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Competition and Consumer Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

By email: economicregulation@mbie.govt.nz

Submission on the discussion paper, *Economic Regulation and Consumer Protection for Three Waters Services in New Zealand*

1. Introduction

- 1.1 Infrastructure New Zealand welcomes this opportunity to make a submission on the discussion paper titled *Economic Regulation and Consumer Protection for Three Waters Services in New Zealand*.
- 1.2 This is Infrastructure New Zealand's submission on the discussion document.
- 1.3 Infrastructure New Zealand is New Zealand's independent infrastructure thought leadership network.

General remarks

- 1.4 Infrastructure New Zealand is a key proponent for reform to New Zealand's three waters sector. We consider that the status quo is failing well short of meeting community expectations and that the case for reform has been made.
- 1.5 Effective economic regulation and consumer protection is a key catalyst to the success of the Three Waters Reform Programme. I therefore welcome this consultation.
- 1.6 This submission is focussed on selected strategic matters. This consultation forms part of a suite of proposals that make up the Three Waters Reform Programme, and a lot more work will be needed post this consultation process.
- 1.7 This submission should be read alongside the opinion piece titled [Holding the Three Waters Fort](#) by Alan Sutherland, Chief Executive, Water Industry Commission for Scotland and provided for InfraRead, Infrastructure New Zealand's newsletter.

2. Support for economic regulation

- 2.1 Infrastructure New Zealand considers there is a strong case for the economic regulation of water services. This includes drinking water, wastewater and stormwater.
- 2.2 I am not persuaded that water services can remain exempt from economic regulation, especially as our three waters sector has strong monopoly characteristics, and with economic regulation regimes existing for the electricity and telecommunications sectors.
- 2.3 I note the consultation document takes a balanced approach to considering whether stormwater could be exempt from economic regulation. Taking these considerations into

account, I agree with the preliminary view that stormwater networks should be economically regulated. To this end, I am encouraged that cost allocation matters have also been taken into account.

- 2.4 As a principle, I do not favour the exemption of certain services and/or groups. A case in point is the pressures on local government infrastructure funding and financing as a result of central government exempting itself from development and financial contributions. Exempting certain services and/or groups as part of the Three Waters Reform Programme could potentially result in unintended consequences.

3. A regulator

- 4.1 I do not consider there is a need to establish a new water economic regulation authority, and submit that consideration should be given to either the Commerce Commission or Taumata Arowai fulfilling the economic regulator role.
- 4.2 For the most part, I am indifferent to whether the Commerce Commission or Taumata Arowai fulfils the economic regulator role, though I note the Commerce Commission already has the skills, capability and capacity to do the work that will be required. The Commission is also well-versed with regulated monopolies.

Looking to other approaches

- 4.3 The consultation document identifies synergies with the electricity sector. This is useful and I support considering this further.
- 3.1 At the same time, I recommend that consideration should also be given to the approach taken by the Independent Pricing and Regulatory Tribunal of New South Wales. This includes its modelling approach to and the framework for how charges are set and reviewed (including development contributions/infrastructure growth charges).

4. Conclusion

- 4.1 I thank the Ministry for the Business, Innovation and Employment for giving Infrastructure New Zealand the opportunity to make this submission.
- 4.2 If you have any queries or require further information, please feel free to reach out to me at claire.edmondson@infrastructure.org.nz.

Yours sincerely



Claire Edmondson
Chief Executive Officer