



## COVERSHEET

<b>Minister</b>	Hon Andrew Bayly	<b>Portfolio</b>	Commerce and Consumer Affairs
<b>Title of Cabinet paper</b>	New appropriation and proposed discussion document for levy recovery of the Commerce Commission costs for water services regulation	<b>Date to be published</b>	4 December 2024

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
November 2024	New Appropriation and Proposed Discussion Document for Levy Recovery of the Commerce Commission Costs for Water Services Regulation	Office of the Minister for Commerce and Consumer Affairs
19 November 2024	New Appropriation and Proposed Discussion Document for Levy Recovery of the Commerce Commission Costs for Water Services Regulation EXP-24-MIN-0068 Minute	Cabinet Office
21 November 2024	Interim Stage 2 Cost Recovery Impact Statement – Commerce Commission Funding for Water Services Regulation	MBIE

### Information redacted

**YES / NO** (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of commercial information and constitutional conventions.



# Cabinet Expenditure and Regulatory Review Committee

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### **New Appropriation and Proposed Discussion Document for Levy Recovery of the Commerce Commission Costs for Water Services Regulation**

**Portfolio**                      **Local Government / Commerce and Consumer Affairs**

On 19 November 2024, the Cabinet Expenditure and Regulatory Review Committee:

- 1        **noted** that under the Local Water Done Well programme, the Government is establishing a new economic regulation regime which will be implemented by the Commerce Commission;
- 2        **noted** that organisations subject to the economic regulation regime are local government water service suppliers that make core decisions about water services, which is likely to include capital and operating expenditure on the service and the level of charges or revenue recovery, excluding Chatham Islands Council unless designated;
- 3        **noted** that third-party providers that do not make core decisions about water services are not subject to the economic regulation regime, unless brought in later;
- 4        **authorised** the Minister of Commerce and Consumer Affairs to release *Commerce Commission levy for the economic regulation of water services* (the discussion document), proposing a levy to recover the Commerce Commission's costs, on 26 November 2024;
- 5        **authorised** the Minister of Commerce and Consumer Affairs to make minor amendments and refinements to the discussion document before it is released, including refinements to reflect final Cabinet approvals;
- 6        **noted** that in October 2024, the Cabinet Economic Policy Committee approved the release of a discussion document which proposes funding the Water Services Authority through a levy on territorial authorities or their council-controlled organisations that deliver water services, and that this discussion document will be released alongside the discussion document referred to in paragraph 4 above [ECO-24-MIN-0222];
- 7        **noted** that the proposed Commerce Commission levy is aligned with the Water Services Authority's levy, as far as practicable, to minimise compliance costs to levy payers;

- 8 **authorised** the Minister of Commerce and Consumer Affairs and Minister of Local Government, following consideration of any feedback on both discussion documents, to make decisions consistent with the policies set out in the papers under ECO-24-SUB-0222 and EXP-24-SUB-0068, and to instruct the Parliamentary Counsel Office to draft regulations prescribing the respective levies to recover the Commerce Commission’s and the Water Services Authority’s costs from 1 July 2025;
- 9 **authorised** the Minister of Local Government and the Minister of Commerce and Consumer Affairs to take decisions on matters that may arise during the course of drafting as required to align with policy decisions for the respective levies;
- 10 **directed** officials at the Ministry of Business, Innovation and Employment to review the Commerce Commission’s levy and appropriation after it has been in effect for two years;
- 11 **noted** that the Minister of Local Government and the Minister of Commerce and Consumer Affairs propose the following forecast period and outyears levy funding for the new economic regulation of water services under Part 4 of the Commerce Act 1986:

	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	2028/29 (\$m)	2029/30 & outyears (\$m)	Total (\$m)
Core regulation of water services	6.500	6.500	6.500	6.500	6.500	32.500
Price-quality regulation (initially <b>Watercare</b> )	0	0	1.000	0.500	0.500	2.000
Other measures	0	0	0	0	0	0
<b>Estimated cost (\$m)</b>	6.500	6.500	7.500	7.000	7.000	34.500

- 12 **noted** that the discussion document referred to in paragraph 4 above proposes a levy for the following forecast period and outyears to fully recover the costs of Commerce Commission’s new function for economic regulation of water services:

	\$m – increase/(decrease)				
Business, Science and Innovation Minister of Commerce and Consumer Affairs	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears
Non-Tax Revenue: Levy of Regulated Parties	-	6.500	6.500	7.500	7.000

- 13 **agreed** to fund the economic regulation of water services under Part 4 of the Commerce Act in line with the forecasts as outlined in paragraph 11 above;
- 14 **agreed** to implement the economic regulation regime for water services by providing the Commerce Commission with funding to carry out this new regulatory function from 1 July 2025;

15 **agreed** to establish a new Non-Departmental Output Expense “Regulation of Water Services” as an annual appropriation in Vote Business, Science and Innovation:

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Business, Science, and Innovation	Minister of Commerce and Consumer Affairs	Ministry of Business, Innovation and Employment	Regulation of Water Services	Non-Departmental Output Expense	This appropriation is limited to the regulation of water services under Part 4 of the Commerce Act 1986 and any transitional regime.

16 **noted** that an intention statement and performance measures for the new appropriation will be addressed in Budget 2025 Estimates;

17 **approved** the following changes to further give effect to the decisions in paragraphs 13, 14, and 15 above, fully offset by the changes described in paragraph 12 and so fiscally neutral with no impact on the operating balance or net core Crown debt:

Vote Business, Science and Innovation Minister of Commerce and Consumer Affairs	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-Departmental Output Expense: Regulation of Water Services	-	6.500	6.500	7.500	7.000

18 **noted** that the forecasts for core regulation of water services outlined in paragraph 11 above cover information disclosure regulation of all regulated providers in the first five years (including Watercare), as well as revenue thresholds, monitoring financial ringfence and preparatory work for other regulatory tools, such as quality regulation, performance requirements or price quality regulation, as outlined in paragraph 43 of the paper under EXP-24-MIN-0068;

19 **agreed** that the levy can on-charge costs up to \$6.5 million per year for 2025/26 and 2026/27 for the functions outlined in paragraph 18 above at which point the levy will be reviewed;

20 **agreed** that if it is determined that no increase is required following the review of the levy in 2026/27, the levy will continue to be capped at \$6.5 million for the functions outlined in paragraph 18 above for a further two years until 2028/29;

21 **agreed** that if the Commerce Commission moves to higher levels of regulation for providers other than Watercare within the 2025/26-2026/27 period, the cost for the additional regulation will be on-charged to the regulated provider(s) in question, and will not be included within the \$6.5 million limit for those financial years, subject to approval from the Minister of Finance, Minister of Local Government, and Minister of Commerce and Consumer Affairs.

Sam Moffett  
Committee Secretary  
**(see over for attendance)**

**Present:**

Hon David Seymour (Chair)  
Hon Chris Bishop  
Hon Simeon Brown  
Hon Erica Stanford  
Hon Paul Goldsmith  
Hon Mark Mitchell  
Hon Brooke van Velden  
Hon Casey Costello  
Hon Andrew Bayly  
Hon Andrew Hoggard  
Hon Mark Patterson

**Officials present from:**

Officials Committee for EXP