A close-up photograph of water being poured from an unseen source into a clear glass. The water is captured mid-pour, creating a dynamic splash and ripples within the glass. The background is a soft, out-of-focus blue. A large, light blue curved graphic element separates the image from the text on the right.

The Changing Face of the Three-Waters Sector

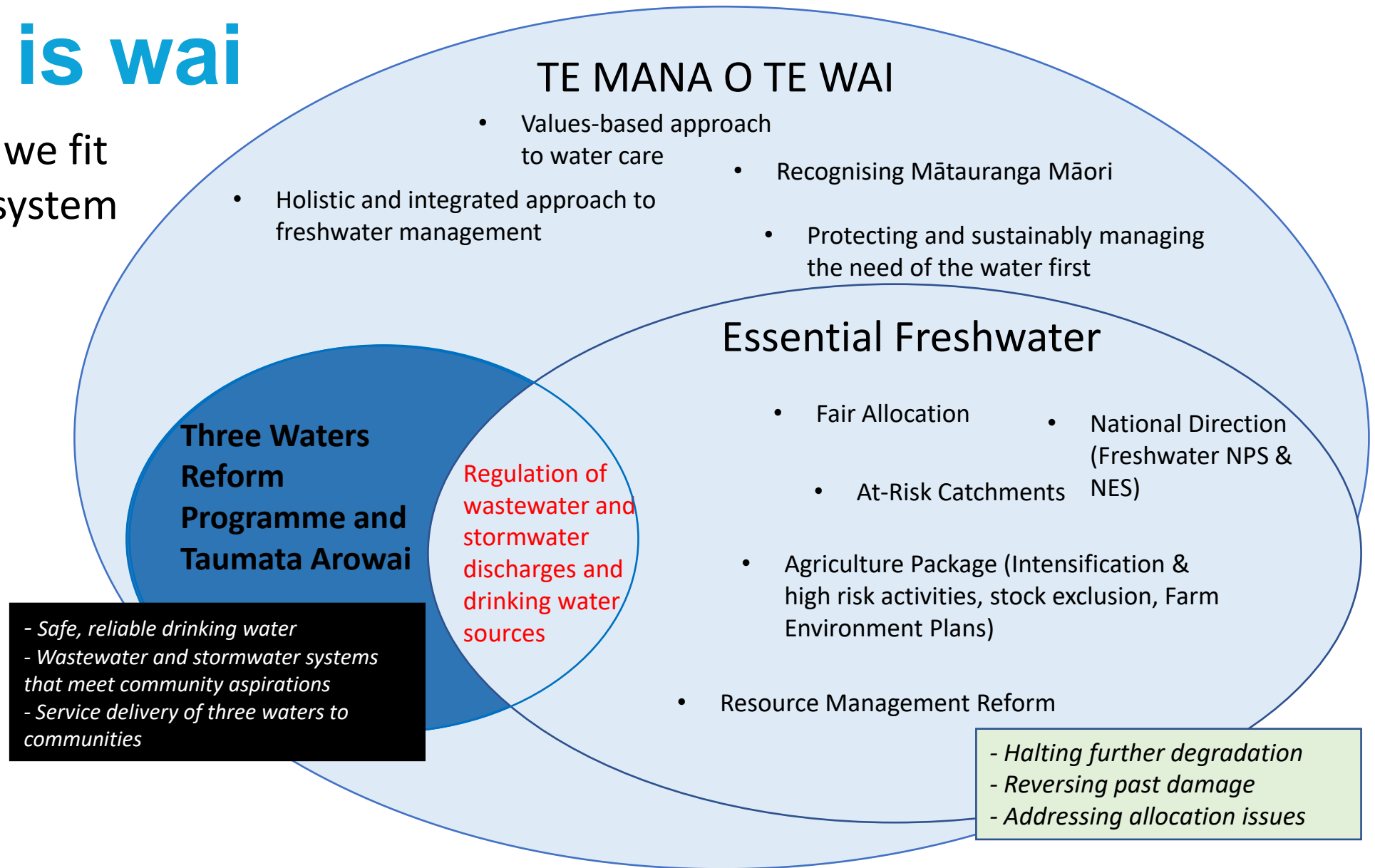
Lifelines Conference

October 21 2020

Bill Bayfield
Taumata Arowai Establishment CEO

Wai is wai

Where we fit
in this system



Comprehensive Reform: Three Pou

1. Pou tuatahi: ***Regulatory reform***. Provides the 'teeth'.
Hold suppliers to account
2. Pou tuarua: ***Taumata Arowai***. A dedicated water services regulator to administer the new regulatory regime. First Crown agency to embed Te Mana o te Wai in it carries out *its functions*
3. Pou tuatoru: ***Service delivery reform***. Equitable access to more affordable and reliable water services.

Pou tuatahi: *Regulatory Reform*



Te Tari Taiwhenua
Internal Affairs

Water Services Bill: Quick overview

1

Introduced into Parliament in July

- Informed by consultation with targeted engagement with iwi / Māori, LGNZ, Kāhui Wai Māori, and a technical advisory group.
- Sets out the regulatory framework that Taumata Arowai will administer.
- Currently proposed to go to select committee before Christmas.
- You can see the Bill here: https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_99655/water-services-bill

2

If passed will...

- Significantly strengthen the drinking water regulatory framework.
- Provide oversight and national-level reporting functions for wastewater and stormwater – “shining a light” on the system. Regional councils will continue to be regulator here.
- Incorporate requirements relating to Te Mana o te Wai.

3

Taumata Arowai will...

- Administer the regulatory framework set out in the Bill from approximately the second half of 2021.
- Taumata Arowai has already been established under separate legislation.

Fit-for-purpose approach to drinking water

- All supplies regulated apart from those which supply a single domestic household.
- Primary requirement on suppliers is to provide safe drinking water and meet drinking water standards.
- Suppliers will need to have drinking water safety plans.
- A fit-for-purpose approach, according to scale, complexity and risk profile. Not “one size fits all”.
- Designed to allow a proportionate and risk-based approach to compliance, monitoring and enforcement.

The Bill also has Important implications for water security in emergencies – more on that later.

Pou tuarua: *Taumata Arowai*



Te Tari Taiwhenua
Internal Affairs

Taumata Arowai: our future role

We will:

- ▶ Oversee, administer and enforce an expanded and strengthened drinking water regulatory system, to ensure all New Zealand communities have access to safe drinking water. That includes holding suppliers to account, if need be.
- ▶ Provide oversight of the regulation, management, and environmental performance of stormwater and wastewater networks. This includes promoting public understanding of that performance – “shining a light” (regional councils will remain the primary regulators of these networks).

The how

Our name, **Taumata Arowai**, conveys **the weight, responsibility and authority of our role as a regulator**. We are working to give effect to that name by building towards a whole system perspective of water, and lifting our sights and aspiring to the highest outcomes for three waters

We aspire to be an effective real world three waters regulator for Aotearoa, including by:

- ▶ Working collaboratively to build a strong self-directing sector, by supporting and encouraging suppliers – initially focused on safe drinking water
- ▶ Having a transparent regulatory strategy, so suppliers and others will know what is expected of them, and us
- ▶ Empowering people by providing information on safe drinking water, as well as wastewater and stormwater network performance
- ▶ Taking a proportionate and risk-based approach to compliance, monitoring and enforcement (“fit-for-purpose”).

More on the how...

As a real world three waters regulator, our mahi will be informed by two other considerations:

- ▶ Being clear on who is responsible for what

We will monitor and assess compliance, but we won't act as an approver of things that the supplier is required to do to meet their duty to all those that they supply drinking water to, e.g. water safety plans

- ▶ And (importantly)...We will hold suppliers to account

While we want to work collaboratively with drinking water suppliers, we will also be holding them to account if they are not providing safe water

Te Mana o te Wai



- ▶ Māori Advisory Group to advise on Māori interests and knowledge. Will work closely with Board, which must demonstrate it has given regard to Māori Advisory Group's views
- ▶ Proud to be the first Crown agency to embed Te Mana o te Wai in how we carry out our functions
- ▶ Māori have always taken a whole-of-system approach to water, looking at the whole picture: ki uta ki tai
- ▶ This approach recognises that Te Ao Māori world views consist of fundamentals of tikanga, mātauranga Māori and kaitiakitanga
- ▶ Will continue to engage with iwi/Māori on how we give effect to Te Mana o te Wai, and what guidance we can give the sector on giving effect to it.

The timeline for Taumata Arowai

- ▶ The Taumata Arowai – the Water Services Regulator Act 2020 was passed in July. Establishes Taumata Arowai as a Crown agent, sets out our objectives, functions, allows for Board and Māori Advisory Group to be established
- ▶ Taumata Arowai will stand up as an entity once our Board and Maori Advisory Group are in place – anticipating March 2021
- ▶ We expect to be fully operational in the second half of 2021. Exact date to be determined by when the Water Services Bill is passed.

The Ministry of Health will continue to be the regulator for drinking water safety until Taumata Arowai is operational in the second half of 2021

Pou tuatoru: Service Delivery Reform



Te Tari Taiwhenua
Internal Affairs

Affordability and capability challenges

- ▶ It is often difficult for smaller, rural and provincial councils to develop the capabilities required, and to access and retain people with specialist skills
- ▶ New Zealand's public water infrastructure is run down and needs upgrading, but local government often doesn't have the resources needed to fix it
- ▶ At least 34,000 New Zealanders become ill from drinking tap water every year and many communities around the country cannot drink their water without first boiling it
- ▶ Meeting environmental expectations and resilience to climate change are growing concerns.

Quick overview

1 An opt-in reform programme for councils

With an initial **\$761 million funding package** from central government, and designed to support economic recovery post COVID-19 and address persistent systemic issues facing three waters, by:

- stimulating investment and job creation to assist with **economic recovery**;
- reforming water service delivery, **into larger scale providers**, to realise significant economic, public health, environmental, and other benefits over the medium to long term.

2 Phased delivery

The reform programme will be undertaken in phases, each informed by the previous stage.

This first phase has seen Councils to sign up to a **non-binding MOU** to share information and participate in reform programme. This **does not commit to a transfer to the entities**.

This is a **good faith** agreement to work together.

3 3-year horizon

Subsequent phases will occur over the **next 3 years** and will require close collaboration, **including with input from iwi/Māori**.

Reform design features

Design features that the proposed reform programme should examine, as a minimum:

- 1** Water service delivery entities that are:
 - **of significant scale** (most likely multi-regional) to enable benefits from aggregation to be achieved over the medium- to long-term;
 - **asset-owning entities** with balance sheet separation, to support improved access to capital, alternative funding instruments and improved balance sheet strength; and
 - **structure as statutory entities** with appropriate and relevant commercial disciplines and competency-based boards.
- 2** Mechanisms for enabling iwi/Māori and community to provide input in relation to the new entities.
- 3** Publicly owned entities, with a preference for collective council ownership.
- 4** Delivery of drinking water and wastewater services as a priority, with the ability to extend to stormwater service provision only where effective and efficient to do so.

Water security and the three water reforms

- ▶ Two aspects to the reforms that have particular implications for water security:
 - Changes to what will be required in suppliers' drinking water safety plans and
 - The emergency powers within the Water Services Bill
- ▶ New Zealand's future water security is facing threats from climate change and other factors.



Water security and water safety plans

- ▶ The water safety plans requirements under Taumata Arowai will take risk management of the quality and quantity of source water to new levels
- ▶ Under the Water Services Bill suppliers would be required to ensure sufficient quantity of drinking water and in their water safety plans they will need to demonstrate how they would mitigate risks to quantity and quality
- ▶ If an unforeseen outage of supply lasts more than eight hours, Taumata Arowai must be informed and the supplier must find an alternative source (eg water carriers)
- ▶ If at risk of not being able to maintain sufficient supply, supplier must inform Taumata Arowai, Fire and Emergency and local authorities

The Water Services Bill and water security

The Bill contains extensive powers enabling Taumata Arowai to declare, and to support and direct the management of, drinking water emergencies arising from major infrastructure damage, contamination events, or droughts, after consulting our Minister. These include the ability to:

- ▶ Direct that water be taken from an alternative source
- ▶ Prohibit the use of drinking water for non-urgent purposes (such as watering domestic gardens, car washing)
- ▶ Direct that water is to be supplied to consumers by water carriers
- ▶ Direct a territorial authority to supply drinking water to another district
- ▶ Cancel a non-essential large public event or gathering, which would require additional water supplies which are not available

During an emergency, Taumata Arowai, and those that we direct, can also be exempted from certain breaches of the Resource Management Act

A drinking water emergency can continue even if an emergency has been declared or ceased under other legislation. While initially limited to 28 days, in certain circumstances, Taumata Arowai can request regulations extending that time up to two years.

Water Security: the future

- ▶ Climate change causes greater weather variability increasing the intensity and frequency of drought and flood events, creating stresses for our response and recovery framework
- ▶ That adds to increasing pressure on supplies due to population growth increasing rural use and old infrastructure
- ▶ Review needed of water security risk management governance arrangements and regulatory tools to address these challenges
- ▶ Nature of Taumata Arowai's role in managing these challenges, still to be determined. Other reforms, such as water service delivery, will also need to play a part.

New Zealand's most significant risk:

**Risk to potable water supplies
(availability and quality)....**

Scored 93/94

*- New Zealand's first National Climate
Change Risk Assessment ,
MfE August 2020*

Ngā mihi Thank you

Taumata Arowai Establishment Webpage: <https://www.dia.govt.nz/Taumata-Arowai-Establishment-Unit>

Reform Programme Webpage: <https://www.dia.govt.nz/Three-Waters-Reform-Programme>

Email: threewaters@dia.govt.nz or **Email:** taumata.arowai@dia.govt.nz



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