

# Three Waters Reform Proposal: Consumer and Community Voice

This document is part of a series providing a high-level overview of key elements of the three waters reform proposals. Its purpose is to support discussion and feedback on these proposed arrangements – see also the document on Governance and Influencing planning.

## *Foundational elements of the community voice proposals*

The Reform Programme, through its key objectives, presents several opportunities for communities and consumers to receive raised levels of service, be part of an increasingly responsive and accountable system, and have a better understanding of, and influence over, the performance of their three waters services supplier.

To realise these opportunities, the design of the new service delivery system needs to ensure there are appropriate mechanisms for consumer and community voice incorporated throughout the entity and system design. The intention is to create a system that is responsive and accountable to consumers and communities.

Communities will retain an influence on three waters assets and services through their council and through other consumer and community interest mechanisms (noted below) that provide for direct input into key strategic planning processes, including asset management planning, investment prioritisation and pricing and charging. Entities will need to operate within a highly transparent accountability framework, with strong customer and community consultation and engagement expectations, much like local government does now.

## *What is proposed*

There are some key proposals for consumer and community voice within the entity design, which are woven into the governance and oversight arrangements:

- local authority and mana whenua representatives on the Regional Representative Group to act on behalf of their communities – *see paper on Governance*;
- each entity will be required to engage with consumers and communities (including individual councils and iwi/Māori) on the key business documents that affect them, to publish those documents, and to report on how consumer and community feedback was incorporated into final decision making;
- Te Mana o Te Wai Statement to ensure mana whenua rights and interests are reflected locally; and
- each entity will be required to establish a consumer forum to assist with effective and meaningful engagement.

These mechanisms will work in conjunction with proposals across the wider system design. This will include the proposed economic regulation regime and consumer protection mechanisms which will play a critical role in protecting and enhancing the long-term interests of consumers and providing high-quality performance information. The Ministry for Business, Innovation and Employment is leading this work, and is expected to release a discussion document on the proposals in late 2021.

Council influence through existing (and reformed) planning mechanisms would continue alongside the service delivery reforms – *see paper on influencing planning*.

Another consideration for consumer interests in the delivery of three waters services is how charging and pricing will be set by the entities. This is discussed in the appendix to this document.

### ***Role of the representatives on the Regional Representative Group***

The Regional Representative Group provides an opportunity for the local authority and mana whenua representatives to communicate expectations on behalf of their communities directly to the water services entities.

This will be done through setting the Statement of Strategic and Performance Expectations for the water services entity. This could, for example, set out how the entities are to engage with and account for the range of community interests within their entity's geographic area.

See the paper on Governance in this suite of papers for further details on this.

### ***Engagement, publishing and reporting requirements***

Requirements are proposed for the entities to engage in a meaningful and effective manner with their consumers and communities on the preparation of key documents. These documents include the:

- Investment prioritisation methodology;
- Asset Management Plan; and
- Funding and Pricing Plan.

Consumers and communities would be provided opportunities to give direct feedback to the entities before any final decisions are made. For example, this would allow for individuals or community groups, serviced by the entity, to comment on how investment should be prioritised over the relevant time periods. The entities will then be required to take this feedback into account before finalising the documents.

To ensure transparency and accountability, the Government is proposing that the entities would be required to publish the final documents and report on how they incorporated the consumer and community feedback into their final decisions. This will be a particularly important mechanism for the smaller consumer groups, and small and rural communities, who are concerned their voice and feedback will be lost.

### ***Te Mana o Te Wai Statements***

The Government has proposed a [suite of mechanisms to protect and promote iwi/Māori rights and interests through the reforms](#). This includes a specific mechanism that would enable mana whenua to submit a Te Mana o Te Wai Statement, which the entity would be required by law to formally respond to.

The Te Mana o Te Wai statement could take a variety of forms including referring the entity to relevant parts of an:

- Iwi management plan;
- Cultural Impact Statement;
- Statement of Mana Whenua; or
- Any statement consistent with the guidance provided through the transition period.

It is proposed that, once received, the entity must provide a reasonable response to the statement within a specified timeframe, most likely two years. This response would be published and demonstrate how the entity is meeting or planning to meet the expression of Te Mana o Te Wai.

### ***Requirement to establish consumer forums***

The Government is also proposing that each of the new entities will be required to establish a consumer forum, which will serve as a core vehicle for engaging with consumer and community representatives. The consumer forums would be mandated to help provide for the views and interests of consumers and community members on key business documents by undertaking their own research and engagement.

It is proposed that a consumer forum for each water services entity would consist of an elected chair and community representatives with appropriate experience and expertise. Consumer forums will assist with the communication and engagement on the technical aspects of the key business documents, and to ensure a wide range of consumer interests are being considered by the entity.

The exact functions of the forum would not be prescribed in legislation, to enable flexibility over time for the water services entity (and the economic regulator) to refine the most effective form and use for the forum. However, requiring the establishment of a forum through legislation will ensure a level of consistency across all entities.

### ***Consumer protections***

A discussion paper on three waters economic regulation and consumer protections is expected later this year. We anticipate this will include proposals for:

- the design of an appropriate dispute resolution process;
- the establishment of a consumer advocacy council (or the extension of an existing body) to provide expert advocacy on behalf of consumers;
- options to protect consumers who are vulnerable, for example due to age, health, disability, or financial position;
- an ability for a regulator to mandate service quality codes;
- the process for setting prices, including requirements for pricing transparency.

For further information on the future three waters regulatory environment see [Regulatory pressures and Three Waters Reform](#).

### ***Appendix: Charging and pricing***

Charging and pricing for three waters services is an important part of how consumers experience the entities. As part of new service delivery arrangements, the Government is proposing a new set of charging and pricing arrangements, to improve the transparency and affordability of water services.

This will be complemented by new regulatory arrangements. These will support stronger price and quality regulation for water service delivery, transparency around calculating and setting prices, and flexibility for individual entities to set prices at levels that best reflect the needs and desires of their individual communities.

Currently, councils use a variety of pricing arrangements for water service delivery across the country. In many local authorities, prices for water service delivery are embedded in general rates, meaning that users of water services do not have a transparency over what they pay for these services.

There are also inconsistencies across New Zealand in decisions on how prices are set for water services. This results in big differences in pricing between local authorities, with the lack of a consistent approach leading to issues in both price and quality outcomes.

#### ***Transparency around pricing and charging***

To help ensure transparency in the new system, the Government is proposing the entities must be transparent in both how they calculate and set prices, as well as regularly report on their performance.

It will be important that a strong consumer voice is provided for in relation to setting prices and charges. The new entities will be required to consult consumers and communities on these matters when developing the funding and pricing plan, and these obligations will be set out in legislation.

As noted above, economic regulation and consumer protection mechanisms are currently being explored and will be consulted on later this year by the Ministry of Business, Innovation and Employment. Such mechanisms will aim to provide consumers with protections and transparency in the services they receive. These will be complemented by the role of the economic regulator which will be to ensure the entities are operating efficiently, and acting in the best interests of their consumers, both in the short and long term.

The Government will consult on these mechanisms later this year, should the reforms proceed as proposed.

#### ***Charging instruments***

The new entities will need the right balance of charging instruments to effectively and equitably charge customers across the network. Many of these charging tools are already used by local authorities now when setting prices for water services across the country.

As above, decisions on charging and pricing methods will need to be taken independently by the entities in consultation with consumers, including the use of tools such as volumetric charging (A.K.A water meters) and guided by any national direction set through Government Policy Statements.