



20 December 2021

Via Email: economicregulation@mbie.govt.nz

Dear Sir / Madam,

SUBMISSION TO THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT ON THE ECONOMIC REGULATION AND CONSUMER PROTECTION OF THREE WATERS DISCUSSION DOCUMENT

Thank you for providing the Queenstown Lakes District Council (QLDC) with the opportunity to submit on the Economic Regulation and Consumer Protection of Three Waters Discussion Document.

QLDC supports the need for safe drinking water, environmental protection, efficient service provisions and improved Māori participation in decision-making about three waters.

QLDC has previously raised significant concerns about the nature and programme of reform, strongly and actively opposing the mandating of the proposed entity-based model for water-services delivery. QLDC continues to stand by this position. However, in the interest of getting the best outcomes for the Queenstown-Lakes District Communities, the Council will continue to participate and give feedback throughout the reform process. To that end, the following points and recommendations are made in response to the discussion document on the Economic Regulation and Consumer Protection for Three Waters.

In addition to the points outlined here, QLDC supports the submissions of Local Government New Zealand and Taituarā.

QLDC does not need to be heard at any hearings that result from this consultation process. It should be noted that due to the timeline of the process, this submission will be ratified by full council retrospectively at the next council meeting.

Yours sincerely,



Jim Boulton
Mayor



Mike Theelen
Chief Executive

SUBMISSION TO THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT ON THE ECONOMIC REGULATION AND CONSUMER PROTECTION OF THREE WATERS DISCUSSION DOCUMENT

1. CONTEXT

- 1.1 The Queenstown Lakes District Council (QLDC) supports the need for safe drinking water, environmental protection, efficient service provisions and improved Māori participation in decision-making about three waters.
- 1.2 QLDC has raised significant concerns about the nature and programme of reform, actively and strongly opposing the mandating of the proposed entity-based model for water-services delivery. QLDC stands by this position.
- 1.3 In the interest of getting the best outcomes for the Queenstown-Lakes District Communities, the Council will continue to participate and give feedback throughout the reform process.
- 1.4 QLDC supports the submissions of Local Government New Zealand (LGNZ) and Taituarā.
- 1.5 Queenstown lakes District Council supports the need for economic regulation and consumer protection regimes.

2. TE TIRITI AND TE AO MĀORI ARE FUNDAMENTAL TO THREE WATERS SERVICES

- 2.1 QLDC supports LGNZ's position is that an understanding of Te Tiriti and te Ao Māori and their implications for and application to three waters services is fundamental. The requirement should be included in the statutory skill sets for the governing body of the regulator.

3. THREE WATERS REQUIRES A UNIQUE REGULATORY REGIME THAT ENCOURAGES RESILIENCE.

- 3.1 QLDC considers that a purpose-built regulatory regime is required given the uniqueness of the water service. Current regulatory frameworks for profit-making companies such as the electricity sector, will not be sufficient. As per Water NZ's submission, water service has unique requirements such as quality and public health standards. QLDC notes that a purpose-built regulatory framework for water services should focus on ensuring value for money and level of service.
- 3.2 QLDC also agrees with LGNZ's recommendation that the purpose statement should include a regulatory requirement as well as the requirement to reflect consumer demands. This is because standards may need to be higher than consumer demands.
- 3.3 The current proposal does not include long-term sustainability and reliability of the service. It is recommended that this be clearly and explicitly addressed. Currently, the Queenstown-Lakes District energy network lacks resilience and the chances of a total loss of power for an extended period of time are high, whether due to a weather-related or seismic event. This is the type of resilience risk that needs to be avoided in water services.

4. INCLUSION OF PRIVATE PROVIDERS IN ECONOMIC REGULATION REQUIRES A NUANCED APPROACHED AND CAREFUL CONSIDERATION.

- 4.1 There are a range of private water providers in the Queenstown Lakes District. This includes arrangements such as that at Jack's Point where the supply and distribution is privately owned, and that at Millbrook where the supply is purchased from the Council and distributed privately. QLDC recommends that, on top of a minimum number of customers as a qualifying criterion for regulation, where the water is supplied by the water service entities to private providers, like Millbrook, that these providers be included in the economic regulation. Where the supply and distribution is entirely private, like Jack's Point, that these providers be

excluded, except where there number of customers is higher than that specified for regulation.

5. A PATHWAY TO REGULATION IS REQUIRED.

- 5.1 Given the complexity required of the regulatory regime and the number of unknowns in this space, QLDC recommends that this industry needs a pathway to regulation. It will be impractical and ineffective to roll out a comprehensive regulatory framework without clear staging. It will take time to understand the sector sufficiently in order to be able to design the regulation across the three waters. Stormwater is a good example of the level of variation in service and environmental conditions. The goal should be to include stormwater in the regulatory framework eventually, but it will take considerable time to do this effectively.
- 5.2 QLDC recommends that the processes be defined between fair pricing (pricing scarcity) and equal access to water (equity of supply) in conjunction with good investment in infrastructure be regulated. Effective Māori participation in these processes should also be considered. These processes need to be carefully balanced to ensure achievement of good outcomes for community wellbeing.

6. CONSUMER PROTECTIONS ARE NECESSARY.

- 6.1 A mandatory code would provide the best protection for consumers. However, communities in the district have had difficulty in ensuring consumer voice is heard in the energy sector which has required QLDC to support communities in terms of advocacy and representation. This is something that needs to be avoided in the consumer protection mechanism for three waters. It is important that vulnerable consumers should have additional protections including assurances about reliability.

7. CONSIDERING REGIONAL CONTEXT IS NECESSARY.

- 7.1 QLDC has indicated that a local visitor levy will be implemented in year four of the district's Long Term Plan¹. It's unclear what the implication of the three waters reform would have on the application of a local visitor levy, and this will need to be considered in some detail within the context of economic regulation
- 7.2 In addition, the national regulator will need to give effect to regional needs and priorities when considering allocation of supply. For example, it has been difficult to get drinking water for urban communities to be prioritised over other water needs (such as irrigation). QLDC recommends further clarity is included on how the regulator will consider regional needs when pricing and allocating water use.

8. THE REGULATOR NEEDS TO BE INDEPENDENT FROM TAUMATA AROWAI.

- 8.1 QLDC recommends that the economic regulator should be independent from Taumata Arowai but agrees that the regulator should be able to share information with Taumata Arowai and that responsibilities need to be clearly defined between the two organisations.
- 8.2 Whichever option is pursued, it is critical that the regulator has the power and clarity to act when issues are identified.

¹ <https://www.qldc.govt.nz/your-council/council-documents/ten-year-plan-ltp>