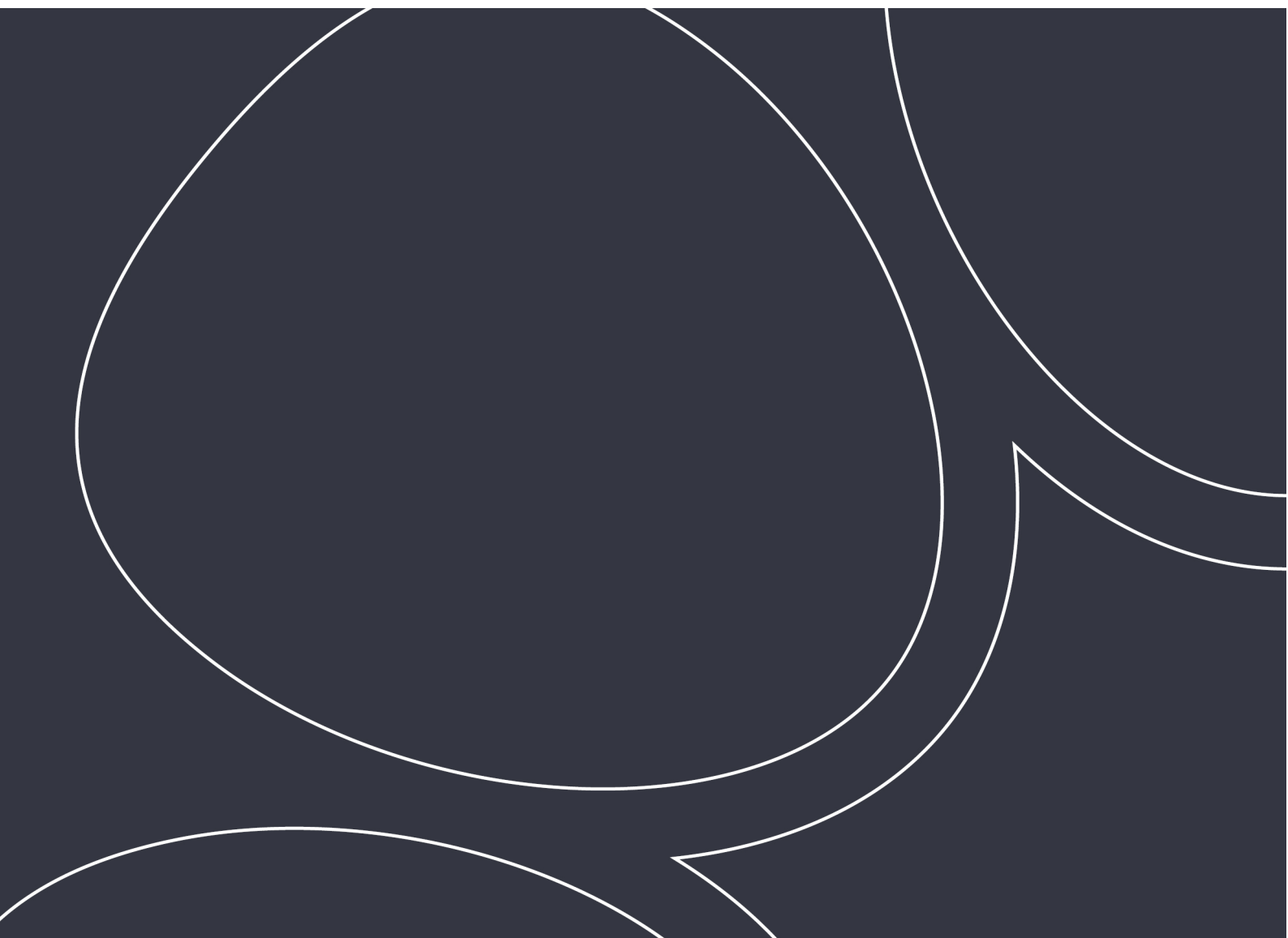


Proposed regulation of water and sewerage services in regional and remote areas

Consultation guide for small service providers, and regional and remote stakeholders



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1. Introduction

Water and sewerage services are essential, supporting health, liveability, local businesses and economic development. People expect these services to be safe, reliable and affordable, whether they live in a major town, a regional centre or a remote community.

The Northern Territory Government, led by the Department of Treasury and Finance, is reviewing how water and sewerage services are regulated. Economic regulation means setting rules and oversight arrangements so service providers are transparent, accountable and focused on the long-term interests of customers and communities.

1.1. Reform directions

Following an initial consultation with stakeholders, Department of Treasury and Finance released reform directions in early 2025, which outlined the Territory Government's intention to improve economic regulation of water and sewerage services by:

- expanding the coverage of the economic regulatory framework to service providers across the Territory
- applying a consistent and transparent method to decide what form and level of regulation should apply, to ensure regulation is proportionate to the scale of service provision
- ensuring customers in similar service areas receive similar customer protections, rights and information about service performance.

The reform directions recognised that small service providers should not necessarily face the same requirements as a large provider. Instead, regulation for small providers should focus on the most important protections and transparency requirements, to ensure the costs of meeting regulatory requirements don't exceed the benefits they bring.

1.2. Purpose of this paper

This paper focuses on proposed regulation of regional and remote service provision, and is intended to accompany the more detailed Regulatory Framework design – Discussion paper. These documents build on the reform directions. This paper:

- provides more detail on the regulatory requirements being considered for small service providers in regional and remote areas
- outlines the changes to the *Water Supply and Sewerage Services Act 2000* needed to enact the proposed reforms.

Feedback is welcome on any aspect of this paper, however Department of Treasury and Finance is particularly seeking feedback on the proposed changes to the *Water Supply and Sewerage Services Act 2000* as the detailed requirements for small service providers will be developed in consultation with stakeholders after introduction of the Act.

2. Current regulation

The *Water Supply and Sewerage Services Act 2000* is the Territory's main legislation for economic regulation of water and sewerage services. At present, regulation applies to licensed supply areas declared by the regulatory minister, who is the Treasurer. These areas include Darwin, Alice Springs, Katherine, Tennant Creek and 12 minor urban areas.

Power and Water Corporation is currently the only licensed water and sewerage services provider under the Act, and therefore the only provider currently subject to economic regulation.

The Utilities Commission is government's independent economic regulator, however the Utilities Commission currently has a relatively limited role in regulating water and sewerage services in the Territory.

Outside declared licence areas, water and sewerage services are delivered through a range of arrangements. These include services provided by Indigenous Essential Services, regional councils, Aboriginal corporations, private contractors, Aboriginal community associations, local governments and other entities.

3. Why reform is needed

The proposed reforms are intended to ensure customers and communities across the Territory benefit from appropriate protections and greater transparency, regardless of who provides their water and sewerage services.

The reforms will also support the long-term sustainability of these services. This includes making sure regulation helps identify service risks, supports better decision-making, and provides clearer information to government, customers and communities about service performance and outcomes. However, government recognises that regulation has costs, and for small service providers with relatively limited resources, regulatory requirements need to be targeted to ensure the costs do not exceed the benefits that regulation provides.

4. Proposed reforms

It is proposed that all service providers will be required to be licensed by the Utilities Commission, except for certain self-supply, including Homelands and roadhouses with reticulated infrastructure for accommodation, and on-supply arrangements such as body corporates.

The licensing provisions in the *Water Supply and Sewerage Services Act 2000* that will apply to small service providers will be tailored to reflect their individual circumstances and scales of service delivery. This would be given effect by the *Water Supply and Sewerage Services Act 2000* requiring the Utilities Commission to consider the scale and nature of service delivery when determining or recommending licence conditions.

As noted in the reform directions paper, development of proportionate economic regulation will be guided by the principles that regulation should:

- increase transparency of service provision and outcomes for customers and the community
- be targeted to maximise benefits for customers and the community while ensuring costs do not exceed benefits
- be flexible to accommodate different service delivery models and existing good practice

- support service providers to improve their service provision in line with good industry practice.

Drawing on these principles, it is proposed that regulation of small service providers should focus on:

- improving transparency and reporting
- ensuring key customer protections are in place.

4.1. Improved transparency and reporting

A key part of the proposed approach is to improve transparency. This means customers, communities, government and other stakeholders should have better information about how water and sewerage services are performing.

It is proposed the Utilities Commission provides to the minister and publicly release an annual report on the performance of water and sewerage service providers in the Territory. The purpose of this report would be to identify issues needing attention and areas where service provision could improve.

Reporting would focus on key risks and outcomes for customers. This may include information about:

- water quality, supply reliability and supply security
- planned and unplanned supply interruptions
- water restrictions
- complaints about water services
- wastewater service reliability and quality
- sewage overflows, sewer main breaks, odour and other complaints
- compliance with relevant environmental requirements.

The Utilities Commission in consultation with service providers will determine the exact information to be collected and reported. The requirements may need to be tailored to different providers and evolve over time.

4.2. Customer protections

Another key part of the proposed approach is to ensure customers of small service providers have similar basic protections as those afforded to customers of Power and Water Corporation. It is proposed that small service providers be required to prepare a customer contract approved by the Utilities Commission. The contract would explain the rights and responsibilities of customers and the provider, and also explain how complaints and disputes will be managed. A customer contract should be written in clear and accessible language. Its terms and conditions should be fair and reasonable.

It is also proposed that small service providers prepare a summary of the customer contract in a form approved by the Utilities Commission, and provide that summary to customers.

These requirements would help customers understand what they can expect from their service provider, what their responsibilities are, and what they can do if they have a problem with their service.

4.3. Possible additional requirements if needed

The proposed approach starts with proportionate regulation focused on transparency and basic customer protections. However, the framework would also allow additional requirements to be introduced if this initial approach does not achieve the intended outcomes. This means the framework could respond if information collected by the regulator shows stronger protections or additional requirements are needed for particular providers or circumstances.

The existing provisions in the Act that allow the Utilities Commission to take over a licensee's operations in serious circumstances would also remain. These provisions apply where the Utilities Commission considers it necessary to ensure water or sewerage services continue to be provided to customers.

5. Legislative changes

The following changes to the *Water Supply and Sewerage Services Act 2000* will be needed to allow for proportionate regulation of small service providers across the Territory:

- remove sections relating to water supply and sewerage services areas, which would result in all water supply and sewerage service providers being required to hold a licence
- include an obligation for the Utilities Commission to review and report to the minister on water service providers' performance and publish the report
- include a requirement for the Utilities Commission to consider the nature and scale of the operations of the water service providers when determining or recommending licence conditions.

As noted above, it is intended the detailed requirements for small service providers will be developed in consultation with stakeholders after the introduction of the reformed *Water Supply and Sewerage Services Act 2000*. For small service providers, Department of Treasury and Finance acknowledges implementation will require careful planning, consultation and transitional arrangements because these providers have not previously been regulated under the economic regulatory framework.

The detailed requirements would be enacted through subordinate instruments such as regulations, codes or guidelines, which would allow the framework to adapt over time as service delivery arrangements, community expectations and good practice develop.

6. Next steps

Department of Treasury and Finance will begin developing drafting instructions for the reformed Act during the second half of 2026, with the aim of introducing the Act in 2027, subject to Cabinet approval.

While feedback is welcome on any aspect of the proposed reforms, Department of Treasury and Finance is particularly interested in stakeholder feedback regarding the proposed changes to the *Water Supply and Sewerage Services Act 2000*, which will assist in developing drafting instructions. Further consultation on the detailed requirements will likely begin in late 2027 following the introduction of the Act.