

Consultation on the Water Services Authority – Taumata Arowai levy for 2025 – 2028

Discussion document on a proposed levy for council drinking water suppliers and network operators under the Water Services Act 2021



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Date: 10/2024

ISSN: 978-0-473-72963-9

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How to make a submission

The Water Services Authority – Taumata Arowai (**the Authority**), on behalf of the Minister of Local Government, is consulting on the proposed design for a levy to fund its work regulating drinking water suppliers for safety and quality and overseeing the environmental performance of drinking water, stormwater and wastewater networks under section 201 of the Water Services Act 2021.

In accordance with the Water Services Act, consultation is targeted to territorial authorities and their council-controlled organisations (**CCOs**) that provide water services, and Greater Wellington Regional Council as it is a bulk water supplier. We welcome feedback from the sector to inform the final levy arrangements.

This discussion paper includes some questions you may like to respond to in your submission. The questions are listed in boxes through this document and the full list of questions is provided in **Appendix 1**. You are not required to answer all or any of the questions included. Where possible, please include evidence to support your views, for example, references to facts and figures, or relevant examples.

You will find all the information on this consultation on the Authority website at te-puna-korero.taumataarowai.govt.nz/regulatory/proposed-levy

The consultation is open from 26 November 2024 until 24 January 2025. Please send us your written submission on the proposals and questions raised in this document by **5.00pm on 24 January 2025**.

You can make a submission via:

- our [online survey](#)
- sending your responses to korero@taumataarowai.govt.nz or mailed to Level 2, 10 Brandon Street, PO Box 628, Wellington 6140, New Zealand.

Please include your name, or the name of your organisation and contact details in your submission. **Appendix 2** explains how the Authority will use any information you provide in a submission or feedback form in response to this discussion document. We appreciate your time in providing feedback.

Please direct any questions you may have in relation to the submission process to: korero@taumataarowai.govt.nz.

The Authority notes that some councils currently outsource supply activities to a CCO or other entity. The Authority encourages those councils to discuss the proposed levy settings and the questions in this discussion document with their relevant subsidiaries, contractors or other agents.

Next steps

Following consultation and analysis of feedback, a final levy proposal will be developed for consideration by the Minister of Local Government. The intent is that regulations implementing the levy will come into effect on 1 July 2025.

Introduction

The Water Services Authority – Taumata Arowai (**the Authority**) is New Zealand’s water services regulator established as part of the response to the Havelock North campylobacter outbreak in 2016, which led to an estimated 8,000 infections and was linked to four deaths following contamination of drinking water.

The functions and powers of the Authority are set out in the Taumata Arowai – the Water Services Regulator Act 2020 and the Water Services Act 2021. The Authority was established in 2021. Its drinking water functions became fully operational with the enactment of the Water Services Act in November 2021. Its functions relating to the wastewater and stormwater commenced in October 2023.

As part of Local Water Done Well the Government’s priorities are to put in place an enduring and sustainable framework for local council ownership and control of water services, with clear rules for water quality and ongoing investment.

The Water Services Authority plays a critical role in Local Water Done Well by regulating drinking water suppliers to ensure they meet quality standards and providing oversight of the environmental performance of water services networks. The focus on ensuring supplies have adequate protozoa and bacterial protections means that the Authority, alongside councils, have supported substantial improvements in access to safe drinking water, with an additional 500,000 New Zealanders now on track to having safe drinking water.

The Government is proposing a range of changes that aim to reduce the cost and burden for drinking water suppliers in complying with the Water Services Act 2021. The changes are designed to improve the efficiency and effectiveness of the drinking water regulatory regime, and the approach the Authority takes to regulating this regime.

Delivering a reasonable, proportionate and pragmatic regulatory approach

In its work, the Authority takes a reasonable, proportionate and pragmatic regulatory approach, providing advice and support to drinking water suppliers as they deliver and maintain cost-effective drinking water safeguards that fit the supply and local conditions.

For councils and other drinking water suppliers, reduced regulatory requirements – and changes to the regulatory approach taken by the Authority – will reduce the costs of compliance particularly for smaller, private and rural suppliers. The Authority will engage more actively with mixed-use rural schemes and larger suppliers and network operators and develop more regulatory solutions for suppliers and network operators to make compliance easier and cheaper.

The Authority is progressing a programme of activities to provide ongoing certainty and clarity for the sector. It will focus on six priorities over the next three years.

- Publishing New Zealand’s first national wastewater standards in 2025.
- Developing a range of practical solutions (such as end point treatments/acceptable solutions), technical guidance, information and advice that’s tailored for different types of supplies

- All council drinking water supplies having multi-barrier protections or a plan towards compliance in place by December 2025¹.
- Reviewing one Drinking Water Safety Plan for each council and provide them with feedback on the outcome of that.
- Working alongside councils to collectively lift the quality of data and information that underpins public reporting on the performance of water services.
- Supporting suppliers in emergencies that impact drinking water.

Over the next 12 months, the Authority will seek sector input into major improvements to New Zealand’s Drinking Water Quality Assurance Rules and development of new wastewater standards that will reduce cost and increase efficiencies.

With a view to making compliance requirements for small and medium-sized supplies clearer sooner, the Authority is undertaking a review of the Rules in two stages, first seeking feedback on proposed changes to Rules for supplies that serve 500 or fewer people and then consult on proposed changes to Rules for supplies that serve 500 or more people next year. The aim is to make compliance more straightforward for drinking water suppliers and network operators.

Wastewater Standards will set nationally consistent requirements for all wastewater networks and operators to meet. They’ll also help to reduce regulatory burden, and enable efficiencies and standardisation, while providing councils with greater certainty of costs for their wastewater network investments.

The Authority will also be engaging regularly and proactively with drinking water suppliers, specifically councils and small suppliers, to ensure interventions meet risk-management requirements and can be addressed in a cost-effective manner and timeframe.

The Authority knows the next four years will be a time of significant change, particularly for local government and their CCOs, as the Government works with councils to deliver Local Water Done Well. The design of the levy seeks to provide as much certainty as possible, while remaining flexible enough to be resilient to system change.

How the Authority has been funded

During the establishment period, the Authority has been largely funded by the Crown, with a small proportion of its funding received through cost recovery fees charged for specific functions under the Water Services (Fees and Charges) Regulations 2021, for instance, for exemptions.

Table 1: The Water Services Authority funding 2024/25

2024/25	\$ millions
Crown Funding	\$21.32

¹ Unless the supplier has an exemption from this requirement

Use of reserves and other revenue	\$3.98
Total Funding Available	\$25.30

Implementing a levy to recover costs of the Authority

The Minister of Local Government is proposing to implement a levy to recover most of the Authority’s operating and capital costs from drinking water suppliers and wastewater and stormwater network operators. The levy regime will commence from 1 July 2025.

The Authority’s budget will be fixed at the current level of funding of \$25.30m for the next three years. There will continue to be Crown funding to the Authority of \$4.642m per annum, with the remainder funded by the levy. The Crown funding will mean that functions of the Authority that have a national-level or public benefit, such as setting drinking water or wastewater standards, are funded by the Crown.

Before recommending the levy-making regulations, the responsible Minister must:

- consult the drinking water suppliers and network operators who will be affected by the levy, which is the purpose of this discussion document and targeted consultation
- determine the costs of the Authority, including the costs of collecting the levy, to be covered by the levy, and is covered in this discussion document and targeted consultation
- request, and have regard to, advice from the Authority on the proposed levy.

Who the levy will apply to and when it will apply

The Water Services Act 2021 enables regulations prescribing a levy to be set for the purpose of recovering any or all of the costs of the Authority that relate to the exercise of its functions, powers and duties. The levy may be directed at one or more of the following groups: drinking water suppliers, wastewater network operators, or stormwater network operators.

Our preferred option is that the levy be directed at territorial authorities or their council-controlled organisations that deliver water services². This is because territorial authorities, or their CCOs that deliver water services, currently provide water services to most of the population (approximately 84%).

In addition, they manage most drinking water, wastewater and stormwater networks. As the Government works with councils to deliver Local Water Done Well, the Authority will design the levy in a way that considers new and emerging CCO arrangements.

² Greater Wellington Regional Council presents a unique case because it has statutory responsibility for bulk water supply in the Wellington region. Other regional councils do not have this function. The Authority does not propose to impose a levy on Greater Wellington Regional Council, as this will result in Wellington ratepayers potentially being charged twice. This proposal is subject to any feedback received on this discussion document.

Your feedback will help shape the structure and implementation of the levy

The Authority welcomes feedback on proposals to understand councils and council-controlled organisations' views on the structure of a levy and to help identify the most workable option for both the Authority and potential levy payers.

The consultation proposes a preferred levy approach, but final decisions have not been made.

Once submissions have been received and analysed, a final levy proposal will be developed for the Minister of Local Government's consideration. The intent is that regulations implementing the levy will come into effect by 1 July 2025.

Ministry of Business, Innovation and Employment (MBIE) consultation on Commerce

As part of Local Water Done Well, economic regulation and consumer protection will be delivered by the Commerce Commission. MBIE is also consulting on levy funding for the Commerce Commission's functions for FY 25/26 and beyond. Local water services suppliers should plan for those proposed costs alongside those covered in this discussion document. Information about MBIE's consultation is available on their website.

Questions on this section:

What are the most important issues that you/your organisation believes should be addressed by the Authority?

How would you like the Authority to engage with you/your organisation?

Part 1: Levy structure

The Water Services Act 2021 enables a levy to be set through regulations to cover “any or all of the costs” of the Water Services Authority. This means that the levy can be set to cover 100% of the costs incurred by the Authority, or alternatively its costs can be split between levy payers and the Crown.

The **preferred option** for the levy is based on maintaining a Crown contribution of \$4.642m³ per year. This contribution would cover activities that the Authority delivers that have a significant public good. These activities include

- **Reporting**, including producing the Annual Network Performance Report and Annual Drinking Water Regulation Report and annual reporting on environmental performance of networks and operators.
- **Regulatory system design and standard-setting**, including developing acceptable solutions and class exemptions, verification methods and aesthetic values; contributing to setting wastewater and drinking water standards and rules; providing policy advice on legislative and regulatory changes, and monitoring effectiveness of legislation and regulatory practices.

The Minister is proposing that the Authority be funded through a levy on territorial authorities and their CCOs that deliver water services, that covers the remainder of funding over the Crown annual contribution of \$4.642m. The Authority would also continue to cost recover a small proportion of its costs through fees charged for the exercise of particular functions.

Water service providers directly benefit from a well-regulated and efficiently managed water authority. Levying territorial authorities to fund the Authority ensures the Authority will be financially accountable to those it regulates. This also provides stable and predictable funding.

In the first proposed levy period of 2025 – 2028, the levy will be directed at territorial authorities or chosen service delivery organisations. Territorial authorities or their CCOs (that provide water services) currently provide water services to most of the population (approximately 84%) and manage most water networks. As new service delivery vehicles are available to councils as part of Local Water Done Well, these will also be liable to levy arrangements.

Levy efficiency is also a consideration as information about these suppliers is well known, easy to access and, therefore, easy to apportion. It is expected that a levy imposed on these suppliers and network operators will be factored into rates or water charges collected by councils or their subsidiaries through existing local government mechanisms.

³ This contribution includes funding transferred from Ministry of Health for their previous role in drinking water regulation (\$4m) and Public Sector Pay Adjustment funding approved Budget 2023 (\$0.642m)

The scope of the levy during this levy period does not include private/community drinking water suppliers or Crown suppliers/network operators. These suppliers mainly service dispersed populations and have limited ability to recover costs from users. Additionally, the cost of administering a levy to many private suppliers is likely to be greater than the amount collected. This will result in some cross-subsidy by councils that should be reduced by the Crown contribution.

It is proposed that the Chatham Islands Council is excluded from this levy regime since it receives much of its funding from central government and the benefits associated with regulation are unlikely to outweigh the costs. Additionally, it is expected that the Local Government Water Services Bill will exclude the Chatham Islands Council from the economic regulation regime.

All options involve some level of cross-subsidisation and under the Local Government Act territorial authorities are also the supplier of last resort. The Authority considers it is within territorial authorities interests to see these suppliers are well regulated.

This option provides the best balance of accountability, cost-efficiency, and stability.

Table 2: Proposed total funding to Water Services Authority

\$ millions	2025/26	2026/27	2027/28
Proposed funding to Water Services Authority (through levy contribution)	\$20.658	\$20.658	\$20.658
Crown contribution	\$4.642	\$4.642	\$4.642
Total	\$25.30	\$25.30	\$25.30

Part 3 of this document details the anticipated amount councils can expect to pay. Refer to **Appendix 3** for further detail.

Other options considered

Consideration was given to a 100% levy funded model where all funds are recovered by levy contributions. This is administratively more efficient as it does not rely on reconciling different functions/costs to different revenue streams, however this would not see any contribution from the Crown for services that provide a public good, and has the highest degree of cross-subsidisation.

Similarly, a 100% Crown funded model was considered but this would not reflect that those whose actions give rise to costs (i.e. through the act of delivering services in a regulated market) and those who benefit from regulation (i.e. through the consumption of improved quality of services), should pay most of the costs associated with service use and benefit consumption.

Consideration was also given to an option involving recovery of actual costs via additional fees in addition to a levy.

Fees and charges have been implemented for a small number of the Authority functions (assessing applications for exemptions and water supply to planned temporary events). These are provided for in the Water Services (Fees and Charges) Regulations 2021.

This option is arguably more equitable, as it ensures that those that cause certain costs must bear those costs and they are not spread across all levy payers. However, activities that lend themselves to fees would only result in funding for a small proportion of the Authority costs. When these costs are spread across anticipated levy payers the equity impact is negligible. The Authority will retain current cost recovery for specific functions under the Water Services (Fees and Charges) Regulations 2021, for instance, for exemptions.

The Authority also looked at alternative Crown funding / levy funding splits based on Treasury's *Guidelines for Setting Charges in the Public Sector*, which provide that, where there is a Crown – levy split, this be applied on a “beneficiary pays” basis.

A strict application of these guidelines would result in 74% of the Authority's ongoing funding being provided through a levy (\$18.814m), and 26% by the Crown (\$6.4955m), which is marginally higher than the preferred option. Other levy regimes have found that decisions about “who benefits” from a function of a regulator is not always clear, and allocation of funding arrangements to levy payers or the Crown often have to be made on the basis of approximation.

Questions on this section:

Do you/your organisation have views on the preferred option detailed in the Levy Structure section of the discussion document?

Do you/your organisation agree with the focus, in the first levy period, on councils?

Part 2: Levy design

Separate levies for drinking water, wastewater and stormwater (preferred option)

The Authority is proposing that functions relating to the different waters (drinking water, wastewater, and stormwater) are levied separately but invoiced together where possible for ease of administration. This will reduce cross-subsidisation of drinking water-related activities and support transparency and accurate cost recovery, which might happen where one supplier delivers services across the three waters to consumers. This will mean that in practice there will be three separate levies for services covering drinking water, wastewater and stormwater that will be charged to councils depending on what services they provide.

Many of the activities of the Authority are specific to drinking water, wastewater or stormwater, for example, responding to notifications in relation to drinking water safety or compliance issues, setting environmental performance measures, targets, or standards for different kinds of networks, reviewing types of plans, and reporting on networks and network operators. The Authority expects that this is simpler for all parties in the context of different services being provided by different suppliers/network operators.

The Authority will expend most regulatory resources on drinking water-related activities. Its role in wastewater and stormwater is more limited, so the Authority has weighted related activities across those two waters differently in the split of the levy.

Table 4: Costs the Authority can recover from a levy split across three waters

Three waters percentage split	2025/26	2026/27	2027/28	Average
Drinking water	75%	75%	74%	75%
Wastewater	21%	21%	21%	21%
Stormwater	4%	4%	5%	4%

For example, using Option 4, Ashburton’s 2025/26 estimated levies of \$143,751 has the following components:

- Drinking Water \$107,813 (\$143,751 x 75%)
- Waste Water \$30,188 (\$143,751 x 21%)
- Storm Water \$5,750 (\$143,751 x 4%)

Splitting the levy across the three different water services is intended to help councils that choose to separate the responsibilities for their water services delivery between themselves and a CCO. An example is where a council retains responsibility for wastewater and stormwater services but delegates or transfers drinking water operations to a CCO. In this instance, responsibility for the portion of the levy for wastewater and stormwater could be charged to the local authority instead of the CCO.

Levying each water service separately will also reduce cross-subsidisation of drinking water related activities for wastewater and stormwater functions, and support transparency, accurate cost recovery and reporting. It will also provide the strongest focus on each water.

Other option considered

As an alternative option to the proposed one, consideration was given to having a single levy across all three waters. This option was considered less appropriate because, through Local Water Done Well, some councils may choose to retain the operation of stormwater networks while drinking and/or wastewater management may be transferred to the new entities. This option would also likely end up with cross-subsidisation which is not a desired outcome.

Questions on this section:

Do you/your organisation have any comments on the proposal to separate levies for drinking water, wastewater and stormwater?

Would splitting the levy between drinking water, wastewater and stormwater result in any benefit for your organisation, or create any barriers (whether now or in the future)?

Part 3: Levy apportionment

Levy based on per-person charge using 2023 Census data (preferred option)

The Authority is proposing to levy based on a per-person charge, using 2023 Census data. This will allow the levy to be calculated by standardised and publicly available information.

To ensure drinking water suppliers or network operators bear equitable costs, the Authority proposes the total amount of the levy charged to each supplier/network operator is based on the population within the district or city council boundaries of that supplier.

This would require the total average leviabale cost of the Authority operations over the initial three-year levy period to be divided by the total population to derive the per-person cost. This cost would then be multiplied by the number of people in each city / district to derive the levy for that supplier. For example:

$$\frac{\$20,658,000}{4,993,254} = \$4.14 \text{ per person (rounded)} \times 52,584 \text{ (Nelson City)} = \$217,550$$

This would mean the average cost would be \$4.14 per person (GST exclusive) per year, based on 2023 census population data.

Under this option, the same number of suppliers will be levied as other options considered. This option, however, ensures that calculation of the total amount of a levy more closely reflects the size of the population each council serves, and thus the relative proportion of people who benefit from the services provided by the Authority.

Drinking water suppliers or network operators would choose the best approach for them about how to pass the costs onto their ratepayers, including for those it does not directly provide water services to: e.g., it may choose to charge a lesser amount for domestic self-suppliers.

Table 5: Per-person and per-household cost (per annum)

	Annual cost (GST exclusive)
Per person	\$4.14
Per household (2.7 people ⁴)	\$11.17

⁴ <https://www.stats.govt.nz/information-releases/family-and-household-projections-2018base-2043>

Table 6: Proposed levy across councils calculated on per-person charge using 2023 Census data

Territorial authority and Auckland local board area	2023 Census Population	Annual levy (GST exclusive)
Ashburton district	34,746	\$143,751
Auckland	1,656,486	\$6,853,184
Buller district	10,446	\$43,217
Carterton district	10,107	\$41,814
Central Hawke's Bay district	15,480	\$64,044
Central Otago district	24,306	\$100,558
Christchurch city	391,383	\$1,619,223
Clutha district	18,315	\$75,772
Dunedin city	128,901	\$533,287
Far North district	71,430	\$295,519
Gisborne district	51,135	\$211,555
Gore district	12,711	\$52,588
Grey district	14,043	\$58,098
Hamilton city	174,741	\$722,935
Hastings district	85,965	\$355,653
Hauraki district	21,318	\$88,196
Horowhenua district	36,693	\$151,806
Hurunui district	13,608	\$56,299
Invercargill city	55,599	\$230,023
Kaikoura district	4,215	\$17,438
Kaipara district	25,899	\$107,149
Kapiti Coast district	55,914	\$231,326
Kawerau district	7,539	\$31,190
Lower Hutt city	107,562	\$445,004
Mackenzie district	5,115	\$21,162
Manawatu district	32,415	\$134,107
Marlborough district	49,431	\$204,505
Masterton district	27,678	\$114,509
Matamata-Piako district	37,098	\$153,481
Napier city	64,695	\$267,655
Nelson city	52,584	\$217,550
New Plymouth district	87,000	\$359,935
Ōpōtiki district	10,089	\$41,740
Ōtorohanga district	10,410	\$43,068
Palmerston North city	87,090	\$360,307
Porirua city	59,445	\$245,935
Queenstown-Lakes district	47,808	\$197,790
Rangitikei district	15,663	\$64,801
Rotorua district	74,058	\$306,391
Ruapehu district	13,095	\$54,176
Selwyn district	78,144	\$323,296

South Taranaki district	29,025	\$120,082
South Waikato district	25,044	\$103,612
South Wairarapa district	11,811	\$48,864
Southland district	31,833	\$131,699
Stratford district	10,149	\$41,988
Tararua district	18,660	\$77,200
Tasman district	57,807	\$239,158
Taupo district	40,296	\$166,712
Tauranga city	152,844	\$632,343
Thames-Coromandel district	31,995	\$132,369
Timaru district	47,547	\$196,711
Upper Hutt city	45,759	\$189,313
Waikato district	85,968	\$355,665
Waimakariri district	66,246	\$274,072
Waimate district	8,121	\$33,598
Waipa district	58,686	\$242,795
Wairoa district	8,826	\$36,515
Waitaki district	23,472	\$97,108
Waitomo district	9,585	\$39,655
Wellington city	202,689	\$838,561
Western Bay of Plenty district	56,184	\$232,443
Westland district	8,901	\$36,825
Whakatane district	37,149	\$153,692
Whanganui district	47,619	\$197,008
Whangarei district	96,678	\$399,974
TOTAL	4,993,254	\$20,658,000

Other options considered

The Authority considered the option of equal shares where each drinking water supplier or network operator would be charged the same levy amount regardless of any factors that may differentiate them. This would be the most efficient approach for the Authority and would be the simplest approach to administer. However, the Authority recognises that requiring smaller suppliers or operators to pay the same levy as a larger supplier could have a substantial impact on their financial viability and would not be equitable.

Table 7: Example of equal shares levy, indicative amount payable (not preferred option)

	2025/26	2026/27	2027/28	Yearly Average
Levy	\$20,658,000	\$20,658,000	\$20,658,000	\$20,658,000
Territorial Authorities	66	66	66	
Levy per Territorial Authority	\$313,000	\$313,000	\$313,000	\$313,000

Another option the Authority considered was using population bands. This approach would see drinking water suppliers and network operators placed in bands based on the size of the population they serve. Each band would be assigned a levy rate with the rate increasing as the population served grows. This approach would be more complex as well as less equitable than the preferred approach. It would also create boundary effects between bands and have no obvious advantages.

Table 9: Example of indicative population-based bands and amount payable (not preferred option)

Band	Population supplied	# in band	Council	2025/26	2026/27	2027/28	Yearly average
1	> 1,000,000	1	Auckland	\$7,737,841	\$7,737,841	\$7,737,841	\$7,737,841
3	350,000 – 500,000	1	Christchurch City	\$1,832,647	\$1,832,647	\$1,832,647	\$1,832,647
9	5,000 – 10,000	12	Hurunui District Carterton District Gore District Central Hawke’s Bay District Ruapehu District Kawerau District South Wairarapa District Buller District Stratford District Westland District Wairoa District Waitomo District	\$30,544	\$30,544	\$30,544	\$30,544
10	2,000 – 5,000	5	Waimate District Ōpōtiki District Kaikoura District Ōtorohanga District Mackenzie District	\$10,181	\$10,181	\$10,181	\$10,181

The Authority also considered a serviced population charge. This would be like the preferred option, but with the general population data adjusted to reflect the population who receive water services from each council or CCO. This option is more equitable in some cases but not in others, as it recognises that, particularly in regional/rural areas, a significant portion of the ratable population may be on self-supply and as such, not subject to regulation from the Authority.

The greatest challenge with this option is information is not readily available at a national level, meaning this option cannot be consistently applied. It would also not achieve the 'simplicity' objective given that it would make calculation of individual levies more administratively difficult.

Lastly, the Authority considered connection numbers as the basis for apportioning levy. This option would see levies calculated based on the number of connections a supplier or operator is responsible for. The Authority does not recommend this option because:

- some suppliers currently do not have an accurate view of how many connections they have (we expect this will be addressed by the time of the second levy period)
- connections are treated in different ways by suppliers, e.g., a 50-unit apartment in one area may be treated as a single connection, while a 50-unit apartment in another supplier's district may be treated as 50 connections
- stormwater networks are open systems that are not generally based on "connections" to a service
- there may be an incentive for suppliers to underreport the number of connections as this would result in a lower levy.

Questions on this section:

Do you/your organisation have any comments on the preferred option of an apportionment approach of charging the levy on a per-person rate?

Would the proposed apportionment approach create any challenges for your organisation?

Part 4: Levy implementation

Plan to implement and review the levy

The levy/levies⁵ will be payable from 1 July 2025 but not invoiced until after that date.

The Authority will work with drinking water suppliers and network operators (including their CCOs that deliver water services) to support implementation, including how they would like to be invoiced and how best to do that.

The Authority proposes to levy annually with levies payable quarterly in advance in line with most councils' rating processes. This will support the Authority cashflow and the cashflow of smaller drinking water suppliers and network operators without being administratively burdensome. A bespoke approach may be necessary for the first invoicing period to accommodate the start of the levy regime. The Authority will use e-invoicing to make payment as easy as possible for suppliers.

Under the proposed model, councils and their CCOs will have flexibility to decide how best to fund payment of the levy/levies. A CCO that provides drinking water and wastewater services, for example, may choose to charge the households and businesses connected to its networks an equal amount.

Alternatively, a territorial authority that provides drinking water, wastewater and stormwater services in its district may choose to charge for the levy through a targeted rate directed at connected properties for drinking water and wastewater services, and a targeted rate directed at ratepayers who own properties in an urban area for stormwater services.

It will be up to councils to determine how best to recover the costs from consumers (i.e., rates, water charges, etc.) and how best to ensure these costs are recorded (i.e., whether to include levy charges as an explicit line in rates bills).

Monitoring and evaluation of the levy

Due to the changing nature of the water services operating environment and strategic context, it will be necessary to regularly review the levy and ensure that it remains fit for purpose. The three-year cycle provides cost predictability for councils, at least for each three-year cycle. Cost recovery does, however, mean that the levy could increase or decrease in the future depending on the functions of the Authority and its operating costs.

The Authority is proposing to monitor, evaluate and review the levy in an ongoing three-year cycle in accordance with usual practice for levy reviews, unless exceptional circumstances justify earlier review in any period. A yearly internal review is proposed to address any need for earlier review than the three-year cycle.

The first levy review is proposed to be in 2027-28, before the next levy cycle begins.

⁵ Invoicing is proposed to include three separate levies for services covering drinking water, wastewater and stormwater depending on what services are covered by each organisation.

Alternatively, the review period could be aligned to council long-term planning cycles to allow sufficient time for any design changes and cost implications to be factored into council planning. However, this would require the levy to be reviewed and any changes agreed during the 2026-27 financial year for incorporation into the next cycle of long-term plans.

The Authority is interested in perspectives on the ongoing monitoring of the levy and when the next review should take place.

Questions on this section:

Do you/your organisation see any issues with your implementation of the levy (receipt of invoices, payment and passing the cost on as you may determine)?

Would the proposed implementation approach create any challenges for your organisation?

Do you/your organisation have a preference for when the levy should be reviewed next?

Appendices

Appendix 1: Consultation questions

This discussion paper includes some questions you may like to respond to in your submission. The questions are listed in boxes through this document and the full list of questions is provided below.

Q#	Part	Question
1	Tell us about yourself	What is your name?
2		What is your email address? <i>Your email address will only be used if we need to communicate with you about your submission.</i>
3		Where do you live? <i>(If you are a member of an organisation that is based in more than one region – please select ‘National’)</i> <ul style="list-style-type: none"> • Outside New Zealand • National • Northland / Te Tai Tokerau • Auckland / Tāmaki-makau-rau • Waikato Bay of Plenty / Te Moana-a-Toi • Gisborne / Te Tai Rāwhiti • Hawke’s Bay / Te Matau-a-Māui • Taranaki • Manawatū – Whanganui • Wellington / Te Whanganui-a-Tara • Tasman / Te Tai-o-Aorere • Nelson / Whakatū • Marlborough / Te Taihu-o-tewaka • West Coast / Te Tai Poutini • Canterbury / Waitaha • Otago / Ōtākou • Southland / Murihiku
4		Are you providing feedback as an individual or on behalf of an organisation?
5	Information about your organisation	If you’re providing feedback on behalf of an organisation, please enter the organisation’s name and your position/title within the organisation.
6	Publishing submissions and Official Information Act 1982 requests	Do you give us permission to proactively publish your submission? <i>We’re committed to transparency. For this reason, we:</i> <ul style="list-style-type: none"> • <i>intend to proactively publish submissions made as part of this consultation on our website but only if we are given permission to do so</i> • <i>may also publish a summary of submissions; this summary would be aggregated so that individual submitters can’t be identified.</i>

7		<p>Do you approve including your personal details in response to any related future Official Information Act requests received by the Water Services Authority - Taumata Arowai?</p> <p><i>Your submission will be subject to requests made under the Official Information Act (even if your submission is not published). Please respond to the question below to let us know if you would like your personal details removed from your submission if it is included in any future OIA response.</i></p>
8	Introduction	What are the most important issues that you/your organisation believes should be addressed by the Authority?
9		How would you like the Authority to engage with you/your organisation?
10	Part 1 – Levy structure	Do you/your organisation have views on the preferred option detailed in the Levy Structure section of the discussion document?
11		Do you/your organisation agree with the focus, in the first levy period, on councils?
12	Part 2 – Levy design	Do you/your organisation have any comments on the proposal to separate levies for drinking water, wastewater and stormwater?
13		Would splitting the levy between drinking water, wastewater and stormwater result in any benefit for your organisation, or create any barriers (whether now or in the future)?
14	Part 3 – Levy apportionment	Do you/your organisation have any comments on the preferred option of an apportionment approach of charging the levy on a per-person rate?
15		Would the proposed apportionment approach create any challenges for your organisation?
16	Part 4 - Levy implementation	Do you/your organisation see any issues with your implementation of the levy (receipt of invoices, payment and passing the cost on as you may determine)?
17		Would the proposed implementation approach create any challenges for your organisation?
18		Do you/your organisation have a preference for when the levy should be reviewed next?

Appendix 2: Use of information

The information provided in submissions will be used to inform policy development, options analysis, and advice to the Minister of Local Government about the Authority's funding arrangements. If the submitter has agreed, the Authority may contact submitters directly if clarification of any matters in submissions or other feedback is needed.

Information provided in submissions may be shared with the Ministry of Business, Innovation and Employment (MBIE) and the Commerce Commission, to inform MBIE's policy development process for the Commerce Commission's proposed levy for the economic regulation of water services and related advice to Ministers.

Publication of submissions

Following consultation and analysis of feedback, a final levy proposal will be developed for the Minister of Local Government. The Authority may publish copies of submissions, and a summary of submissions, on its website. Submissions may also be the subject of requests under the Official Information Act 1982.

Please clearly indicate if you have any objection to the publication or release of your submission or any information within it, the parts of your submission you consider should be withheld, and the reasons for withholding. If you notify us of an objection, the Authority will take your views into account and will consult with you to the extent the Authority considers necessary before publishing your submission or responding to any relevant request for official information.

Personal information

The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies including the Authority. Any personal information you include in your submission will only be used or disclosed for the purposes set out in the 'Use of information' section above, for contacting you about your submission, or to advise you of the outcome of the consultation including any next steps.

The Authority may also use personal information you include in your submission for other reasons permitted under the Privacy Act (e.g., with your consent, for a directly related purpose, or where the law permits or requires it). Please clearly indicate in your submission if you do not wish your name, or any other personal information, to be included in any published copy of your submission or included in any summary of submissions.

The Authority will only retain personal information as long as it is required for the purposes for which the information may lawfully be used. Where any information provided (which may include personal information) constitutes public records, it will be retained to the extent required by the Public Records Act 2005.

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Appendix 3: Proposed levy charge across Councils

Table 6: Proposed levy across councils calculated on per-person charge using 2023 Census data

Territorial authority and Auckland local board area	2023 Census Population	Annual levy (GST exclusive)
Ashburton district	34,746	\$143,751
Auckland	1,656,486	\$6,853,184
Buller district	10,446	\$43,217
Carterton district	10,107	\$41,814
Central Hawke's Bay district	15,480	\$64,044
Central Otago district	24,306	\$100,558
Christchurch city	391,383	\$1,619,223
Clutha district	18,315	\$75,772
Dunedin city	128,901	\$533,287
Far North district	71,430	\$295,519
Gisborne district	51,135	\$211,555
Gore district	12,711	\$52,588
Grey district	14,043	\$58,098
Hamilton city	174,741	\$722,935
Hastings district	85,965	\$355,653
Hauraki district	21,318	\$88,196
Horowhenua district	36,693	\$151,806
Hurunui district	13,608	\$56,299
Invercargill city	55,599	\$230,023
Kaikoura district	4,215	\$17,438
Kaipara district	25,899	\$107,149
Kapiti Coast district	55,914	\$231,326
Kawerau district	7,539	\$31,190
Lower Hutt city	107,562	\$445,004
Mackenzie district	5,115	\$21,162
Manawatu district	32,415	\$134,107
Marlborough district	49,431	\$204,505
Masterton district	27,678	\$114,509
Matamata-Piako district	37,098	\$153,481
Napier city	64,695	\$267,655
Nelson city	52,584	\$217,550
New Plymouth district	87,000	\$359,935
Ōpōtiki district	10,089	\$41,740
Ōtorohanga district	10,410	\$43,068
Palmerston North city	87,090	\$360,307
Porirua city	59,445	\$245,935
Queenstown-Lakes district	47,808	\$197,790
Rangitikei district	15,663	\$64,801
Rotorua district	74,058	\$306,391
Ruapehu district	13,095	\$54,176
Selwyn district	78,144	\$323,296

South Taranaki district	29,025	\$120,082
South Waikato district	25,044	\$103,612
South Wairarapa district	11,811	\$48,864
Southland district	31,833	\$131,699
Stratford district	10,149	\$41,988
Tararua district	18,660	\$77,200
Tasman district	57,807	\$239,158
Taupo district	40,296	\$166,712
Tauranga city	152,844	\$632,343
Thames-Coromandel district	31,995	\$132,369
Timaru district	47,547	\$196,711
Upper Hutt city	45,759	\$189,313
Waikato district	85,968	\$355,665
Waimakariri district	66,246	\$274,072
Waimate district	8,121	\$33,598
Waipa district	58,686	\$242,795
Wairoa district	8,826	\$36,515
Waitaki district	23,472	\$97,108
Waitomo district	9,585	\$39,655
Wellington city	202,689	\$838,561
Western Bay of Plenty district	56,184	\$232,443
Westland district	8,901	\$36,825
Whakatane district	37,149	\$153,692
Whanganui district	47,619	\$197,008
Whangarei district	96,678	\$399,974
TOTAL	4,993,254	\$20,658,000

Appendix 4: How each option applied to the criteria in setting the levy apportionment approach

The below table shows the options we considered relating to the levy apportionment and how they were evaluated against the criteria.

Options	Rationale	Criteria		
		Equity	Efficiency & Effectiveness	Simplicity
Equal shares: Each supplier/network operator is charged the same levy amount regardless of any factors that may differentiate them.	Efficient and simple to understand. Recognises that there is a lack of information relating to how supplier/network operators' size and behaviours will drive our cost. However, raises fairness issues as the impacts would be felt more acutely by smaller suppliers e.g., Westland paying the same amount as Watercare.	✓	✓✓✓	✓✓✓
Population bands: Suppliers and network operators placed in bands based on the size of the population they serve. Each band is assigned a levy rate with the rate increasing as the population served grows.	Administratively efficient but likely to cause cross-subsidisation issues. To avoid this, we would need a large number of population bands. This then reduces the administrative efficiency gains.	✓	✓✓	✓✓
Connections: Levies calculated based on the number of connections a supplier is responsible for.	Relies on supplies providing accurate information which they do not appear to have. There is no nationally consistent approach to what a connection is, e.g., multi-unit properties connected in different ways such as an apartment counted as one connection or many. Stormwater is not based on connections.	✓✓	✓	✓
Per-person charge: Levy charged to each supplier/network operator is based on the population within the catchment area of that supplier [PREFERRED OPTION].	Ensures calculation of the quantum of a levy more closely reflects the size of the population they serve, and thus who benefits from our oversight. Relies on third-party data (Stats New Zealand) which reduces reliance on council data. Potential equity issues if suppliers choose to pass costs to all ratepayers and not just those on town supply.	✓✓	✓✓✓	✓✓✓
Serviced population charge: This option takes the population data required for the population band option and adjust it for the population serviced.	This option is more equitable than the population bands option as it recognises that, particularly in regional/rural areas, a significant proportion of the ratable population may be on self-supply and, as such, not subject to regulation from the Authority. The greatest challenge with this option is that data does not exist or is unreliable, meaning this option cannot be consistently applied. It would also not achieve the simplicity objective given that it would make calculation of individual levies more administratively difficult.	✓✓	✓	✓