



September 2025

LOCAL WATER DONE WELL

Factsheet: Economic regulation and consumer protection

This is one of a series of factsheets giving an overview of key aspects of the Local Government (Water Services) Act 2025 and the associated Local Government (Water Services) (Repeals and Amendments) Act 2025.

It updates the *Factsheet: Economic regulation and consumer protection* shared in December 2024, to reflect changes made through the Parliamentary process.

Together, the Local Government (Water Services) Act 2025 (referred to as **the standalone Act** in this factsheet) and the Local Government (Water Services) (Repeals and Amendments) Act 2025 (referred to as **the Repeals and Amendments Act** in this factsheet) set out the enduring settings for the new water services system. They are the third tranche of legislation in the Government's three-stage process for implementing Local Water Done Well.

This factsheet provides an overview of the new economic regulation and consumer protection regime for water service suppliers under Local Water Done Well. It covers the new tools available to the Commerce Commission (the Commission) for carrying out this new regulatory role.

It should be read alongside other Local Water Done Well factsheets.

What does the legislation do?

The Government has established a new economic regulation regime under Local Water Done Well, to be implemented by the Commission.

The regime will give New Zealanders peace of mind that councils and water organisations are spending sufficient revenue (collected through rates or water charges) on water infrastructure.

The Commission has a range of regulatory tools to help achieve this outcome, starting with mandatory information disclosure by water service suppliers to promote efficient practices and protections for consumers.

The Repeals and Amendments Act amends the Commerce Act 1986 to provide for the economic regulation regime.

What is economic regulation and consumer protection?

Economic regulation is a way of influencing the price and quality of products and services supplied by natural monopolies where consumers have limited choices, such as water services. New Zealand currently has economic regulation regimes in place for several sectors, including certain international airports, gas pipelines services, electricity lines services and fibre networks.

Consumer protections are safeguards for consumer interests, such as effective procedures for consumer complaints.

Who will be subject to the regime?

Any water service provider under the standalone Act (councils and/or water organisations) that makes core decisions about water supply and/or wastewater services will be a regulated supplier under the regime. This means there could be more than one regulated supplier within a geographic location if councils choose a split decision-making model.

A supplier will be subject to economic regulation if they make decisions about either or both of the following:

- capital and operating expenditure
- revenue recovery or charging levels.

Chatham Islands Council, community suppliers, private schemes, Crown suppliers, and private third-party contractors will be excluded from the regime unless brought in via designation at a later stage.

What is the Commission's role?

Economic regulation

The Commission has a range of tools to promote sufficient revenue recovery, and efficient investment and maintenance so that water services meet regulatory requirements and are delivered at a quality that communities expect. Some of these tools will only be made available to the Commission after consultation with stakeholders and a recommendation to, and a decision by, the Minister of Commerce and Consumer Affairs.

These tools are set out in the table below.

Tool	How it works
Information disclosure	Regulated suppliers will be required to publicly disclose information in a prescribed form set by the Commission. These requirements will build on information provided under water service delivery plans in 2025 – and align, where possible, with similar information

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	<p>contained in the documents in the new planning and reporting framework for water services provided for in the standalone Act (see separate factsheet).</p> <p>The Commission will analyse information provided by regulated suppliers to improve transparency and accountability and identify whether further regulatory intervention is necessary.</p> <p>This information will help consumers to understand how their supplier – and other suppliers – are performing.</p> <p>The Commission is expected to set the initial requirements for information disclosure within six months after the commencement of the Repeals and Amendments Act (by early 2026).</p>
Revenue thresholds	<p>The Commission is able to set minimum and/or maximum revenue thresholds to issue clear expectations to suppliers regarding what level of revenue needs to be collected for investment in, and operating of, water infrastructure.</p> <p>If the Commission finds that a regulated supplier is not recovering enough revenue to invest sufficiently in water infrastructure over time, the Commerce Commission will be able to recommend further tools are deployed, based on specifically identified problems.</p>
Financial ring-fence	<p>The Commission is able to impose requirements that give effect to:</p> <ul style="list-style-type: none"> • the financial ring-fencing principle that applies to all water service providers. For example, by requiring ring-fencing of revenue for investment in an individual type of water service, asset, or project, or held in reserve; and • the requirement for water organisations not to pay a dividend to their shareholders that could compromise the organisation’s ability to sustain long-term investment in its water services while meeting all regulatory requirements.
Quality regulation	<p>The Commission will be able to set infrastructure and service quality standards and quality incentives to incentivise improvements in quality. These standards and incentives can drive outcomes related to resilience and reliability, such as the frequency and duration of network interruptions or water losses.</p> <p>The Repeals and Amendments Act includes a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commission this tool.</p>

Tool	How it works
Performance requirement regulation	<p>The Commission will be able to require regulated suppliers to take certain actions to improve performance, such as to make certain types of investments, to consult or seek approval from the Commission on investment programmes, or to undertake cost-benefit analysis.</p> <p>The Repeals and Amendments Act includes a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commission this tool.</p>
Price-quality regulation	<p>Depending on performance, the Commission may be given the power to set, for specific suppliers, maximum and/or minimum revenues, and/or maximum and/or minimum prices, alongside minimum quality standards and performance requirements.</p> <p>This would follow an assessment by the Commission of actual revenues against any Commerce Commission-set threshold. Setting maximum revenues and minimum quality standards is similar to the Commission’s role regulating gas pipeline and electricity lines services.</p> <p>Price-quality regulation will be applied to Watercare from the day after the interim regulatory regime in the Local Government (Water Services Preliminary Arrangements) Act 2024 ends. This is expected to be from 1 July 2028.</p> <p>For all other suppliers, the Repeals and Amendments Act includes a regulation-making power that enables the Minister of Commerce and Consumer Affairs to give the Commission this tool.</p>

Consumer protection

The new consumer protection regime recognises that councils have strong relationships with their communities and established customer processes designed for their individual circumstances. The Government does not consider it is appropriate to impose additional regulation and associated compliance costs unless there is a clear need for it.

The Commission will be able to monitor how consumers are treated by regulated suppliers through information disclosure. If information gathered reveals that issues exist, a range of tools will be available to allow consumer protections to be strengthened.

These tools are set out in the table below.

Tool	How it works
Complaints regulations	<p>Regulations could be made specifying requirements relating to complaint processes, the provision of information on complaints, the recording of complaints, and/or reporting.</p> <p>The Minister of Commerce and Consumer Affairs is able to recommend these regulations are made.</p>
Dispute resolution regulations	<p>Regulations could be made specifying requirements relating to external dispute resolution.</p> <p>This could include that regulated suppliers must provide an external dispute resolution pathway, what this must be or criteria it must meet, which suppliers the requirements apply to, any rules that must be followed, and funding specifications.</p> <p>The Minister of Commerce and Consumer Affairs is able to recommend these regulations are made.</p>
Guidelines on service quality codes	<p>The Commission has the power to issue guidelines to regulated suppliers on matters relating to a service quality code, at any time, if needed. Regulated suppliers would be expected to take these on board when developing their approach to matters such as customer service, billing transparency, and communication about network outages.</p>
A mandatory service quality code	<p>The Commission has the power to develop and implement a service quality code that regulated suppliers must comply with, if:</p> <ul style="list-style-type: none"> • there is no sector-led service quality code; or • the Commission is satisfied that the consumer protection purpose statement could be better met by a mandatory code. <p>The development of a mandatory code could be initiated by the Commission, or at the request of the Minister of Commerce and Consumer Affairs.</p>

What does this mean for consumers?

The economic regulation and consumer protection regime will, over time, give communities across New Zealand confidence that water service providers are on a path to ensuring access to quality water services for decades to come.

It will help households and businesses understand whether the amount they pay for water services reflects the costs of those services. It will also give New Zealanders peace of mind that water service suppliers are investing appropriately in quality infrastructure and services.

What does this mean for regulated suppliers?

The economic regulation regime will be flexible and proportionate, in line with suppliers' different needs and situations. The Commission will be able to set individual requirements for certain suppliers, and common regulations where appropriate.

The regime applies to water supply and wastewater services and provides flexibility to include stormwater services at a later date, if necessary.

Information disclosure is the key regulatory tool and applies to all regulated suppliers. The Commission will be able to implement other regulatory tools as needed, on a case-by-case basis.

Implementation of the regime is staged, allowing the Commission to engage with the local government water services sector and assist regulated suppliers to understand their obligations.

The expected timelines for each economic regulation tool coming into effect, alongside other key milestones, are set out in the table below.

Milestone	What this means for suppliers
Aug 2025 Full economic regulation regime comes into effect	Stakeholders will be asked to provide feedback on the Commerce Commission’s consultation on draft initial information disclosure requirements.
Sep 2025	Through their water services delivery plans, councils provide baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital expenditure, as well as necessary financing arrangements. This information is shared with Commission to inform the development of the economic regulation regime.
Early 2026 Information disclosure	The Commission is required to set the initial requirements for information disclosure within six months after the commencement of the Repeals and Amendments Act.
From 2026 , when necessary Revenue thresholds and financial ring-fence	Suppliers could be subject to revenue thresholds. This means they will receive a clear direction from the Commerce Commission about the level of revenue they should collect. Suppliers could be subject to requirements that give effect to the financial ring-fencing principle and conditions with respect to dividends. The Commission will monitor compliance with any requirements it sets and can enforce any breaches that occur after 1 July 2027.
From 2026 , if required, after designation Quality regulation	Under quality regulation, suppliers could be subject to quality standards or quality incentives to improve services.
From 2026 , if required, after designation Performance requirement regulation	Under performance requirement regulation, suppliers could be required to perform certain actions to improve performance.

Milestone	What this means for suppliers
From mid-2026 , if required, after designation Price-quality regulation	Under price-quality regulation, suppliers could be subject to minimum and/or maximum prices, and/or minimum and/or maximum revenues, alongside quality and performance requirements.
Late 2027 Information disclosure	Suppliers are expected to make the first information disclosures under the new regime, based on the 2026/27 financial year.

How will the regime be funded?

It is intended that the costs the Commission incurs in its economic regulation of water services will be recovered through a levy on regulated suppliers from 1 July 2025. This is similar to the approach used in other regulated infrastructure monopolies, such as electricity lines services.

In early 2025, the Ministry of Business, Innovation and Employment consulted on a discussion document setting out the Government’s proposed levy arrangements. To read the consultation document, visit <https://www.mbie.govt.nz/have-your-say/seeking-feedback-on-a-proposed-levy-to-recover-commerce-commission-costs-of-regulating-water-services>.

The Government is expected to shortly make decisions on a levy design, with the aim of levy regulations coming into effect as soon as possible. The levy power enables costs to be recovered from 1 July 2025 even if the levy regulations come into effect after this date.

Next steps

The Commission is implementing the full economic regulation regime. It will work with the local government water services sector to build understanding of economic regulation, and the various tools available under the regime.

Further information

The Local Government (Water Services) Act 2025 and Local Government (Water Services) (Repeals and Amendments) Act 2025 are available at www.legislation.govt.nz

For further information about water services economic regulation and consumer protection, visit [Economic regulation of goods or services | Ministry of Business, Innovation & Employment](#)

For further information about Local Water Done Well, including guidance and information for councils, visit www.dia.govt.nz/Water-Services-Policy-and-Legislation

For further information about the Commission’s role as the economic regulator, visit <https://comcom.govt.nz/regulated-industries/water-wai>

Questions? Contact waterservices@dia.govt.nz