental performance of drinking water, stormwater and wastewater networks.

The introduction of these levies covers those regulatory functions that are performed for the benefit of consumers and communities. In the Authority’s case, that is about the assurance provided to consumers that their water is safe to drink and the supply is reliable, and suppliers are disposing water in an environmentally appropriate way.

Together with councils across New Zealand, the Authority has made substantial improvements, with many more New Zealanders now on track to having safe drinking water. This is the result of the Authority’s focus on the need for bacterial and protozoa treatment barriers in all registered water supplies.

We are also working to develop national standards for wastewater which will significantly reduce cost to ratepayers by delivering efficiencies and cost reductions through greater standardisation of the infrastructure required to meet the new standards.

About the Commerce Commission's levy for water services economic regulation and consumer protection

The Local Government (Water Services) Bill will be introduced to Parliament in late 2024. It will include a new economic regulation and consumer protection regime for New Zealand's water services.

The Commerce Commission will oversee this regime and will have a range of regulatory tools available, including mandatory information disclosure, to promote transparency and ensure investments are made where they are most needed.

The Commission's role will be important to safeguarding consumer interests and will provide peace of mind to consumers that they are getting value for money from water services.

The proposed levy has been designed to recover the cost of the economic regulation regime and ensure the Commission is funded appropriately to do this important work.

Why are levies needed?

Council organisations and their council-controlled organisations (CCOs) currently provide water services to approximately 84% of the population.

Local Water Done Well empowers councils to determine how their water services will be delivered in the future while ensuring a strong emphasis on meeting economic, environmental and water quality regulatory requirements.

The regulatory functions of the Authority and Commerce Commission are likely to generate significant benefits for consumers and communities in terms of the safety, reliability, environmental impact and efficiency of water services.

What are the proposed levies?

Separate levies are proposed for each regulator.

The design and approach to each levy are set out in the respective discussion documents. A summary of each levy is available below.

Levies will be charged to regulated water services suppliers including councils and CCOs, which would collect the levies from consumers. It will be up to water services suppliers to determine the best approach for passing on this cost, for example, through rates or water charges.

The Authority's proposed levies

For the levy that will fund the work of the Authority, the proposed cost would be \$20.658m per annum for the next three years.

This equates to an annual cost of \$4.14 ex-GST per person or around \$11.17 ex-GST per an average household.

The Authority will also continue to receive a portion of Crown funding (\$4.62m per annum), recognising the significant national benefit of activities such as public reporting and setting standards.

The Authority is proposing that there will be separate levies for drinking water, stormwater and wastewater but these will be invoiced together where possible for ease of administration.

The Commerce Commission's proposed levy

For the levy that will fund the Commerce Commission to implement the economic regulation regime, the annual cost of core regulatory activities would be capped at \$6.5m per annum for the first two years. Thereafter, the cost may only be increased following a review.

Additional costs may be imposed on any regulated suppliers subject to additional regulation, such as price-quality regulation.

It is estimated that the levy will cost \$1.30 per person and per year in 2025/26 and 2026/27.

Who will have to pay for the levies?

Water services suppliers will collect the levies from users.

It will be up to water services suppliers to determine how best to recover the levy costs from consumers, for example, through rates or water charges, and how best to ensure these costs are recorded (such as including levy charges as an explicit line in rates bills).

Levies would be charged to regulated water services suppliers from 1 July 2025.

Who do you want to hear feedback from and how can we provide feedback?

We are seeking feedback on the proposed levies from local government water services suppliers.

Others with an interest in the levies are also welcome to submit feedback.

Consultation is open from Tuesday 26 November 2024 until 5pm, Friday 24 January 2025.

You can find more information on MBIE and the Authority's websites, including proposals outlined in full in the discussion documents and information about how to make a submission. We encourage online feedback where possible.

- Link to the Authority's [Kōrero online consultation hub](#).
- Link to MBIE's [consultation page](#).

If you have any questions, please email:

- korero@taumataarowai.govt.nz (Water Service Authority – Taumata Arowai) or
- competition.policy@mbie.govt.nz (Ministry of Business, Innovation and Employment).

What are the next steps?

Your feedback will inform our advice to Ministers on the final design of these levies.

Following consultation and analysis of feedback, a summary of submissions will be published, and the final levy proposals will be developed and communicated with the sector.