



Stage 2 Cost Recovery Impact Statement

Fees and charges associated with regulations made under the Water Services Act 2021

Stage 2 Cost Recovery Impact Statement

Agency Disclosure Statement

Advising agencies	Department of Internal Affairs
Decision sought	Decisions on the fees and charges Taumata Arowai will charge for discretionary activities under the Water Services Act 2021. ¹
Proposing Ministers	Minister of Local Government

Overview of this Cost Recovery Impact Assessment (CRIS)

This Stage 2 Cost Recovery Impact Statement (CRIS) relates to fees for three discretionary activities under the Water Services Act 2021 (the Act), for which Taumata Arowai can recover costs from day one of operations. The activities relate to drinking water suppliers (and classes of drinking water supplier) that apply to:

- supply drinking water at a ‘planned event’ (s.33) e.g. a music festival;
- seek a general exemption (s.57) from complying with duties in the Act; or
- seek an exemption (s.58) for the requirement for residual disinfection, as required by the Act.

Taumata Arowai is New Zealand’s new water service regulator, and its core activities are funded by the Crown (i.e. taxpayer funds). Without the ability to cost recover these discretionary activities, Taumata Arowai would need to use its resources to assess applications at the expense of its other activities (e.g. monitoring and enforcement).

This CRIS explores options around the charging regime and proposed fees for these activities and provides the rationale for how the proposed fees have been calculated.

Quality Assurance Reviewing Agency:

An internal Department of Internal Affairs Regulatory Impact Analysis (RIA) panel (the panel) has reviewed the CRIS in accordance with the quality assurance criteria set out in the CabGude.

Quality Assurance Assessment:

The panel considers that the information and analysis summarised in the CRIS **meets** the quality assurance criteria.

¹ The Water Services Act was enacted on 4 October 2021. It is anticipated it will be commenced on 15 November 2021.

Reviewer comments and recommendations:

The CRIS is presented clearly and concisely. The Department undertook targeted consultation and although it did not reach all affected stakeholders it consulted with representatives across all types of drinking water supplier.

As a result of the consultation, parts of the proposal have been amended to better meet the needs of the stakeholders.

The panel notes that there is a lack of certainty around the proposed hourly charging rate of Taumata Arowai. Taumata Arowai is a new entity and its costs are not yet certain. This has been acknowledged as a limitation in the CRIS and the panel think a reasonable attempt has been made to estimate the costs and use comparable regulatory charges to determine an appropriate hourly rate.

Responsible Manager (signature and date):



Allan Prangnell

Executive Director, Three Waters

Department of Internal Affairs

Date: 22/10/2021

Executive summary

This Stage 2 CRIS relates to fees for the three discretionary activities under the Water Services Act 2021 (the Act), for which Taumata Arowai can recover costs from day one of operations. The activities relate to drinking water suppliers (and classes² of drinking water supplier) which apply to:

- supply drinking water at a 'planned event' (s.33) e.g. a music festival;
- seek a general exemption (s.57) from complying with duties in the Act; or
- seek an exemption (s.58) for the requirement for residual disinfection, as required by the Act.

Taumata Arowai is New Zealand's new water service regulator, and its core activities are funded by the Crown. Without the ability to cost recover these discretionary activities, Taumata Arowai would need to use its Crown funded resources to assess applications for the discretionary activities at the expense of its other activities (e.g. monitoring and enforcement).

This CRIS explores options for charging for these activities and provides the rationale for how the proposed fees have been calculated.

A charge-out rate of \$130 per hour (plus additional costs and GST) is recommended. This will enable Taumata Arowai to fully recover the costs incurred in assessing the discretionary applications.

Three charging mechanisms were analysed and consulted³ on as follows:

- a fixed fee;
- a variable rate -- based on the time taken to process the application; and
- a fixed fee plus a variable rate -- based on the time taken to process the application (*the preferred option*).

Consultation feedback on the proposed cost recovery regulations and proposed hourly rate covered a wide range of issues and feedback was received for all types of drinking water suppliers. Some submitters supported the regime and the proposed hourly rate, while others opposed it and raised specific concerns (e.g., affordability challenges for small suppliers and community based planned events). In response to feedback we have recommended providing discretion for the Chief Executive of Taumata Arowai to waive fees, in part or in full, in certain circumstances.

Consistent with the Treasury's principles of full cost recovery, which state that those receiving a private benefit from a public service should meet the cost of providing that service, it is recommended that applicants for these services pay the proposed fees to enable full cost recovery by Taumata Arowai.

² A 'class of drinking water supplier' could, for example, include back-country huts that meet certain criteria, and will be assessed as one application.

³ The targeted consultation was undertaken via direct emails to stakeholders (full list included in Appendix 3).

Problem Definition

All registered drinking water suppliers will need to comply with duties in the Water Services Act 2021 once it commences. However, unregistered suppliers must register their supplies with Taumata Arowai within three years of the Act's commencement date and be fully compliant within five years. However, the scope of this CRIS is limited to the proposed charging regime, and fees, for the three discretionary activities for which Taumata Arowai can recover costs from.

All drinking water suppliers (registered or not) have a duty to supply safe drinking water⁴ from the day the Water Services Act commences. Broadly, suppliers also have to comply with drinking water standards; provide aesthetically acceptable drinking water; provide a sufficient quantity of drinking water; and manage risks to drinking water supplies.

The Act includes provisions to introduce cost recovery regulations for prescribing fees or charges (s.200) for doing any act or providing any service for the purposes of the Act or regulations. Regulations relating to charges and fees may:

- a) specify the amount of the fees or charges, or a method of calculating or ascertaining the amount of the fees or charges; and
- b) prescribe different fees and charges for different classes of person; and
- c) prescribe the manner in which fees or charges must be calculated; and
- d) prescribe the circumstances and way in which fees or charges can be refunded, waived, or reduced.

This CRIS solely relates to the proposed charging regime, and fees, for the three discretionary activities for drinking water suppliers (and classes of drinking water supplies)⁵ that apply to Taumata Arowai to:

- supply drinking water at a planned event (s.33) e.g. a music festival;
- seek a general exemption (s.57) from complying with duties in the Act; or
- seek an exemption (s.58) for the requirement for residual disinfection, as required by the Act.

Planned events (s.33) – application to establish a temporary drinking water supply

Section 33 applies to a planned event, such as a festival or other organised gathering or camp, where the organiser intends to supply drinking water to persons attending the event, from an unregistered drinking water supply (e.g. such as a bore or well). Under this section, the event organiser must apply to Taumata Arowai for registration of a temporary drinking water supply.

⁴ In clause 21(1) of the Water Service Act 'Duty to supply safe drinking water' a drinking water supplier must ensure that the drinking water supplied by the supplier is safe; and if there is any likelihood of it not being safe, then the drinking water supplier must take a number of actions.

⁵ A 'class of drinking water supplier' could, for example, include back-country huts that meet certain criteria, and will be assessed as one application.

Alternatively, the planned event organiser could supply drinking water from bottles or a water carrier, if this water is from a registered supply.

General exemptions (section 57)

A water supplier, or class of drinking water supplier, can apply for an exemption from its obligations under the Act. An exemption must exempt a drinking water supplier, or class of supplier, from all the requirements in s.57(1) which includes:

- to supply safe drinking water
- to comply with drinking water standards
- to provide aesthetically acceptable drinking water
- to provide a sufficient quantity of drinking water
- to protect against backflow
- the requirement relating to end-point treatment
- to have a drinking water safety plan
- to provide information to consumers and have a consumer complaints process.

Before granting an exemption, the Chief Executive of Taumata Arowai must be satisfied that the exemption is consistent with the main purpose of the Act (i.e., to provide safe drinking water to consumers) and that the public have been consulted. In addition, conditions can be imposed by the Chief Executive.

An example of where a general exemption would be considered are isolated back-country huts, that meet certain criteria, where due to their remoteness for example, it would be impractical to provide safe drinking water. Instead there would be requirements that the water be boiled.

Exemption: Residual disinfection (section 58)

The Chief Executive of Taumata Arowai may exempt a reticulated drinking water supply from the requirement to use residual disinfection in the supply and can impose conditions on the exemption.

Residual disinfection is when a low level of chemicals (for example, chlorine) remain in water after initial treatment in the reticulated system. Residual disinfection constitutes an important safeguard against the risk of subsequent microbial contamination of water after the initial treatment and provides significant public health benefits.

In considering whether to grant an exemption, the Chief Executive of Taumata Arowai will require a water supplier to demonstrate how it will safely operate the water supply without use of residual disinfection. Independent experts may be engaged to provide a technical review of the supplier's response and will help form the Chief Executive's decision on whether to grant the exemption or not, and what, if any, conditions should be included with the exemption.

For example, a large city council could apply for a residual disinfection exemption if it did not want to add chlorine to its reticulated supply. To demonstrate that the council water supply was safe, it would need to provide a comprehensive application that demonstrated exactly how the drinking water supply was safe.

Taumata Arowai core activities - funded by the Crown

Taumata Arowai's core (non-discretionary) activities are public goods and are funded by the Crown (i.e., taxpayer funds). Core functions of Taumata Arowai are specified in s.11 of the Taumata Arowai – the Water Services Regulator Act 2020 and include:

- providing national-level oversight, leadership, communication, and co-ordination in relation to drinking water, management of risks to sources of drinking water; and the environmental performance, management, and regulation of wastewater and stormwater networks;
- identifying and monitoring matters which affect the safety of drinking water, and the environmental performance of wastewater and stormwater networks, including current and emerging contaminants;
- developing standards and compliance rules that relate to drinking water composition;
- the development, operation, and effectiveness of standards, regulations, and other statutory requirements for wastewater and stormwater;
- compliance with, monitoring of, and enforcement of standards, regulations, and other statutory requirements affecting drinking water, wastewater networks, stormwater networks, wastewater network operators, and stormwater network operators.

Discretionary activities of Taumata Arowai are those that provide a private good or benefit and which should be paid for by the beneficiary of that good or service.

Without the ability to cost recover these discretionary activities, Taumata Arowai would need to use its base funding to assess applications at the expense of its other non-discretionary activities. It is therefore appropriate that Taumata Arowai recovers the cost of assessing applications for these discretionary activities.

This CRIS explores options for proposed fees or charges and provides the rationale for how the quantum of the proposed fees have been calculated.

Limitations and Constraints on Analysis

The first part-year of operation of the new drinking water regulatory system will be in 2021-2022. The regulatory system is new, so all projected volumes of applications and associated costs are estimates. These estimates have been tested by:

- discussion with experienced water industry people on the projected volume of applications, and
- benchmarking the \$/hr rate against existing comparable regulatory regimes.

A combination of forecasting operating costs for Taumata Arowai, and comparing fees charged through similar cost recovery regimes has been considered to develop the proposed charge-out rate of \$130 per hour (plus GST) for assessing applications for the three discretionary activities.

An additional constraint relates to the targeted consultation. Reaching a representative range of affected parties was a challenge, and targeted consultation resulted in some

affected parties not being consulted. However, the feedback we received covered a wide range of issues and feedback was received for all types of drinking water suppliers.

Options not considered in this CRIS

Alternative structural options for providing the services involved have not been analysed in this CRIS because decisions to provide Taumata Arowai with the regulatory powers to charge for these costs have already been made [CAB-19- MIN-0506 refers].⁶ For example, alternative organisational models or approaches to achieving the outcomes of the administration function are not considered. Such an approach would be inconsistent with recommendations made by the Havelock North Inquiry (which are reflected in the Act) and decisions made to establish Taumata Arowai.

Status quo

A widespread outbreak of gastroenteritis in Havelock North in August 2016, caused by contamination of the public water supply, led to more than 5,000 people becoming ill and contributed to the deaths of four people in a town of 15,000 people.

The campylobacter outbreak in Havelock North highlighted the systemic failure across all parts of the drinking water system - regulation, service provision, and source protection of drinking water. The Havelock North Drinking Water Inquiry (the Inquiry) commissioned in response to the tragedy identified failures across all levels of the system.⁷

After the Inquiry, the Government decided to implement a new regulatory framework for drinking water. Drinking water was previously regulated by the Ministry of Health.

Under the status quo, without cost recovery regulations in place, Taumata Arowai would incur a cost (the resources required to assess applications), and private beneficiaries (e.g., event organisers, drinking water suppliers receiving an exemption) would get a private benefit at the expense of the wider general public (taxpayers). The private benefit is the ability to supply drinking water without meeting the full requirements of the Water Services Act, based on the supplier's preference rather than in the manner required by the Act.

Cost recovery regulations are required to enable Taumata Arowai to recover these costs.

What relevant policy decisions have been made?

The Act will implement the Government's decision to comprehensively reform the drinking water regulatory system, with targeted reforms to improve the regulation and performance of wastewater and stormwater networks. Policy decisions were made on these cost recovery regulations prior to the Act being introduced (as a Bill) in July 2020.⁸ [CAB-19-MIN-0506 refers]

⁶ [https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases-Three-Waters-October-2019/\\$file/Cab-paper-&-Minute-CAB-19-MIN-0506-3W-Review_%20Institutional-Arrangements.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases-Three-Waters-October-2019/$file/Cab-paper-&-Minute-CAB-19-MIN-0506-3W-Review_%20Institutional-Arrangements.pdf)

⁷ Department of Internal Affairs (2017). Government Inquiry into Havelock North Drinking Water. Report of the Havelock North Drinking Water Inquiry, Stage 1 - [https://www.dia.govt.nz/vwluResources/Report-Havelock-North-Water-Inquiry-Stage-1/\\$file/Report-Havelock-North-Water-Inquiry-Stage-1.pdf](https://www.dia.govt.nz/vwluResources/Report-Havelock-North-Water-Inquiry-Stage-1/$file/Report-Havelock-North-Water-Inquiry-Stage-1.pdf); Department of Internal Affairs (2017). Government Inquiry into Havelock North Drinking Water, Report of the Havelock North Drinking Water Inquiry: Stage 2 [https://www.dia.govt.nz/diawebsite.nsf/Files/Report-Havelock-North-Water-Inquiry-Stage-2/\\$file/Report-Havelock-North-Water-Inquiry-Stage-2.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Report-Havelock-North-Water-Inquiry-Stage-2/$file/Report-Havelock-North-Water-Inquiry-Stage-2.pdf)

⁸ https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_99655/water-services-bill

The statutory authority to charge

The Act includes the following provisions which enable cost recovery regulations to be made:

200 Regulations

(1) The Governor-General may, by Order in Council made on the recommendation of the Minister, make regulations for all or any of the following purposes:

(f) prescribing fees or charges for doing any act or providing any service for the purposes of this Act or regulations:

(2) Regulations made under subsection (1)(f) may—

(a) specify the amount of the fees or charges, or a method of calculating or ascertaining the amount of the fees or charges; and

(b) prescribe different fees and charges for different classes of person; and

(c) prescribe the manner in which fees or charges must be calculated; and

(d) prescribe the circumstances and way in which fees or charges can be refunded, waived, or reduced.

The proposed fees will be set through regulations under the Water Service Act.

Cost Recovery Principles and Objectives

We have considered the Office of the Auditor General's *Good practice guide: Charging fees for public sector goods and services* and the Treasury's *Guidelines for Setting Charges in the Public Sector*.⁹ We have described how we have given effect to the principles outlined in the Treasury Guidelines when setting these charges, in Table 1 below.

Table 1: Cost recovery principles¹⁰ assessed against proposed regime

Principles	Response
Authority – the charges must be within scope of the empowering provision	Section 200(1)(f) of the Act authorises the making of regulations that prescribe fees or charges for doing any act or providing any service for the purposes of the Act or regulations.
Efficiency - the user charge should be no higher than necessary and the design of the cost recovery model should incentivise efficiency	The proposed charging structure is intended to enable charges to be tailored so that they are proportionate to the scale, risk and complexity of the water supply concerned i.e., the fixed fee covers the minimum time required to assess a simple application, and additional charges may be incurred for more complex applications.

⁹ Treasury. (2017). Guidelines for Setting Charges in the Public Sector. Retrieved from: <https://treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector-2017-html>

¹⁰ <https://oag.parliament.nz/2008/charging-fees/docs/charging-fees.pdf>

<p>Accountability</p> <ul style="list-style-type: none"> – there is a clear policy rationale why a user charge is justified – over or under-charging should be monitored and reported consistent with Treasury Circular 2011/10 and the Office of the Auditor General’s advice.¹¹ 	<p>The policy rationale is that where an applicant applies for a private benefit then the applicant/beneficiary should pay for the cost incurred in assessing the application.</p> <p>Taumata Arowai will operate and publish memorandum accounts for any annual under and over recovery.¹² DIA, as the monitoring agency of Taumata Arowai, will also monitor the number of applications to ensure the charging model remains appropriate and is meeting its objectives.</p>
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In addition to the principles outlined above, consultation was also identified as a principle for the development of these cost recovery regulations: stakeholders views should be included in the development of the activity for which cost recovery is being carried out. Consultation has been carried out on the proposed fees. Feedback received has been considered in the advice on the proposed fees (more detail on consultation below).

What objectives are sought in relation to the policy problem

Taking the cost recovery principles into account, we have established the following objectives in setting the fees and charges under the Act, and these objectives have been used to assess the different fee setting options, as shown in the assessment table below (table 3):

- Effectiveness – the user charge should enable Taumata Arowai to carry out its administrative functions to an appropriate standard.
- Efficiency – the user charge should be no higher than necessary and the design of the cost recovery model should incentivise efficiency.
- Transparency – the cost recovery analysis should be approached in an ‘open book’ manner where information about costs is available to stakeholders.
- Equity – the impact of the charges should be equitable between applicants over time.
- Simplicity – the cost recovery regime should be straight forward and easy to understand for affected parties.

Policy Rationale: Why a user charge? And what type is most appropriate?

The Act [CAB-19- MIN-0332 refers] provides a national regime to ensure drinking water is safe to drink.

It is proposed that the costs incurred by Taumata Arowai for administering planned event registrations and exemption applications be fully recovered in the form of a fee from those who apply for the registration and/or exemptions. We consider this is appropriate and consistent with Treasury’s Guidelines for Setting Charges in the Public Sector as water suppliers will directly benefit from certification by being able to deliver these services.

¹¹ Part 11: Memorandum accounts in central government – Central government: Results of the 2011/12 audits.

¹² The memorandum account will be operated consistent with Treasury Circular 2011/10: Guidance for the Operation of Departmental Memorandum Accounts.

Exemptions and registrations (for planned events) are both private goods, and the resources used by Taumata Arowai in carrying out the required application assessment processes directly benefit the applicant.

It is appropriate to fully recover the costs from the applicants. The applicant will decide whether to comply with the existing provisions in the Act, or if they will receive greater benefit (relative to the cost of complying) for the consumers they supply through applying for an exemption or registering as a temporary drinking water supplier.

Consumers will also benefit from the registration and exemption regime because measures are ultimately designed to protect consumers. Ultimately the overall objective is safe and healthy drinking water for all. The Act sets out the framework for how drinking water suppliers can achieve that objective, and these regulations provide discretionary options for drinking water suppliers to meet the requirements.

If the costs associated with registration and exemption are not fully recovered, Taumata Arowai would need to re-prioritise its other functions (such as monitoring and enforcement), or the costs would need to be funded out of general taxation.

This would not be desirable given registration and exemptions provide a private benefit, and any reduction in the performance of other regulatory functions would have adverse impacts on consumers. In other words, the resources devoted to assessing applications (with private benefits) would no longer be available for public good activities such as monitoring large drinking water suppliers.

However, in response to submitter feedback we have recommended providing discretion for the Chief Executive of Taumata Arowai to waive fees, in part or in full, in certain circumstances.

Options for setting charges for drinking water suppliers

We have considered three fee options to recover costs (described below):

1. A fixed fee;
2. A variable rate -- based on the time taken to process the application; and
3. A fixed fee plus a variable rate -- based on the time taken to process the application (*the preferred option*).

If required, disbursements/third party charges (e.g. consultant fees for external peer review) would be applied to all three of these proposed options if disbursements are required to complete the application assessment.

Option One – A fixed fee

This option would see all applicants charged a fixed fee for each of the three activities. This option has the advantage of simplicity as having a charge based on a single calculation will be both simple to administer, and relatively clear for applicants.

While a fixed fee **provides transparency** and **simplicity** (of costs and the process) for applicants, the most significant disadvantage of this option is that the calculation of the charge lacks the flexibility to cater for applications of varying scale, risk and complexity i.e. some applications will take more resources to assess than others. In this context, the fixed

fee option is **not effective** at accurately recovering the full and actual costs incurred and is also **not efficient** in terms of fully cost recovering costs incurred.

A fixed fee **lacks equity** because the fee would need to be set at an amount that sufficiently covers the resources expected to be used by Taumata Arowai to assess the applications. This is likely to result in relatively simple applications paying more than the cost to administer their application, and more complex applications paying relatively less. A fixed fee may be artificially high to manage the risk of under recovery.

Option Two – A variable rate

A variable rate would consist of different rates for different types of applications i.e. applications would be solely charged on how much time and resource Taumata Arowai has invested into the application. More complex applications would thereby incur a larger fee than more simple applications, making this option **efficient**.

Other benefits of setting a variable rate over other approaches such as a fixed fee include the flexibility that can be tailored to the circumstances of the applicant and the complexity of the supply, making this option **equitable**.

The costs for small supplies are likely to be comparatively low as these applications are unlikely to require the input of external experts and are not likely to be as complex as large supplies operated by local authorities due to the relative size. Therefore, it is consistent with the notion that implementing the framework should be proportionate to the scale, risk and complexity of a supply. Other benefits of a variable fee approach include:

- minimising the risks of over/under-charging and any cross-subsidisation;
- treating all suppliers consistently with the notion that registering a temporary water supply (for a planned event) and the granting of an exemption is a private benefit; and
- it will be relatively **simple** to administer, and relatively clear for applicants to follow.

The most significant disadvantage of this option is that the calculation of the charge is less predictable than other options. Drinking water suppliers will **lack transparency** about the affordability of the processes on a case-by-case basis due to the variability in the length of time the process will take. This lack of transparency extends to the calculation of additional expenses.

The lack of transparency about the extent of the charge combined with the uncertainty of outcome is likely to be more of a barrier to small suppliers than others due to the comparative lack of resources. Small suppliers are likely to be more risk averse than larger institutional suppliers and may not be willing to commit resources to the process.

Option 3 - A fixed fee plus a variable rate (*preferred option*)

This option provides for the **best outcomes** from options 1 and 2 above. Option 3 is similar to option 2, but with the addition of the fixed fee component it is marginally **more transparent** for applicants. The fixed fee portion would provide **more certainty** to applicants regarding the minimum cost of their application (i.e., the fixed fee component), compared to option 2, and also certainty of revenue (and adequate cost recovery) for Taumata Arowai.

The addition of the variable rate ensures the applicants aren't charged more (or less) than it costs Taumata Arowai to process the application, because the fixed fee has been calculated

to cover the minimum cost, and any additional costs will be charged as required through the variable rate. This option is therefore the **most consistent with the cost recovery objectives**.

The preferred mechanism to charge cost recovery fees

We propose the preferred mechanism to charge drinking water suppliers cost recovery fees is option three: **A fixed fee plus a variable rate**. On balance, this option is the most consistent with the stated objectives.

Evaluation of options against objectives

Table 2: Evaluation criteria scoring scale.

Score	Description
✓✓	Very strong alignment with the criteria
✓	Strong alignment with the criteria
0	No alignment with the criteria
x	Weak alignment with the criteria
xx	Very weak alignment with the criteria

Table 3 -Assessment of options to charge fees against objectives

Objective	Option One - A fixed fee	Option Two - A variable rate	Option Three – A fixed fee plus a variable rate (preferred option)
Effectiveness – the user charge should enable Taumata Arowai to adequately undertake the activity it is charging for.	× Charges are not reflective of actual costs for applications because there is likely to be variance in complexity of applications.	✓✓ This option is effective for all applicants as they'll pay a charge that is reflective of actual costs.	✓✓ The charging structure is based primarily on processing time and is proportionate to the scale, risk and complexity of the operation.
Efficiency – the user charge should be no higher than necessary and the design of the cost recovery model should incentivise efficiency.	× While efficient to manage, this option is likely to result in inefficient cost recovery due to the likely variance across applications that this option will not account for.	✓✓ The variable rate would be relatively simple to administer and would incentivise efficiency from applicants but is less efficient to manage than other options due to the uncertain nature of costs for each application.	✓✓ While relatively simple to administer and the most accurate indicator of cost for applicants, this option would be the most efficient from a full cost recovery method for both applicants and Taumata Arowai.
Transparency – the cost recovery regime should be 'open book', where information about costs is clear and available to applicants.	✓✓ Applicants would be clear about the cost of the process before applying.	✓ While the variable rates would be transparent, this option would create uncertainty about the full cost of the process as there is no certainty about the final cost of the process.	✓✓ This option would create some uncertainty for complex applications but provides certainty for the majority. Taumata Arowai will provide applicants an indication of any additional costs that the application will incur, providing full transparency.
Equity – the impact of the charges should be equitable between applicants over time.	×× This option would result in cross-subsidisation and is therefore inequitable.	✓✓ This option involves no cross-subsidisation because each user would pay only their own costs.	✓✓ This option involves no cross-subsidisation because each user would pay only their own costs.
Simplicity – the cost recovery regime should be straight forward and easy to understand for affected parties.	✓✓ This option would be very simple to understand.	✓ This option would be moderately simple to understand, but marginally more complex to administer than option 3.	✓ This option would be moderately simple to understand, and marginally simpler to administer than option 2.

The level of the proposed fee and its cost components (cost recovery model)

We propose that the application fees are charged using a fixed fee - based on the minimum expected time and resources required to assess an application – set at \$130 per hour (ex GST), plus a variable rate of \$130 for every additional hour, plus disbursements, and other third-party costs incurred by Taumata Arowai.

In the absence of a fully functioning cost recovery regime, the proposed hourly rate of \$130 per hour is based on comparable regulatory models as a benchmark, as outlined in Appendix 2,¹³ and explained further in the section below on ‘Cost recovery comparison across similar regimes’.

The time required to process each application was determined through consultation with drinking water professionals, to ascertain the minimum amount of time required to administer applications for each of the activities.

In identifying the appropriate level of charges, submissions to the Health Committee received during the passage of the Water Services Act about compliance costs of small suppliers have been taken into account, along with feedback received on these proposed fees and charges during consultation.

Table 4: A fixed fee plus a variable rate (preferred option)

Application	Fixed fee (plus GST)	Variable rate (plus GST)	Disbursement and other third-party costs (plus GST)
Temporary water supply:	Temporary water supply: \$1,300 (based on 10 hours x \$130 per hour)	\$130 per hour over 10 hours (prorated over last part hour)	Disbursements plus any costs incurred by Taumata Arowai.
General exemptions:	\$780 (based on 6 hours x \$130 per hour)	\$130 per hour over 6 hours (prorated over last part hour)	Disbursements plus any costs incurred by Taumata Arowai.
Exemption (residual disinfection):	\$5,200 (based on 40 hours x \$130 per hour)	\$130 per hour over 40 hours (prorated over last part hour)	Disbursements plus any costs incurred by Taumata Arowai.

¹³ Taumata Arowai has not commenced these functions. There is currently no budgetary information and associated time metrics. The proposed \$130 per hour is based on comparable metrics from other regulatory fee regimes to provide a public-sector benchmark of the \$/hr recovery rate. There is no analysis of the associated overhead recovery rate that the comparable regimes were using.

Cost components

Outputs and processes of the activity

The applications that will be cost recovered by Taumata Arowai include technical documents, so the key cost driver is the time of the assessor, plus any external peer review where relevant.

Cost recovery comparison across similar regimes

Registered drinking water suppliers are currently regulated by the Minister of Health, however, there are no provisions in Part 2 of the Health Act 1956 to authorise the Ministry of Health to require water suppliers to pay charges of this type. The following regulations were used for the benchmarking exercise:

- The Land Transfer Regulations 2018
- The Food (Fees and Charges) Regulations 2015
- The Railway Regulations 2019
- The Animal Welfare (Cost Recovery) Regulations 2015
- Health and Safety at Work (Hazardous Substances) Regulations 2017
- Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015
- Civil Aviation Authority - Review of Aviation Fees, Levies and Charges–2020–23.

The Railway Regulations 2019 for example, specifies a fixed rate of \$120 plus \$120 per hour for applications. The Health and Safety at Work (Hazardous Substances) Regulations 2017 specifies an hourly rate of \$137 per hour when a compliance certifier audit exceeds eight hours. Further detail on these comparable regimes is included in Appendix 2.

Current Council resource consent fees were also examined for comparison. Wellington City Council, for example, charges \$500.50 for up to 2 hours for a planner or an advisor, and 1-hour of administration.¹⁴

There are challenges in drawing direct comparisons between assessments carried out by separate organisations operating under different regulatory regimes. However, we consider that this is a reasonable comparison on which to base fees for services delivered by Taumata Arowai, because the cost recovery regimes used for comparative analysis are managed by Crown agencies and government agencies which are likely to have similar operating costs to Taumata Arowai.

Arowai is going through an establishment stage and the proposed cost recovered functions are new. Therefore, the best available information to project an hourly rate is to use recent comparable benchmark information for other public-sector cost recovery regulations.

¹⁴ <https://wellington.govt.nz/property-rates-and-building/building-and-resource-consents/resource-consents/resource-consent-fees/all-resource-consent-fees>

Revenue

Taumata Arowai has estimated that it will spend approximately \$0.350 million in 2021/22, \$0.100 million in 2022/23, and outyears for administering applications for general and residual disinfection exemptions (most of which are expected to be received in the first years of operation), and applications to supply drinking water at a 'planned event'.

Taumata Arowai estimates that its revenue generated from these activities in the first year will consist of:

- 7-8 applications for temporary water supplies (approximately \$10k);
- 8-10 applications for general exemptions (approximately \$10k); and
- 2-3 applications for residual disinfection exemptions (approximately \$330k).

	2021/22	2022/23	2023/24	2024/25	2025/26
Estimated fixed fees for temporary registration	\$10,000	\$13,000	\$13,000	\$13,000	\$13,000
Estimated fixed fees for general exemptions	\$10,000	\$7,000	\$7,000	\$5,000	\$4,000
Estimated fixed fees for exemption from residual disinfection requirements	\$330,000	\$80,000	\$50,000	\$50,000	0
Total (approximate)	\$350K	\$100K	\$70K	\$68K	\$17K

The estimated number of applications for each year, and the range of complexity associated with exemption applications, is based on the estimates by experienced drinking water professionals.

Any over- or under-recovery will be monitored and reported on appropriately. Taumata Arowai will operate memorandum accounts to account for any annual under and over recovery. The Department will also monitor the number of applications to ensure the charging model remains appropriate and is meeting its objectives.

Impact analysis

The proposed charges will only directly impact those drinking water suppliers who make an application, although it is likely that, in some cases, the application costs could be passed on to the end users (e.g., to event attendees). An applicant will be responsible for determining their own preferred position and their utility from applying for a temporary registration or an exemption.

Taumata Arowai anticipates there will be a consistent, but low, number of applications from event organisers who wish to register a temporary water supply. It is estimated there would be between seven and ten applications per annum. In part this is because event organisers only need to register the supply if they deliver drinking water directly. The obligation does not arise if they choose to use alternative forms of drinking water supply such as:

- engaging a registered water supplier – such as a water carrier – to supply the drinking water for the duration of the event; or
- making other arrangements for the supply of drinking water (such as bottled drinking water).

Taumata Arowai anticipates that most of the applications for general exemptions will be from very remote locations where there is no electricity supply to support filtration systems, and difficult access for servicing filtration systems. For example, there are an estimated 957 Department of Conservation backcountry huts and campsites that could be assessed for a general exemption either on a case-by-case basis or as a class of supplier. It is estimated there would initially be ten applications per annum and that this will quickly decrease over time.

Taumata Arowai anticipates that there will be approximately 13 applications for a residual disinfection exemption in the first four years and then the volume will decrease (trending to zero). Taumata Arowai estimates that each residual disinfection exemption application will take on average 40 hours to process, excluding peer review, due to the size and complexity of the supplies expected to be applying for such an exemption¹⁵ (for example, a large council supplier).

Table 6: Estimated number of applicants per year					
	2021/22	2022/23	2023/24	2024/25	2025/26
Number of applications for temporary registration	7-8	10	10	10	10
Number of applications for general exemptions	8-10	10	8	6	4
Number of applications for exemption from residual disinfection requirements	2-3	6	2	2	0

¹⁵ An application for a residual disinfection exemption is materially different from a general exemption. A residual disinfection exemption could involve considering the whole reticulated water system (e.g. for a city) while a general exemption could be for a non-reticulated water supply for a remote Department of Conservation hut.

Consultation

The Department has undertaken targeted consultation with a broad range of representatives of drinking water suppliers, and local authority representatives, including Local Government New Zealand and Taituarā.

The targeted consultation was undertaken via direct emails to stakeholders (full list included in Appendix 3) which included a summary of the proposal and a link to a [webpage](#)¹⁶ that provided additional information on the proposed cost recovery regulations, along with information on how to provide feedback. The website had 113-page views over the consultation period.

Feedback from stakeholders generally supported charging for applications for exemptions using a fixed charge and variable rate, however some organisations disagreed with the proposed cost recovery scheme, either for specific applications, or for specific clauses/sections.

Concerns were also raised regarding specific prices, impact on small suppliers, impact on community/charity/not-for profit events, clarity around application process, and a lack of class-based exemptions for multiple water supplies. Some submitters also raised concerns over costs being considered ahead of information about the relevant exemptions being available.

Feedback on costs

Some concerns were raised over the cost of the various exemptions. Ashburton District Council suggested members of the public would consider the \$130 per hour charge to be too high.

Christchurch City Council believed the cost of a general exemption, to be reasonable (\$780), but it raised concerns about the cost of a residual disinfection exemption being significantly higher (\$5,200). It suggested the expertise to issue residual disinfection exemptions should sit with Taumata Arowai, and if the regulator needed to consult with international experts, it should be done at the regulator's expense, or included in the standard 40 hours. Alternatively, suppliers could be given the option to work with an international expert, who could provide their assessment when the application was submitted, to streamline the process, or a list of predetermined consultants and their hourly rates could be published to encourage competitive contracting to keep costs down.

Waimate District Council agreed with a fee being charged using a fixed charge and variable rate. It supported the suggested \$130 per hour fee, but felt it was difficult to assess the fixed charge component, as it was not clear how the numbers were landed on. It asked to see workings behind the fixed charge component.

Whakatāne District Council disagreed with charging for a residual disinfection exemption, as operators are required to submit a water safety plan, which should cover how a water supplier plans to safely supply water without residual disinfection.

¹⁶ <https://www.dia.govt.nz/Three-Waters-Consultation-on-proposed-regulations-fees-and-charges-for-drinking-water-suppliers>

Irrigation New Zealand did not believe a single fee for suppliers of various sizes, types and capabilities was equitable.

Response to feedback on costs

As described in the analysis above, the proposed rate of \$130 per hour is based on the expected costs for Taumata Arowai to assess applications, and a comparative analysis with other government cost recovery regulations. The fixed fee for each activity is based on forecasts of the minimum time and resources required to process an application for each activity. The fixed fee for a residual disinfection exemption is higher (\$5,200), due to the anticipated increased complexity, time and resource required to assess such an application, compared to applications for planned events or general exemptions.

The fixed fee component for each activity only includes Taumata Arowai resources, and any additional cost incurred, through use of international experts for example, will be charged to the applicant.

Processing individual exemption applications for small suppliers is expected to be relatively simple and transactional in nature, so a fixed fee plus a variable rate is appropriate. This provides certainty of cost for the fee payers.

Decisions on exemption applications by large suppliers (e.g., a council) are expected to take a longer time and be more complex. They may require travel and engagement of external technical expertise. We expect there will be relatively low and unpredictable volumes of exemption applications by large suppliers.

For these reasons, a fixed and variable fee structure is appropriate. This provides for full cost recovery for large and time-consuming exemption decision-making processes but means costs will be unpredictable to some extent for large suppliers.

Feedback on planned events

Ashburton District Council suggested there should be some flexibility around fee waivers/reductions for community and charity events.

Similarly, Christchurch City Council considered the cost for a planned event exemption to be unreasonably high, especially for smaller, community-based events which may operate with small profit margins. It was concerned an application process would put additional work on event organisers, and some may consider not providing water. Alternatively, it may incentivise organisers to use tankers, which it considered disappointing from an environmental perspective. It suggested a stepped approach based on event length and attendee numbers, or some 'acceptable solutions,' which could be met through a checklist process. It also sought additional information in what local government's role would be in planned event applications, for example, would local authorities have to inform Taumata Arowai of any planned event, so it could follow up with event planners about water supply.

Waimate District Council suggested a register of temporary water suppliers which had a demonstrated ability to provide high quality water could be provided, which could streamline the application process.

Response to feedback on planned events

Regardless of the size of a planned event, if a planned event application is sought by an event organiser, the cost to assess the application incurred by Taumata Arowai is anticipated to be at least \$1,300, which is the estimated fee required to meet full cost recovery provisions.

Assessing applications requires time and resources from Taumata Arowai, and therefore any fee waiver or fee exemption would not be consistent with cost recovery principles. As these activities are discretionary, applicants may choose to supply safe drinking water through other acceptable means (for example using bottled water or a registered drinking water supplier).

Feedback on small suppliers

The Ministry of Health raised concerns about planned event exemptions for small suppliers, especially in cases where events may not have a long notice period (for example, a rural marae which needed additional bore/stream access to hold a tangi). It wanted assurance that community suppliers and marae could apply for a fee waiver/reduction, as it was concerned without this option, some may choose not to register/be non-compliant, which could lead to negative health outcomes.

Opaki Water Supply Association Inc believed including a variable component lacked transparency, especially for small suppliers who may not have surplus funds to commit to an application process where the cost could be “unlimited.” It believed private schemes should be grouped with small schemes, or the cap on what was considered a small scheme raised. It suggested two-level processing, where an applicant was given an initial assessment for a fixed-charge and advised of costs going forward. It also considered the prices to be unrealistically high for high-performing, small/private schemes, and suggested having a history of being a high-performing service provider should be taken into account when considering exemptions. Opaki Water Supply Association did not support the proposed costs.

Waimate District Council suggested small suppliers could be given a two-hour free consultation period with Taumata Arowai, before lodging an application. This could streamline the process for both parties and gave transparency for any fee waiver/reduction offered.

Irrigation New Zealand believed there should be no fee on applications for very small/small suppliers.

Response to feedback on small suppliers

Assessing applications requires time and resources from Taumata Arowai, and therefore any fee waiver, reduction or fee exemption would not be consistent with a full cost recovery model. The fixed fee for each activity is based on forecasts of the minimum time and resources required to process an application for each activity. Therefore, less complex applications (e.g., potentially for small suppliers) would be less likely to incur additional charges.

However, in response to this feedback we have recommended the inclusion of a regulation that provides discretion for the Chief Executive of Taumata Arowai to waive fees, in part or in full, in certain circumstances.

Applicants will be provided with an initial estimate of likely additional charges that their application may incur, and in cases where events may not have a long notice period (for example, a rural marae which needed additional bore/stream access to hold a tangi), Taumata Arowai will prioritise these applications.

A price cap on applications would not be consistent with a full cost recovery model and has therefore not been recommended.

Feedback on the application process

Christchurch City Council wanted clarification about what would be required of water submitters throughout the application process. It also suggested the water regulator should submit a 'statement of works,' to suppliers prior to any review, including a summary of the methodology and expected cost.

Water New Zealand said clear timeframes needed to be laid out for applicants, for example how many business days Taumata Arowai would need to process an application for a planned event. It also suggested Taumata Arowai should consult with the applicant if an application is expected to take longer than originally anticipated, so the applicant could decide whether or not to proceed with the new cost.

Waimate District Council wanted clarification over whether the application process would include a site visit to ensure compliance.

Response to feedback on the application process

Applications for these three discretionary activities require sufficient information for Taumata Arowai to undertake the assessment. The fixed fee component for each activity is designed to include a site visit, however, depending on the location, time and resource required to undertake the site visit, additional costs may be incurred.

Applicants will be provided with an initial estimate of likely additional charges that their application may incur (including any likely additional charges as part of a site visit) and will be informed if the application has insufficient information or points of clarification are required.

The timeframes associated with processing applications is outside the scope of this CRIS and will be determined by Taumata Arowai. There is no set legislative timeframe for Taumata Arowai to assess applications, but guidance will be developed for applicants on how to apply and the associated process and timeframes.

Feedback on class-based exemptions

The Department of Conservation raised concerns about having to submit multiple, site-based general exemption and residual disinfection applications for its backcountry huts and campsites. It suggested class-based exemptions be allowed for both clauses.

Response to feedback on class-based exemptions

Class-based exemption applications are permitted for both general exemption and residual disinfection applications. The fees for class-based activity applications are the same as for other applicants, and additional charges may be incurred due to any additional complexity involved.

Feedback on premature consultation on cost recovery

The Department of Conservation considered it was too early to consult on cost recovery in relation to exemption applications, prior to understanding the rules, standards and regulations set out in the Bill.

Irrigation New Zealand noted it did not have sufficient information about what the rules, would be for small suppliers, and therefore felt it was premature to consult on exemption application fees. It suggested looking at the fees once the rules were clearer, and additional possible requirements have been specified.

Response to feedback on premature consultation on cost recovery

The three discretionary activities subject to this CRIS provide an alternate way for drinking water supplier to provide safe drinking water to consumers. The cost recovery regulations need to be in place when the Bill is enacted to enable this regime to work effectively. The cost recovery fees will be reviewed following full implementation of this regime (in approximately five years).

Conclusions and recommendations

DIA recommends a charge rate of \$130 per hour (plus GST) charged as a fixed fee, plus additional costs incurred (e.g., disbursements, use of international experts for peer review of complex applications) is used to fully recover costs incurred by Taumata Arowai in assessing these discretionary applications.

This CRIS has outlined other options to recover these costs, and considers the preferred option, of a fixed fee plus variable rate based on time taken to process the application, to be the most consistent with cost recovery principles.

Without the ability to cost recover these discretionary activities, Taumata Arowai would need to use its resources to assess applications at the expense of its other activities (e.g., monitoring and enforcement). As a new entity, operating a new regime, a review of the cost recovery regime and charge rates will be undertaken in approximately five years (sooner if evidence supports an earlier review) when more evidence has been gathered on how the regime is working and if the proposed fees are set at the right level.

Implementation plan

Taumata Arowai need to be able to charge for the processing of these services from the first day it begins operations (or “goes live”) late in 2021. This is because it is possible that some local authorities will lodge applications within the first few days the Water Services Act is in force. Taumata Arowai has stated that it intends to provide potential applicants with guidance material to assist them with the process of making an application.

Monitoring and evaluation

DIA has regulatory stewardship obligations and will work with Taumata Arowai to monitor the implementation of the Act. This means DIA will work with Taumata Arowai to monitor volumes of applications, the impact on resourcing of Taumata Arowai and whether there has been any significant under or over recovery.

Taumata Arowai will also develop several metrics to measure its performance in processing applications and determining whether it has the appropriate level of resource for this function.

Review

Taumata Arowai will monitor applications during the implementation of the Bill to ensure that the charging model remains appropriate and is meeting its objectives.

Due to the uncertainty regarding the number of likely applicants, and the costs of processing these applications, we recommend that these fees be reviewed by DIA after they have been in force for five years, or earlier if evidence indicates an earlier review would be beneficial. This will allow us to monitor volumes and costs as the regulatory requirements are phased in and after one year of “business-as-usual”. Any earlier review could be undertaken if there is a material variance in what is projected.

Appendix 1 – relevant provisions in the Water Services Bill¹⁷

33 Planned events

(1) This section applies to a planned event, such as a festival or other organised gathering or camp, where the organiser intends to supply drinking water to persons attending the event.

(2) If this section applies, the event organiser must—

(a) arrange for drinking water to be supplied from a registered drinking water supply, (for example, by a water carrier); or

(b) apply to Taumata Arowai for registration of a temporary drinking water supply.

(3) An applicant for registration of a temporary drinking water supply must lodge with the application a temporary drinking water safety plan in an approved form.

(4) Taumata Arowai may register a temporary drinking water supply, subject to any conditions it considers necessary to ensure that the drinking water is safe and complies with drinking water standards.

(5) If the event organiser supplies drinking water from a temporary drinking water supply, the event organiser must ensure that the drinking water is supplied in accordance with—

(a) the requirements of the temporary drinking water safety plan; and

(b) any conditions imposed by Taumata Arowai.

56 General exemptions

(1) The chief executive may exempt a drinking water supplier or class of drinking water supplier from compliance with the following requirements in this Act:

(a) to supply safe drinking water (see section 21):

(b) to comply with drinking water standards (see section 22):

(c) to take reasonable steps to provide aesthetically acceptable drinking water (see section 24):

(d) to provide a sufficient quantity of drinking water to consumers at each point of supply (see section 25):

(e) to protect against the risk of backflow (see section 27):

(f) to ensure requirements relating to end-point treatment (see section 28):

¹⁷ Consultation was undertaken on the Water Services Bill in August 2021. It has subsequently been enacted as the Water Services Act 2021 with minor amendments to the provisions.

(g) to have a drinking water safety plan (see section 30): (h) to keep records (see section 37): (i) to provide information to consumers and have a consumer complaints process (see section 38).

(h) to keep records (see section 37):

(i) to provide information to consumers and have a consumer complaints process (see section 38).

(2) An exemption must exempt a drinking water supplier, or class of supplier, from all the requirements described in subsection (1).

(3) An application for an exemption under this section must be accompanied by the prescribed fee (if any).

(4) The chief executive must not grant an exemption unless—

(a) satisfied that the exemption is consistent with the main purpose of this Act (other than the duty to have a drinking water safety plan); and

(b) for an exemption in respect of a class of drinking water supplier, the chief executive has consulted the public in accordance with section 52(2) and (3).

(5) The chief executive may grant the exemption on any conditions that the chief executive thinks fit.

(6) Without limiting the power in subsection (5), the conditions may include a requirement—

(a) that the drinking water supplier take appropriate measures to minimise the risk to public health; and

(b) that the drinking water supplier take appropriate measures to warn consumers of the need to boil any drinking water from the water supply before it is consumed, including requirements about appropriate signs at taps; and

(c) relating to the composition of the drinking water; and

(d) to monitor the quality of the drinking water; and

(e) that, where land is supplied with drinking water, the exemption and any conditions will be notified by Taumata Arowai to the relevant territorial authority for inclusion on the land information memorandum.

(7) An exemption may continue in force for not more than 5 years (and at the close of the date that is 5 years after the exemption first comes into force, the exemption must be treated as having been revoked unless it is sooner revoked or expires).

(8) An exemption granted under this section is secondary legislation (see Part 3 of the Legislation Act 2019 for publication requirements).

(9) The chief executive's reasons for granting the exemption must be published with the exemption.

57 Exemption: residual disinfection

(1) The chief executive may exempt a drinking water supplier or class of drinking water supplier from the requirement to use residual disinfection in—

(a) a supply that includes reticulation; or

(b) any part of a supply that includes reticulation.

(2) The chief executive may grant the exemption on any conditions that the chief executive thinks fit.

(3) The chief executive must not grant the exemption unless—

(a) satisfied that the exemption is consistent with the main purpose of this Act; and

(b) for an exemption in respect of an individual drinking water supplier, the supplier satisfies the chief executive that drinking water supplied by the supplier will comply with all other legislative requirements and the drinking water safety plan on an ongoing basis.

(c) for an exemption in respect of a class of drinking water supplier, the chief executive has consulted the public in accordance with section 52(2) and (3).

(4) An application for an exemption under this section must be accompanied by the prescribed fee (if any).

(5) An exemption may continue in force for not more than 5 years (and at the close of the date that is 5 years after the exemption first comes into force, the exemption must be treated as having been revoked unless it is sooner revoked or expires).

(6) The chief executive must publish an exemption granted in respect of an individual drinking water supplier on an Internet site maintained by or on behalf of Taumata Arowai.

(7) An exemption granted in respect of a class of drinking water supplier under this section is secondary legislation (see Part 3 of the Legislation Act 2019 for publication requirements).

(8) The chief executive's reasons for granting an exemption must be published with the exemption.

Source: https://www.parliament.nz/resource/en-NZ/SCR_113518/da5e2d8a2518bf5dce61ef60741af96506a54966

Appendix 2 – regulations used to benchmark the proposed hourly rate

The following regulations were used for the benchmarking exercise:

- The Land Transfer Regulations 2018
- The Food (Fees and Charges) Regulations 2015
- The Railway Regulations 2019
- The Animal Welfare (Cost Recovery) Regulations 2015
- Health and Safety at Work (Hazardous Substances) Regulations 2017
- Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015
- Civil Aviation Authority - Review of Aviation Fees, Levies and Charges–2020–23

The Land Transfer Regulations 2018:

[Land Transfer Regulations 2018 \(LI 2018/193\) – New Zealand Legislation](#) (Part 3. Schedule 7 Audit fees)

- Charges \$130/h plus any reasonable expenses

The Food (Fees and Charges) regulations 2015:

[Food \(Fees and Charges\) Regulations 2015 \(LI 2015/96\) \(as at 01 July 2019\) Schedule Fees and charges – New Zealand Legislation](#)

- Hourly rate at \$135/h in 2015 (this was raised to \$155 per hour on [July 1 2018](#)).

The Railway Regulations 2019:

[Railways Regulations 2019 \(LI 2019/286\) \(as at 01 April 2021\) – New Zealand Legislation](#) (section 10)

- Charges \$120 fixed rate plus \$120/h for applications

The Animal Welfare (cost recovery) regulations 2015:

[Animal Welfare \(Cost Recovery\) Regulations 2015 \(LI 2015/89\) \(as at 01 July 2019\) Schedule Fees and charges – New Zealand Legislation](#)

- Charges \$135 per hour (excluding final part-hour) during work hours spent working on the application
- Charges \$33.75 per 15-minute block in final part-hour spent working on the application
- Charges higher fees for an animal welfare export certificate, charging \$186.30/h for work-hours spent on the application, and \$252.17 per hour for non-work hours spent on the application

Health and Safety at Work (Hazardous Substances) Regulations 2017

[Health and Safety at Work \(Hazardous Substances\) Regulations 2017 \(LI 2017/131\) \(as at 24 June 2021\) Schedule 2 Hazardous substances compliance fees – New Zealand Legislation](#)

- Charges an hourly rate of \$137 per hour when a compliance certifier audit exceeds eight hours

Other fees under this schedule are charged using a fixed-rate.

Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015

Animal Products (Dairy Industry Fees, Charges, and Levies) Regulations 2015 (LI 2015/95) (as at 01 July 2019) Schedule Dairy industry fees, charges, and levies – New Zealand Legislation

- Charges a fixed fee based on application type, plus \$135 per hour (excluding the final part-hour)
- Charges \$33.75 for each 15-minute block in the final part hour spent working on the application.

Civil Aviation Authority - Review of Aviation Fees, Levies and Charges–2020–23

Current and proposed changes to Civil Aviation Fees [page 42/46: Appendix 1]

<https://www.aviation.govt.nz/assets/about-us/funding-review-2020-discussion-document.pdf>

- Charges range greatly, but similar fees include a fixed fee of \$120.75 for a Medical Certificate Application fee to \$131 for an Air Traffic Service instructor rating (with a proposed to increase to \$137.94).

Appendix 3 – consultation feedback

Targeted consultation included direct emails to the following stakeholders

Stakeholder 'group'	Who it includes
The Three Waters Steering Committee	<ul style="list-style-type: none"> • Brian Hanna, Independent Chair • Alastair Cameron (CCO Governance and External Partnerships, Auckland Council) • Alex Walker (Mayor, Central Hawke's Bay District) • Bayden Barber (Councillor, Hastings District Council) • Campbell Barry (Mayor, Hutt City) • Craig Mcilory (General Manager Healthy Waters, Auckland Council) • Dawn Baxendale (Chief Executive, Christchurch City Council) • Hamish Riach (Chief Executive, Ashburton District Council) • Heather Shotter (Chief Executive, Palmerston North City Council) • Miriam Taris (Chief Executive, Western Bay of Plenty District Council) • Monique Davidson (Chief Executive, Central Hawke's Bay District Council) • Neil Holdom (Mayor, New Plymouth District) • Pat Dougherty (Chief Executive, Nelson City Council) • Rachel Reese (Mayor, Nelson City) • Sarah Gardner (Chief Executive, Otago Regional Council) • Steve Ruru (Chief Executive, Taranaki Regional Council) • Stuart Crosby (Councillor, Bay of Plenty Regional Council and President, LGNZ) • Morgan Dryburgh (The Treasury)
General public, small drinking water suppliers (via councils) and planned event organisers.	Direct emails sent to local council staff via Taituarā, and to the New Zealand Event Association
Crown suppliers plus government departments	<ul style="list-style-type: none"> • Ministry of Health • Taumata Arowai • Department of Conservation • Department of Corrections • New Zealand Defence Force • Ministry of Education • Kāinga Ora • Inland Revenue Department • Land Information NZ (LINZ) - Toitū Te Whenua • Ministry of Primary Industries

	<ul style="list-style-type: none"> • Ministry of Housing and Urban Development • The Treasury • Te Puni Kokiri
Māori representatives	Direct emails sent to local council staff via Taituarā, to TPK, and to Te Ao Māori Lens-Māori Tech Working Group
Water sector (plus a representative list of council staff)	<p>A representative group of 45 stakeholders including:</p> <ul style="list-style-type: none"> • Water NZ • Watercare • Engineering NZ • Institute of Public Works Engineering Australasia (IPWEA) • Auckland Council • Wellington Water • Beca • Hamilton City Council • Waimakariri District Council • Christchurch City Council • Environment Canterbury • Greater Wellington Regional Council
Rural sector/suppliers	<ul style="list-style-type: none"> • Federated Farmers • NZ Lifestyle Block Association • Irrigation New Zealand • Kerikeri Irrigation Company (Northland) • Opuha Water Ltd (South Canterbury) • Lower Waitaki Irrigation Company (North Otago) • Opaki Water Supply Association Inc • Davy Water Products NZ • Doubtless Bay Water Supply Co Ltd • Otorohanga District Council • Waimate District Council • Hurunui District Council • Selwyn District Council • Timaru District Council

A summary of feedback received from the targeted consultation is as follows.

Submitter	Feedback	Summary
Toitū Te Whenua/Land Information New Zealand (Crown Land and Information Policy)	Thank you for the opportunity to provide feedback on the proposed cost-recovery fees and charges under water services bill regulations paper. We have no comments.	N/A
Ashburton District Council	<p>1. Do you agree that as a matter of principle, Taumata Arowai should require applicants for the registration of a temporary water supply (for planned events) and/or exemptions to pay the full costs of providing these services?</p> <p>a. Generally, we're in favour of user-pays, particularly for commercial or large-scale events. There's a case for some flexibility around fee waivers or reductions for community or non-profit/charity events to encourage the use of registered water suppliers, we would like to see that included.</p>	<ul style="list-style-type: none"> • Generally, in favour of user pays, and believes a fixed amount plus variable charges provides most certainty to users and Taumata Arowai • Believes there is a case for flexibility for community/not-for profit events • Queried the \$130p/h charge as possibly being too high, and believes members of the public will believe it to be too high • Suggested a regular review of both charge components to ensure it remains appropriate • Suggested residual disinfection applications should be based on actual cost rather than including a fee for the first 40-hours

<p>Ashburton District Council</p>	<p>2. Do you agree that the charge should be set using a fixed plus a variable rate?</p> <p>a. The fixed amount plus a variable amount does generally provide more certainty both to the applicant and to Taumata Arowai. Having this structure also helps encourage complete, clear applications in the first place.</p> <p>Incorporating a regular review to ensure that both the fixed component and the hourly charge rate remains appropriate would be advisable, as amounts can get out of date over time.</p> <p>b. The possible exception to this is charges for an application for residual disinfection. They are likely to be highly individualised with a large number of disbursements, and perhaps this should be all at actual cost rather than including a fee for the first 40 hours.</p> <p>3. What other approaches could we use and why would those be preferred?</p> <p>a. No further thoughts.</p> <p>4. Do you agree with these proposed fees?</p> <p>We query the \$130/hr rate - it seems a little high (although not outrageous as a charge-out rate for technical staff), but the public will think it's too high.</p>	
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<p>Ministry of Health</p>	<p>The approach you have outlined makes sense for larger supplies, but how it works for small supplies should be clarified or developed further.</p> <p>The Ministry of Health is concerned that the proposed fees are likely to be unaffordable for small community supplies, including marae, and/or may be administratively unfeasible. This may lead to poor health outcomes. Has DIA already consulted with Te Tiriti partners and rural groups about these fees and charges?</p>	<ul style="list-style-type: none"> • Believes outlines proposal makes sense for large suppliers, but has concerns about implications for small suppliers • Believes proposed fees may be unaffordable and/or administratively unfeasible for small, community suppliers, including marae, and this could lead to poor health outcomes • Wants clarity on whether DIA is proposing a fee waiver/reduction process. If so, believes proposals are OK, but if not, MoH is concerned small suppliers may avoid registering or will be non-compliant • Concerned about implications for events which are not planned well in advance, for example tangi • Would like to see mention of acceptable solutions
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<p>Ministry of Health</p>	<p>In particular the Ministry has the following feedback:</p> <ul style="list-style-type: none"> • It's not clear whether you are proposing a fee waiver/reduction process. If you are, and marae and community supplies are definitely eligible, then your proposals are probably okay. But it seems unclear and without a fee waiver/reduction process small supplies may avoid registering or will be non-compliant because they don't want to draw attention to themselves by applying for an exemption. • If a rural marae needs to access an additional bore/stream to support a large tangi/other event that can't be planned well in advance, the Ministry is concerned about the cost of applying, that there will be no time for Taumata Arowai to assess the application, and that marae may not even apply because of the timeframe. Therefore, there is either a risk of ill health from a poor-quality supply or restrictions on the tangi. We note that a marae's usual supply will need to be registered in the new regulatory system and if they need to use an additional water source for every tangi, that should really be covered in their Water Safety Plan. • The paper doesn't mention acceptable solutions. We understand that small supplies which want to use end-point treatment instead of chlorination will be able to do so using an acceptable solution rather than an exemption from the residual disinfection requirement in the Bill. That seems like a sensible approach but isn't mentioned in the paper. 	
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<p>Opaki Water Supply Association Inc (OWSA)</p>	<p>OWSA management committee feedback on proposed cost-recovery fees and charges under the Water Services Bill Regulations.</p> <p>Consultation Questions and Responses:</p> <p>1. Do you agree that as a matter of principle, Taumata Arowai should require applicants for the registration of a temporary water supply (for planned events) and/or exemption to pay the full costs of providing these services?</p> <p>No. The reason being there cannot be an expectation on applicants to approve the payment of full costs when there is a lack of clarity surrounding the absolute cost of the provided services. Small and private schemes do not have surplus funds to commit to such agreements where the costs have the potential to be unlimited. In this situation there is a monopoly leaving little choice.</p> <p>2. Do you agree that the charge should be set using a fixed plus a variable rate?</p> <p>No. This fails to meet Taumata Arowai’s objective to ‘provide transparency and certainty (of costs) for applicants’ (page 2); the only certainty provided is the ‘minimum’ cost. Almost every provision stresses the likelihood of additional hours required to process applications, independent/international consultation etc., with the cost falling on the applicant.</p>	<ul style="list-style-type: none"> • Disagrees with cost recovery through a fixed cost and variable rates • Believes the lack of clarity around the absolute cost would be a hinderance to small and private schemes, who do not have surplus funds to commit money to agreements where costs have the potential to be unlimited • Argues it fails to meet Taumata Arowai’s objective to provide transparency and certainty, due to the only certainty being the minimum cost • Argues that either private schemes should be grouped with small schemes, or the cap on small schemes should be increased • Wants reassurance that qualified and experienced Taumata Arowai staff will be capable of carrying out the processing of most applications • Recommends a fixed charge for an application to be assessed and the applicant then advised of the cost going forward (two-level processing). Argues it would provide more certainty and identify the need for extra consultation • Argues the proposed framework is unrealistic and unnecessarily high for high performing, small/private scheme Believes the cost recovery achieved by the proposed fees would be insignificant
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<p>Opaki Water Supply Association Inc (OWSA)</p>	<p>3. What other approaches could we use and why would those be preferred?</p> <ul style="list-style-type: none"> - Private schemes should be grouped with ‘small schemes’, or alternatively the cap on ‘small schemes’ should be increased. OWSA supplies >500 and is classed as a ‘large scheme’, this unfairly groups schemes such as ours with entities with greater capacity to meet the proposed charges and compliance requirements. - The repetition of the likely need for Taumata Arowai to consult with independent experts, international consultants, and scientific expertise throughout the consultation document is concerning. OWSA seek reassurance of qualified and experienced Taumata Arowai staff capable of processing most applications. - Two-level processing: OWSA suggest a fixed charge for an application to be assessed and the applicant to be advised of costs going forward (one hour should cover deciding if the application can meet the drinking water standards of NZ). This will allow greater certainty of costs, particularly for applicants with limited resources and identify the need for extra consultation. - Reasonable consideration of a reasonable consent at a reasonable cost: OWSA for example can provide an extensive history of exceptional services and water quality so granting an exemption should be simply a formality. The proposed framework is financially unrealistic and unnecessary for high performing, small/private schemes. 	
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<p>Opaki Water Supply Association Inc (OWSA)</p>	<p>4. Do you agree with these proposed fees?</p> <p>No. OWSA believe the proposed cost-recovery fees and charges under the Water Services Bill are inequitable for the aforementioned reasons and the cost recovery achieved would be insignificant.</p>	
<p>Water New Zealand</p>	<p>Proposed cost recovery fees and charges under Water Services Bill regulations</p> <p>1. Water New Zealand (“Water NZ”) appreciates the opportunity to provide a submission on the proposed cost recovery fees and charges under the Water Services Bill regulations.</p> <p>2. Water NZ is a national not-for-profit organisation which promotes the sustainable management and development of New Zealand’s three waters (drinking water, wastewater and stormwater).</p>	<ul style="list-style-type: none"> • Agrees the fixed fee plus variable rate is appropriate • Believes the proposed fees appear reasonable • Supports objectives set out by DIA: effectiveness, efficiency, transparency, consultation, equity, simplicity, authority and accountability • Wants stated objectives to not only apply to fees but to the process of considering applications, for example, setting out timeframes, and consulting with the applicant if an application needs to be extended

<p>Water New Zealand</p>	<p>3. Water NZ supports the objectives outlined by the Department of Internal Affairs (DIA): effectiveness, efficiency, transparency, consultation, equity, simplicity, authority and accountability. These objectives should apply not just to cost recovery fees and charges but also to the processes for considering applications from drinking water suppliers for planned events, for general exemptions and for exemptions from residual disinfectant requirements. For example, the regulations should transparently set out the timeframes applicants should expect to abide by for applications for planned events, e.g. how many business days' notice is required to process applications. Similarly, if an application initially appears straightforward but on examination becomes more complex, that Taumata Arowai will consult with, and seek agreement from the applicant that they wish their application to continue to be processed before the water services regulator runs up higher fees.</p> <p>4. Water NZ agrees that applicants applying for a temporary water supply (for planned events) and/or exemptions should pay the full costs of Taumata Arowai providing these services.</p> <p>5. Water NZ agrees that a fixed fee plus a variable rate is an appropriate basis for charging for these services. Noting the comments set out in paragraph (3) regarding the objectives and processes for considering applications.</p> <p>6. The proposed fees appear reasonable based on the projected staff costs and overheads, and estimated timeframes for considering applications.</p>	
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<p>Christchurch City Council</p>	<p>Introduction:</p> <p>1. The Christchurch City Council (the Council) thanks the Department of Internal Affairs for the opportunity to provide comment on the proposed cost-recovery fees and charges under the Water Services Bill regulations.</p> <p>Summary:</p> <p>2. We support the preferred option of a fixed fee plus a variable rate. However, it is difficult to make a full and informed assessment of the fees and charges without knowing the requirements and expectations for water suppliers in terms of data to be submitted for exemptions and then the associated processing of exemptions for the regulator. To address this, consideration should be given to a review of fees once there is an understanding of the actual time requirements.</p> <p>Activities to be cost recovered</p> <p><u>Temporary drinking water supply (clause 33 Planned events)</u></p> <p>3. We consider the fee for an application to establish a temporary drinking water supply (s.33) – planned events to be excessive especially for community events. The fee is likely to actively discourage some events from providing water to avoid the need for an application.</p> <p>4. The consultation document mentions that ‘those that benefit should pay’ which may be appropriate for some of the very large commercial events but the majority of the city’s community-based</p>	<ul style="list-style-type: none"> • Supports a fixed-fee plus variable rate, but has questions over the specific costings, and says it is hard to make an assessment without knowing the requirements and expectations of the application process • Considers cost for application to establish a temporary supply to high, especially for community events - may discourage some events from providing water • Argues that user-pays concept may be appropriate for large, commercial events, but not for community-based events which wither make minimal profit or run at a loss. Waiver/reduction process would create additional work for event organisers • High fees make encourage organisers to truck water in, which is disappointing from an environmental perspective. Suggested a stepped approach based on numbers attending, and length of, the event, or a list of acceptable solutions • Would like clarification on what work would be required from local government in relation to application process (for example would local government need to advise Taumata Arowai that an event organiser wanted to use an unregulated water supply) • Believes \$780 fee for general exemption is reasonable but thinks residual
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	<p>events either make minimal profits which are invested back in to their community organisations, sports clubs etc or they don't make a profit at all, some running at a loss. While it is possible for some organisations to apply to waive these fees or get a reduction in fees, there is concern that this could create additional work and process for event organisers who already have so much to comply with through local government.</p> <p>5. If fees remain high it may be more viable for an event organiser to truck water in from an external source over a significant distance rather than go through the temporary drinking water process which is extremely disappointing from an environmental perspective. We would suggest a stepped approach (depending on number of people attending the event and event duration) or some 'acceptable solutions' that can be met through a checklist should be possible.</p>	<p>disinfection fee is comparatively too high (\$5,200). Unsure as to why it may only take 6 hours to assess a supplier may be exempt from supplying safe drinking water, but 40 hours to assess residual disinfection</p> <ul style="list-style-type: none"> • Believes 40 hours to assess residual disinfection is too high given requirements under the Health Act 1956 (s69Z (5)) gives drinking water assessors 20 working days to assess the entire plan • Believes expertise on residual disinfection should sit with Taumata Arowai, and if it needs to consult it should be at their expense or incorporated into 40-hours work. Alternatively <ul style="list-style-type: none"> - Drinking water suppliers should work alongside international experts to provide opinion alongside the application - A predetermined list of experts could be published with their hourly NZ rate, to enable competitive contracting and lower costs
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<p>Christchurch City Council</p>	<p>6. Additionally, clarification on how the system will work and what is required from local government would be appreciated. How will Taumata Arowai know that an event organiser is wishing to use an unregulated water source? Is this up to Councils to advise event organisers and monitor the water sources event organisers are requesting use for their events and then directing them to Taumata Arowai? Some indication of what it means at a staff level within Council would be appreciated. Our current process is a collaboration between our Events team and Three Waters team to process applications for use of water from fire hydrants for example. If this will be going through the new authority, how will this coordination occur and how would the fees be charged to cover the work and applications of both Councils and Taumata Arowai? <u>General exemptions (clause 56)</u></p> <p>7. The \$780 fee for an exemption seems reasonable, however, it is not clear why the fee for an exemption for residual disinfection is significantly higher (\$5,200). As an exemption can be for any drinking water supplier or class of drinking water supplier, it seems unclear why it might only take 6 hours to assess that a water supplier may be exempt from supplying safe drinking water, while it is anticipated that it will take 40 hours plus the likelihood of an independent international expert for residual disinfection.</p> <p><u>Exemptions for residual disinfection (clause 57)</u></p> <p>8. The variation in fees, between a general exemption and an exemption for residual disinfection is difficult to understand. The anticipated time of 40 hours to assess what is currently one small aspect of a water safety plan seems disproportionate when the current requirements under the Health Act 1956 (s69Z (5)) gives</p>	<ul style="list-style-type: none"> • Would like clarification on the application process, and whether additional fees would apply if the regulator required additional information from the supplier • Prior to a review process, would like to see Taumata Arowai submit a statement of works including breakdown of the methodology and indication of cost
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<p>Christchurch City Council continued.</p>	<p>drinking water assessors 20 working days to assess the entire plan.</p> <p>9. We also consider that the expertise to make decisions regarding residual disinfection should sit within the regulator. If Taumata Arowai would like to seek further expertise it should be at their own expense or should be incorporated within the 40 hours. This would be consistent with previous Water Safety Plan reviews where the opinions of independent international experts have been sought but the costs had not been passed on to the drinking water supplier.</p> <p>10. If this is not possible, consideration should be given to:</p> <ul style="list-style-type: none"> • Allowing the drinking water supplier to work alongside an international expert to allow them to provide their opinion alongside the application to minimise this cost. • A predetermined list of experts (and their hourly rates (in \$NZ) that are likely to be called upon. This could enable competitive contracting with the international experts by applying the same principles as those used in the three waters reform to ensure economic savings through aggregation. <p>11. For all exemptions/applications, it would be useful to clarify the process and whether there are likely to be additional fees and charges applied if an application requires additional information from the supplier. Is there a requirement to resubmit or is a stop put on the application while this is provided, similar to the resource consent process?</p>	
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<p>Christchurch City Council continued.</p>	<p>12. We would recommend that before a review process starts, Taumata Arowai should submit to the water supplier a ‘statement of works’ containing a brief breakdown of the methodology of the assessment along with an indication of cost, similar to a scope of works that our consultants have to submit before they carry out work for us.</p>	
<p>Waimate District Council</p>	<p>1. Do you agree that as a matter of principle, Taumata Arowai should require applicants for the registration of a temporary water supply (for planned events) and/or exemptions to pay the full costs of providing these services? Yes, I agree with fees, if as stated it benefits a private group i.e. private good (ideology & financial). Especially if the organisation financially benefits (profit) from the event or gathering. As for fee exemptions/waivers and fee reductions for small registered drinking water suppliers. I agree there are transparency issues and also agree with the other points raised around the disadvantage of such a process. Option/idea: For small registered drinking water suppliers, maybe allow for an initial free pre-consultation period of up to two hours with Taumata Arowai and the small registered drinking water supplier, to review and discuss the proposed exemption, and to indicate direction, requirements, other considerations plus costs. This may either help to make the process more efficient for both parties and keep cost down. Or filter issues and give transparency on any decisions to waiver or reduce fees for small registered drinking water suppliers if Taumata Arowai were to waiver or reduce fees.</p>	<ul style="list-style-type: none"> • Agrees with fees being charged if it benefits a private group (for example, an organisation making a profit off an event) • Suggests small suppliers could have a free two-hour pre-consultation period with Taumata Arowai to make the process more efficient for both parties or filter issues and give transparency over fee waivers or reductions • Agrees the fee should be set by a fixed plus variable rate as long as the applicant gets what they pay for, as opposed to “paper shuffling/rubber stamping” • Wants clarification on whether application process will include a site visit to ensure compliance • Suggest a register for temporary water suppliers could give assurance of water quality would be a high standard, and could streamline the application process

<p>Waimate District Council</p>	<p>2. Do you agree that the charge should be set using a fixed plus a variable rate? Yes, as long as the fixed fee charge is demonstrable i.e. what the applicant will get for the price of their fee (not just a lot of paper shuffling and rubber stamping). How will the applications be assessed and monitored? Is that included in the fixed fees? Will the applicants get a site visit from an officer as part of the fixed fee to confirm the system of treatment is what it is stated as in the application and temporary WSP? I think this is important that there are checks done as part of the fixed fees. So that both parties can be assured that the treatment system is not a 200-litre plastic container (ex-chemical) with a piece of chicken wire and muslin on the top to filter, that is sitting under a water fall and a tap on the bottom to draw from, potentially supplying 150 people. When it was supposed to be a pressurised filter and UV unit on trailer, with appropriate piping and valves, as per temporary WSP and conditions.</p> <p>3. What other approaches could we use and why would those be preferred? Will there be a register of Temporary Water suppliers? They could be Temporary Water suppliers who have demonstrated good treatment systems, practices and are proficient in supplying and implementing temporary water supplies to the temporary WSP and Taumata Arowai’s conditions, for events and gatherings. They could have an annual re-certification requirement and registration fee to be on the register. Taumata Arowai may allow discounted fees per planned event, because of the proven assurity of their treatment systems, process and practices (certified). Allowing certified registered Temporary Water suppliers would provide assurity of quality and volume of drinking water. As providing drinking water is a science and responsibility. This would give Taumata Arowai greater confidence in approving</p>	<ul style="list-style-type: none"> • In principle agrees with the proposed fees, but would like to see workings for the fixed fees <p>Would like clarification on who is accountable if an applicant has been approved for an exemption and then an incident, for example contamination event, occurs</p>
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<p>Waimate District Council</p>	<p>registration of a temporary water supply and avoid having to micro manage an application due to lack of knowledge and or skill. Costs? Dependant on certification process carried out by Taumata Arowai or its consultants. Registration fee does not have to be much if they have completed certification. It would be fair to have a discounted rate for the registered Temporary Water Supplier as processing them should be simpler (more efficient as they have already demonstrated and understanding of process and requirements, and should be a proofing, tick box exercise.</p> <p>4. Do you agree with these proposed fees? In principle yes, if it is based on “private good” and demonstrable. But I do not have the workings on how you came to those figures for fixed fees (i.e. processes and time to carry out those process tasks), only an hourly rate of \$130 (which is reasonable for skilled assessment and admin), so I cannot fully agree to the stated fees and charges. It would be nice to see the workings. My view and thoughts on exemptions/waivers and reduced fees are in question 1.</p> <p>I have a question and thought about this process of registering a temporary water supply and or exemptions: If the applicant applies to register a temporary water supply and it is approved, who takes the risk? For example, if a temporary drinking water supplier fails to provide safe drinking water due to an event/incident where by the drinking water becomes contaminated, and there is also an exemption for no chlorination included in the approved application/temporary WSP with conditions, who is accountable?</p>	
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<p>Whakatāne District Council</p>	<p>Thank you for the opportunity to submit on the proposed cost-recovery fees and charges under Water Services Bill regulations for drinking water suppliers.</p> <p>Whakatāne District Council (the Council) does not agree with the proposed fee for processing applications for residual disinfection exemption (submitted under section 57 of the Water Services Bill).</p> <p>The consultation document provided by the Department of Internal Affairs entitled ‘Proposed cost-recovery fees and charges under Water Services Bill regulations’ states “in considering whether to grant an exemption, Taumata Arowai will ask a water supplier to demonstrate how it will safely operate the water supply without use of residual disinfection. Taumata Arowai will likely need to engage independent experts to provide a technical review of the supplier’s response for its decision on whether to grant the exemption or not.” The Council considers that no fee should be charged for processing applications for exemptions from residual disinfection requirements. In meeting the requirements of the Water Services Bill for drinking water supply, operators are required to prepare a drinking water safety plan that identifies any hazards and associated risks relating to the drinking water supply, how those risks will be eliminated, managed or controlled, and how the drinking water supply will be monitored to ensure that drinking water is safe. At this time, a water supply owner should provide sufficient information about how it will safely operate the water supply without the use of residual disinfection. The Council believes it should not be necessary to repeat this information in a separate application for an exemption from the requirement to use residual disinfection under section 57, and any such application should not be assessed independently of the review of the</p>	<ul style="list-style-type: none"> • Disagrees with the proposed applications for residual disinfection • Suggests no fee should be charged for exemption from residual disinfection, as water suppliers are required to prepare a drinking water safety plan that identifies any hazards and associated risks related to drinking water • Believes residual disinfection should not require a separate assessment of at least 40 hours with a proposed base fee of \$5 200.
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<p>Whakatāne District Council</p>	<p>relevant drinking water safety plan that Taumata Arowai is required to undertake.</p> <p>The Council submits that Taumata Arowai should assess whether the measures in place are sufficient to ensure safe drinking water without the use of residual disinfection as part of its review of the relevant water safety plan. Processing an application for exemption from residual disinfection should therefore not require a separate assessment of at least 40 hours as assumed in setting the proposed base fee of \$5,200.</p>	
<p>Department of Conservation</p>	<p>DOC questions the ability to set fees and costs relating to the application of exemptions for drinking water supplies now, before clarity is understood on the associated rules, standards, and regulations of the Water Services Bill. We understand that consultation in relation to this will not occur until the first half of 2022. It would also be expected that the registration and exemption costs were consulted on at the same time. However, DOC has reviewed the targeted consultation material on the proposed fees and charges associated with these activities. We have significant concerns with the proposed cost recovery fees for cl. 56 and cl.57, however, these questions may be clarified with further discussion with us.</p>	<ul style="list-style-type: none"> • Questioned the ability to set fees and costs before clarity is understood on the associated rules, standards and regulations of the Water Services Bill • Has significant concerns about general exemption and residual disinfection clauses, but believes Planned Event clause will not impact DOC • Raised concerned about the potential cost for DOC to do site by site applications for general exemptions, estimating it has around 1,000 backcountry huts which would require an exemption

<p>Department of Conservation</p>	<p>The following feedback is specific to DOC, rather than general water suppliers, and relate to classes of general exemptions that we expect to submit to Taumata Arowai. Our preliminary estimate of the volume of sites for these types of exemptions are 850 Backcountry huts and 107 Backcountry campsites.</p> <p><i>DOC’s feedback on cl. 33 (planned events)</i></p> <ul style="list-style-type: none"> • Temporary drinking water supply (cl.33 Planned events) - event organisers (e.g. for a music festival) that plan to supply drinking water from an unregistered drinking water supply. <ul style="list-style-type: none"> ☐ Proposed fee: \$1,300 + \$130/hour after the first 10 hours + any additional costs incurred <p>We have assumed that it is not a common occurrence for DOC to request a temporary drinking supply for an event, such as a music concert or similar event. As this proposal is unlikely to impact us, we have no comments on the proposed fee and charges for cl. 33.</p> <p><i>DOC’s feedback on cl. 56 (general exemptions)</i></p> <ul style="list-style-type: none"> • General exemptions (cl. 56) from provisions in the Water Services Bill. <ul style="list-style-type: none"> ☐ Proposed fee: \$780 + \$130/hour after the first 6 hours + any additional costs incurred <p>It is not clear from cl.56 as to how the charges and fees would be applied for a class of drinking water supplier that is exempted from meeting the requirements of the Water Services Bill. Under cl.56(2) of the Water Services Bill, an application can be made for</p>	<ul style="list-style-type: none"> • Suggests a class-based cost-recovery scheme, rather than charging by individual supply • Believes there is a lack of clarity around requirements and rules of compliance, which makes it difficult to quantify the potential impact in terms of residual chlorination • Believes there is a lack of clarity around requirements and rules of compliance, which makes it difficult to quantify the potential impact in terms of residual chlorination • Similarly, to concerns about general exemptions, believes there should be a class-based exemption for residual chlorination exemptions, rather than charging by individual supply • Says user-pays does should not apply in DOC’s case, as it is the public, rather than DOC, who benefits from the exemptions granted to DOC huts
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<p>Department of Conservation</p>	<p>a class of supplier. The Health Select Committee’s report back to the House on the Water Services Bill included the amended example under cl.56, which reads:</p> <p style="text-align: center;"><i>“A person who supplies drinking water at backcountry huts or isolated campsites in a district, where it is impractical to provide safe drinking water and water may have to be boiled, could be exempted from requirements under a class exemption.”</i></p> <p>From discussions with DIA and Taumata Arowai to date, we understand that DOC will be able to seek exemptions for classes of drinking water suppliers. We are currently classifying our water supplies into a finite number of categories with similar characteristics, some of which would be subject to exemptions with conditions appropriate for their respective class. As stated above, we will seek exemptions for an estimated 957 Backcountry huts and Backcountry campsites, and possibly more, under cl.56 as under the class of drinking water supplier exemptions.</p> <p>The proposed fee and charges for cl. 56 are currently by site. A fee for each individual site would result in significant costs for DOC that would be incurred every five years (based on the renewal term of the exemptions). We estimate that, based on the current proposal, if exemptions were sought for an approximation of 1,000 drinking water supplies, the associated cost could be \$507,000 for a base exemption fee, allowing for around 3,882 hours (97 weeks) of work for Taumata Arowai’s staff to assess our exemptions request.</p> <p><u>In summary:</u></p>	
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<p>Department of Conservation</p>	<ol style="list-style-type: none"> 1. Since there is a provision in the legislation to issue general exemptions by classes of drinking water suppliers, then DOC submits that there should be a class-based cost recovery model that reflects the efficiency of a class application, rather than charging by the individual water supply. 2. The detail relating to the associated rules, standards, and regulations of the Water Services Bill are not yet fully defined making it difficult to accurately estimate the fiscal impact on DOC. <p><i>DOC's feedback on Clause 57 (residual disinfection)</i></p> <ul style="list-style-type: none"> • Exemptions for residual disinfection (cl. 57) - a residual disinfection exemption (such as chlorination). This will allow a supplier to adopt arrangements or use treatment methods other than chlorination to make drinking water safe. <ul style="list-style-type: none"> ❑ Proposed fee: \$5,200 + \$130/hour after the first 40 hours + any additional costs incurred <p>As referred to above, although Taumata Arowai has informally discussed the requirements and rules for compliance, this has not yet been confirmed, and is expected to be consulted on in the first quarter of 2022. This lack of detail makes it difficult for us to quantify the potential impact, and therefore creates uncertainty on the expected exemption applications. This could lead to additional costs incurred through the additional variable rate proposed. Similarly, to our comments on cl. 56, since there is provision in the legislation to issue residual disinfection exemptions by class, then there should be a class-based cost model that reflects the</p>	
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<p>Department of Conservation</p>	<p>efficiency of a class application, rather than charging by individual supply.</p> <p>Concluding comments</p> <p>The targeted consultation document states that “costs should be fully recovered from those who make applications, as the applicants gain private benefit from accessing these services.” In DOC’s case we do not think that this applies to us specifically, as we provide services for the public benefit. DOC would like to ensure a fair, yet realistic, pricing model that takes into account the public value that all those residing in New Zealand receive from having access and the ability to visit and camp on public conservation land.</p>	
<p>Irrigation New Zealand</p>	<p>1) Do you agree that as a matter of principle, Taumata Arowai should require applicants for the registration of a temporary water supply (for planned events) and/or exemptions to pay the full costs of providing these services?</p> <ul style="list-style-type: none"> • IrrigationNZ is primarily focused on assisting Taumata Arowai to develop workable rules for farms and irrigation schemes that will fall into the category of very small suppliers (0-50 people), and small rural suppliers (<500 people). The consideration of these suppliers may include scenarios whereby water is drawn from a bore, stream, or piped network to provide water to multiple rural dwellings or sheds as drinking water for families and workers. 	<ul style="list-style-type: none"> • Irrigation New Zealand is primarily focused on developing workable rules for farms and irrigation schemes that fall into the very small supplier category (0-50 people) • Believes it is premature to be developing a cost recovery scheme, as there is not sufficient information on the final rules for small suppliers, and therefore what farmers, landowners and irrigators will could apply for an exemption from

<p>Irrigation New Zealand</p>	<ul style="list-style-type: none"> • However, the requirements imposed by the Water Service Bill on smaller drinking water suppliers are still under development and thus only partly known. Arising from the on-going industry engagement, which IrrigationNZ is willingly participating in, and public consultation processes, a range of additional requirements may be expected to be drafted affecting all small drinking water suppliers. These factors will need to be considered as the new regulations come into effect over the next 3-5 years. • IrrigationNZ notes that we do not have sufficient information on what the final rules for small suppliers will be and therefore what farmers, landowners, and/or irrigators could apply to be exempted from. • Without this understanding, putting rules in place on cost recovery is premature and makes it hard to assess or to debate the relevance of this cost recovery scheme. <p>2) Do you agree that the charge should be set using a fixed fee plus a variable rate?</p> <ul style="list-style-type: none"> • IrrigationNZ suggests that the fees are to be looked at only when the rules are clearer and when the additional possible requirements are specified. This is important, as when the Bill is passed, additional administrative, reporting or monitoring requirements may follow, entailing extra costs for suppliers. • Not having a full set of rules and requirements as well as the associated costs facing suppliers will risk the regulations not meeting the efficiency criterion of the service cost recovery 	<ul style="list-style-type: none"> • Suggests fees should be looked at when rules are clearer and when the additional possible requirements have been specified • Believes a single fee amount for suppliers of various types, sizes and capabilities is not equitable • Believes the relevance of the cost-recovery model should be considered after the bill is passed • Suggests application processing fees should not apply to very small and small suppliers
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<p>Irrigation New Zealand</p>	<p>principles set out in the Guidelines for Setting Charges in the Public Sector (2017).</p> <ul style="list-style-type: none"> • The unknown extent of new changes and additional requirements may cause further uncertainty for small drinking water suppliers in part due to demand on their time and affordability concerns. • In this regard, IrrigationNZ believes that a single fee amount for suppliers of various types, sizes, and capabilities is not equitable. <p>3) What other approaches could we use and why would those be preferred?</p> <ul style="list-style-type: none"> • IrrigationNZ proposes that a practical approach of addressing the administration around the Bill is to review the sequence of changes, i.e., to address the relevance of the cost-recovery model after the Bill is passed. <p>4) Do you agree with these proposed fees?</p> <ul style="list-style-type: none"> • IrrigationNZ suggests that application processing fees should not apply to very small and/or small suppliers. 	
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