



Network Upgrade Charge Policy

Effective 1 February 2009

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1. Introduction

Metrowater is committed to an on-going programme of capital investment to meet increased demand for network capacity, partially driven by increased Developments and new service connections.

The plans for the development and expansion of Auckland City's water and wastewater networks are contained within the Metrowater Asset Management Plan (AMP). The cost of this infrastructure is assigned to the key drivers of level of service, Growth, and renewals.

The Network Upgrade Charge (NUC) is a charge imposed by Metrowater pursuant to its terms of trade with customers to recover, from those contributing to that increased Growth and demand, the fair share of infrastructure investment attributable to Growth.

The NUC is charged on a Household Unit Equivalent (HUE) basis, a HUE being the demand for services from a typical Residential Unit.

This policy outlines the basis for the NUC for various use types and provides guidance for applicants and those administering the charges.

2. Growth Costs Model

2.1 Growth Costs

Metrowater's Growth Costs will be incurred as lump sums, when Metrowater invests in capital projects that provide network capacity in excess of existing demand at the current levels of agreed service. For example, most asset replacement projects will be sized to replace the original capacity of the aged asset plus some additional capacity for anticipated future growth.

NUCs may be charged by Metrowater in advance of Growth Costs actually being incurred by Metrowater, as a contribution to future Growth Costs.

2.2 Cost Allocation Methodology

The Cost Allocation Methodology used in this Policy is referred to as "Modified Shared Drivers". This methodology is applied to the 20 years of capital works projects in the Metrowater Asset Management Plan 2007.

The Modified Shared Drivers approach takes the planned costs of a proposed project and assigns them to the key drivers:

Renewal

Renewal costs arise from replacing an existing asset with a modern equivalent asset to the same function and capacity at the end of its life.

Level of Service

Level of service costs arise from replacement, upgrading or installation of new assets to achieve:

- Discretionary customer outcomes defined in levels of service, such as security of supply, pressure and flow

- Compliance with statutory obligations defined in the levels of service, such as capacity for fire-fighting, water quality and health and safety.

Growth

Growth Costs arise:

- from projects which have a shared benefit for existing and future communities (only the future community benefit is included as a Growth Cost), or
- are directly caused by demand from future communities.

This methodology is consistent with the principles underlying development contributions in the Local Government Act 2002.

3. Network Upgrade Charge (NUC)

3.1 Triggers for NUC charges

The trigger for Metrowater charging a NUC typically occurs when:

- a Building Consent under the Building Act 2004 is approved by Auckland City Council; or
- an authorisation for a new or upsized service connection is approved by Metrowater.

3.2 Amount of NUC

Metrowater will determine the amount of the NUC from time to time by applying the principles set out in this Policy. The total charge will be determined from the number of HUEs applicable to the Development.

As at 1st July 2009, the total charge per HUE is \$X,XXX (Incl. GST) for Residential and Non-Residential use types. This is made up of growth charges relating to projects carried out by Metrowater and its subsidiary contractors, as well as a proportion of those carried out by Watercare.

NUC charge = no. of HUE * \$3,861 (incl. GST).

3.3 Basis of Charging NUCs

Demand for services is measured in HUEs, and the NUC charge for each Development to which section 3.1 applies shall be based on the number of HUEs generated by that Development, as determined below:

- Developments with a Residential use type, under section 3.4;
- Developments with a Non-Residential use type, under section 3.5; or
- Developments with mixed Residential and Non-Residential use types, under sections 3.4 and 3.5, depending on the use type of each Development.

The use type of each Development is specified in section 6.

A HUE is assumed to have the following Native Units of capacity and demand for water supply and wastewater services:

Asset Group	Unit	Measure	Basis
Water Supply	Litres/household/day (AADWD ¹)	504 L/HH/day	180l/capita/day @ 2.8 persons/household on average
Wastewater	Litres/household/day (ADDWF ²)	378 L/HH/day	135l/capita/day @ 2.8 persons/household on average

3.4 HUEs for Developments with Residential Use Types

The HUEs generated by a Development with a Residential use type are:

Residential	1.0 HUE per additional Household Unit
Retirement Villages	0.5 HUE per Residential Unit
Small Dwelling	1.0 HUE for a Small Dwelling having a total area of 100m ² , adjusted on a proportionate basis for a Small Dwelling with a smaller total area, with a minimum of 0.60 HUE. <i>For example, if the size of the Small Dwelling is 80m² the adjustment reduces the HUE assessment to 0.8 HUEs (80%).</i>

3.5 HUEs for Developments with Non-Residential Use Types

The HUEs generated by a Development with a Non-Residential use type are calculated in accordance with the following table, unless the development qualifies for a special assessment under section 3.5.2.

3.5.1 Standard Assessments

The standard assessment of the HUEs generated by a Development with a Non-Residential use type is based on the use and size of the Gross Floor Area of the planned Development under the following categories:

Land use	HUE/m ² GFA
Accommodation	0.0056
Retail	0.0065
Industry	0.0056
Office/Commercial	0.0056
Restaurant	0.0090

¹ AADWD: Annual average daily water demand

² ADDWF: Average daily dry weather flow

Warehouse	0.0056
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3.5.2 **Special Assessments**

Some Developments with a Non-Residential use type will generate actual demand that is much higher than the notional demand assumed under sections 3.3 and 3.5.1, and therefore require a special assessment of the HUEs being generated.

Metrowater may make a special assessment of HUEs if:

- Metrowater determines that a Development will generate actual demand of more than twice the notional level of demand calculated under sections 3.3, 3.4 and 3.5.1;
- Metrowater considers that the type of Development is not adequately covered by the standard categories in section 3.5.1, for example Developments such as:
 - Rest Homes
 - Schools and Universities
 - Hospitals
 - Drive-through restaurants
 - Service Stations (with or without Retail facilities); or
 - Wet use types.

If a special assessment is required, the Developer will be required to provide detailed calculations of the Development's water supply and wastewater demands in Native Units (AADWD, ADDWF) to enable Metrowater to assess the HUEs generated by that Development using the standard Native Unit/HUE conversions.

3.6 **When NUCs are Imposed**

As the sequence of development is not always consistent, Metrowater may impose a NUC:

- at any time after one of the triggering events in section 3.1 has occurred; or
- if at any subsequent time Metrowater becomes aware that the actual total HUEs of a new development exceeds the HUEs in respect of which NUCs have been paid.

3.7 **When NUCs are Payable**

NUC shall be payable:

- 180 days from the earlier of the date on which a Building Consent is granted or Code Compliance Certificate is issued, under the Building Act 2004; or
- prior to the new service connection being connected;

as the case may be, depending on the triggering event under section 3.1, or otherwise within 60 days of receiving notification from Metrowater that the actual total HUEs of a new development exceeds the HUEs in respect of which NUCs have been paid.

3.8 Metrowater's Obligations

Metrowater will ensure that all monies collected by Metrowater through the Network Upgrade Charge are only used to fund the infrastructure assets attributable to Growth.

Metrowater will recalculate the Network Upgrade Charge periodically to reflect any changes in Metrowater's infrastructure investment plan and to ensure that the charge fairly reflects the costs of infrastructure assets attributable to Growth.

Metrowater will identify levels of NUC income and Growth-related investment and report these in its annual report.

4. Significant Assumptions

4.1 Summary

Throughout the entire process of determining NUC, Metrowater has used the best available information. As more accurate or up-to-date information becomes available it will be used.

Any significant updates that would cause a maximum NUC to be increased or decreased will be held over until the next review of the NUC Policy, which may happen from time to time.

4.2 Growth

Metrowater has made the best assumptions it can regarding the anticipated growth of the city in line with the District Plan, and Auckland City and Regional Growth Strategies.

Metrowater has developed residential and business growth models based on the 2001 ARC medium population growth forecast in terms of HUEs.

Non-Residential factors have been developed to predict the demand for infrastructure from Non-Residential Developments.

4.3 Capital Works

In order to support the anticipated growth, Metrowater has assumed that a reasonable capital works programme will be necessary. If the growth rates alter significantly, it is most likely that the capital works programme will be re-sequenced or accelerated or slowed rather than dramatically changed in some other way.

5. Policy

This Policy outlines the basis for the NUC for various use types and provides guidance for applicants and those administering the charges. Metrowater reserves the right to depart from this Policy where it considers that the specific circumstances of the Development require such a departure.

This Policy was approved by Metrowater and applies as from 1 August 2007.

Metrowater may review and amend this Policy at any time. Any NUC will be governed in accordance with the version of the Policy that was in force when the triggering event in clause 3.1 occurred.

6. Definitions

In this Policy, unless the context requires otherwise:

Accommodation	Means any premises for transient residential accommodation, including hotels, motels, a Boarding House, holiday flats and all rental accommodation, which is offered at a daily tariff, and includes associated uses accessory to the principal use such as recreational facilities, satellite dishes and restaurants, but excludes Camping Grounds.
Apartment Building	Means a single building comprising two or more Residential Units. For the purposes of NUC, Apartment Buildings will be assessed as a Residential use type.
Boarding House	Means a residential building in which board or lodging is provided or intended to be provided for reward or payment for three or more boarders or lodgers (other than members of the family of the occupier or person in charge or control of the building) but does not include a licensed hotel or building forming part of a motor camp or hostel. For the purposes of NUC, Boarding Houses will be assessed as a Non-Residential use type and treated as Accommodation.
Camping Ground	Means any area of land used, or designed or intended to be used, for rent, hire, donation, or otherwise for reward, for the purposes of placing or erecting on the land temporary living-places for occupation by two or more families or parties (whether consisting of one or more persons) living independently of each other, whether or not such families or parties enjoy the use in common of entrances, water supplies, cookhouses, sanitary fixtures, or other premises and equipment. For the purposes of NUC, Camping Grounds will be assessed as Non-Residential use type and treated as Accommodation.
Childcare Centre	Means any premises where children principally of pre-school age who do not normally reside on the site are cared for or educated, and includes a crèche, Kohanga Reo, day care centre, and play centre. Care may also be provided for older children before and after school hours. For the purposes of NUC, childcare care centres will be assessed as a Non-Residential use type requiring a special assessment of HUEs.
Church	Means any premises used primarily for spiritual activities, meditation, public or private worship, religious ceremonies, religious instruction, church meetings and functions, and includes a church hall and associated facilities, and a churchyard. For the purposes of NUC, a Church will be assessed as a Non-Residential use type requiring a special assessment of HUEs.
Dairy	Means a Retail premises not exceeding 100m ² Gross Floor Area in a Residential zone or Urban Expansion zone, which derives a substantial part of its trade from the Retail sale of milk, bread, non-alcoholic beverages and other day-to-day household requirements, excludes Takeaway Food Bars. For the purposes of NUC, a Dairy will be assessed as a Non-

	Residential land use type and treated as Retail.
Development	Means any activity undertaken in order to change the scale, character or intensity of any use of land, and includes any building activity but excludes site works, and which is undertaken by a Developer .
Granny Flat	Means a type of minor residential unit provided within the rooms of an existing house and which is to be used by an elderly or dependant relative being cared for as part of an extended family. For the purposes of NUC, Granny Flats will be assessed as a Residential land use type.
Gross Floor Area	Means the sum of the area of all floors of all buildings on any Development measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two abutting buildings but excluding: a) carparking b) loading docks c) vehicle access and manoeuvring areas/ramps d) plant and equipment enclosures on the roof e) service station canopies f) Pedestrian circulation space in an enclosed retail shopping centre g) Any foyer/Lobby or a primary means of access to an enclosed retail shopping centre, which is accessed directly from a public place
Growth	An increase in demand in excess of existing community demand arising from Development.
Growth Costs	Means the costs of capital investment identified in the Asset Management Plan that are attributable to Growth.
Hospital	Means any hospital or other institution for the reception and treatment of persons requiring medical assistance or suffering from any disease; or any maternity establishment; or any convalescent facility, and includes all hospital clinics, dispensaries, out-patient departments, operations and maintenance support services (such as laundries, kitchens, cafeterias, refreshment facilities, generators, substation, storage facilities, workshops), hospital administration offices, ancillary retail facilities and undertakings maintained in connection with, or incidental to, the hospital activity, and includes a hospice. For the purposes of NUC, Hospitals will be assessed as a Non-Residential use type requiring a special assessment of HUEs.
Household Unit	Means a building or part of a building intended to be used as an independent residence or a self contained unit that includes a kitchen and bathroom facilities of any nature, including houses, flats, townhouses, apartments, Granny Flats, Minor Residential Units and studios. For the purposes of NUC, Household Units will be assessed as a Residential use type.
HUE	Means household unit equivalent, a measure of demand for services from a typical Household Unit.
Industry	Means:

	<p>a) any premises used for any industrial or trade purposes; or</p> <p>b) any premises used for the storage, transfer, treatment, or disposal of waste materials or for other waste-management purposes, or used for composting organic materials: or</p> <p>c) any other premises from which containment is discharged in connection with any other industrial or trade process.</p> <p>d) any activity where people use materials and physical effort to:</p> <ul style="list-style-type: none"> • Extract or convert natural resources • Produce goods or energy from natural or converted resources • Repair goods • Store goods (ensuing from an industrial process) <p>For the purposes of NUC any consents deemed to be an industrial land use type will be assessed for NUC as a Non-Residential use type .</p>
Minor Residential Unit	<p>Means a Residential Unit having a total area of less than 100 m² located on any site in addition to another Residential Unit having a larger total area provided that the Minor Residential Unit shall not be disposed of independently or otherwise be given separate title from its associated larger Residential Unit.</p> <p>For the purposes of NUC, Minor Residential Units will be assessed as a Residential use type.</p>
Non-Residential	<p>Means any activity:</p> <ul style="list-style-type: none"> • specified in this section 6 as being assessed as a non-residential use type; or • not specified in this section 6 as being assessed as a residential use type.
Office/Commercial	<p>Means a professional, commercial or administrative office, and includes non-school activities, offices, banks, typing, photocopying, draughting and similar services.</p> <p>For the purposes of NUC, Office/Commercial will be assessed as a Non-Residential use type.</p>
Residential	<p>Means any activity specified in this section 6 as being assessed as a residential use type</p>
Residential Unit	<p>Means any self-contained residence of one or more persons as a single household which in each case contains one kitchen sink or dishwashing facility, and includes any dwelling house, flat, home unit or townhouse or papakaianga housing on ancestral land.</p> <p>For the purposes of NUC, Residential Units will be assessed as a Residential use type.</p>
Rest Home	<p>Means a licensed premises used for residential accommodation and full time care of the elderly and infirm where meal and nursing/medical care is provided but does not include a hospital, a housing development for the elderly or disabled or a retirement village.</p> <p>For the purposes of NUC, Rest Homes will be assessed as a Non-Residential use type requiring a special assessment of HUEs.</p>

Retail	Means land and/or buildings from which goods, merchandise, equipment or services are sold, exposed, displayed or offered for sale directly to consumers.
Retirement Village	<p>Means a retirement village that is registered in accordance with the provisions of the Retirement Village Act 2003 and for the purposes of NUC includes any Retirement Village that will be registered under that Act.</p> <p>Retirement Villages will be assessed as a Residential land use type. No additional contributions will be sought for common areas (for example: lobbies, foyers, stairwells etc) or the following services which provide for the exclusive use of residents or staff:</p> <ul style="list-style-type: none"> (a) Gardening, repair, or maintenance services: (b) Nursing or medical services: (c) the provision of meals: (d) shops and other services for the provision of goods: (e) laundry services (not being the provision of facilities for residents to carry out their own laundry) (f) services (for example, hairdressing services) for the personal care of residents: (g) transport services: (h) services for recreation or entertainment: (i) security services: (j) other services for the care or benefit of residents. <p>These facilities may also be used occasionally by guests, when accompanied by a resident, but may not be used by the general public or residents of other retirement villages.</p> <p>If any of these services were available to the general public and not exclusive to residents of the Retirement Village then NUC shall be charged at the applicable Non-Residential rate.</p>
School	<p>Means any land and buildings used for the purposes of education, learning and training and includes kura kaupapa Maori (primary schools) and kura Maori (secondary schools).</p> <p>For the purposes of NUC, Schools will be assessed as a Non-Residential use type requiring a special assessment of HUEs.</p>
Service Station	<p>Means any land or building used for the retail sale of motor vehicle fuels, including petrol, LPG, CNG and diesel and may also include any one or more of the following:</p> <ul style="list-style-type: none"> a) The sale of kerosene, alcohol based fuels, lubricating oils, tyres, batteries, vehicle spare parts and other accessories normally associated with motor vehicles. b) Mechanical repair and servicing of motor vehicles (including motorcycles, caravans, boat motors, trailers) and domestic gardening equipment. c) Warrant of fitness testing. d) The sale or hire of other merchandise or services where this is subordinate to, and part of the same business as, the main use of the site. e) Carwash and lube facilities.

	<p>f) Water recycling and storage tanks and ancillary equipment.</p> <p>For the purposes of NUC, Service Stations will be assessed as a Non-Residential use type requiring a special assessment of HUEs.</p>
Small Dwelling	Means a Residential Units having a total area of less than 100 m ² (inclusive of 13m ² parking allowance per unit)
Takeaway Food Bar	<p>Means a shop where food is prepared and offered for sale direct to the public for consumption off the site, but excludes a dairy.</p> <p>For the purposes of NUC, Takeaway Food Bars will be assessed as a Non-Residential use type.</p>
Terraced Housing	<p>Means a row of two or more residential units where each unit shares a vertical party-wall with an adjacent unit. The party-wall may adjoin to a garage but should not adjoin to unenclosed areas such as a pergola or carport.</p> <p>For the purposes of NUC, Terraced Housing will be assessed as a Residential use type.</p>
Veterinary Clinic	<p>Means any premises used by a veterinary surgeon, but does not include the boarding of animals.</p> <p>For the purposes of NUC, Veterinary Clinics will be assessed as a Non-Residential use type requiring a special assessment of HUEs.</p>
Wet	Means any use type that uses water as part of the business operation or process over and above normal domestic and sanitary use.