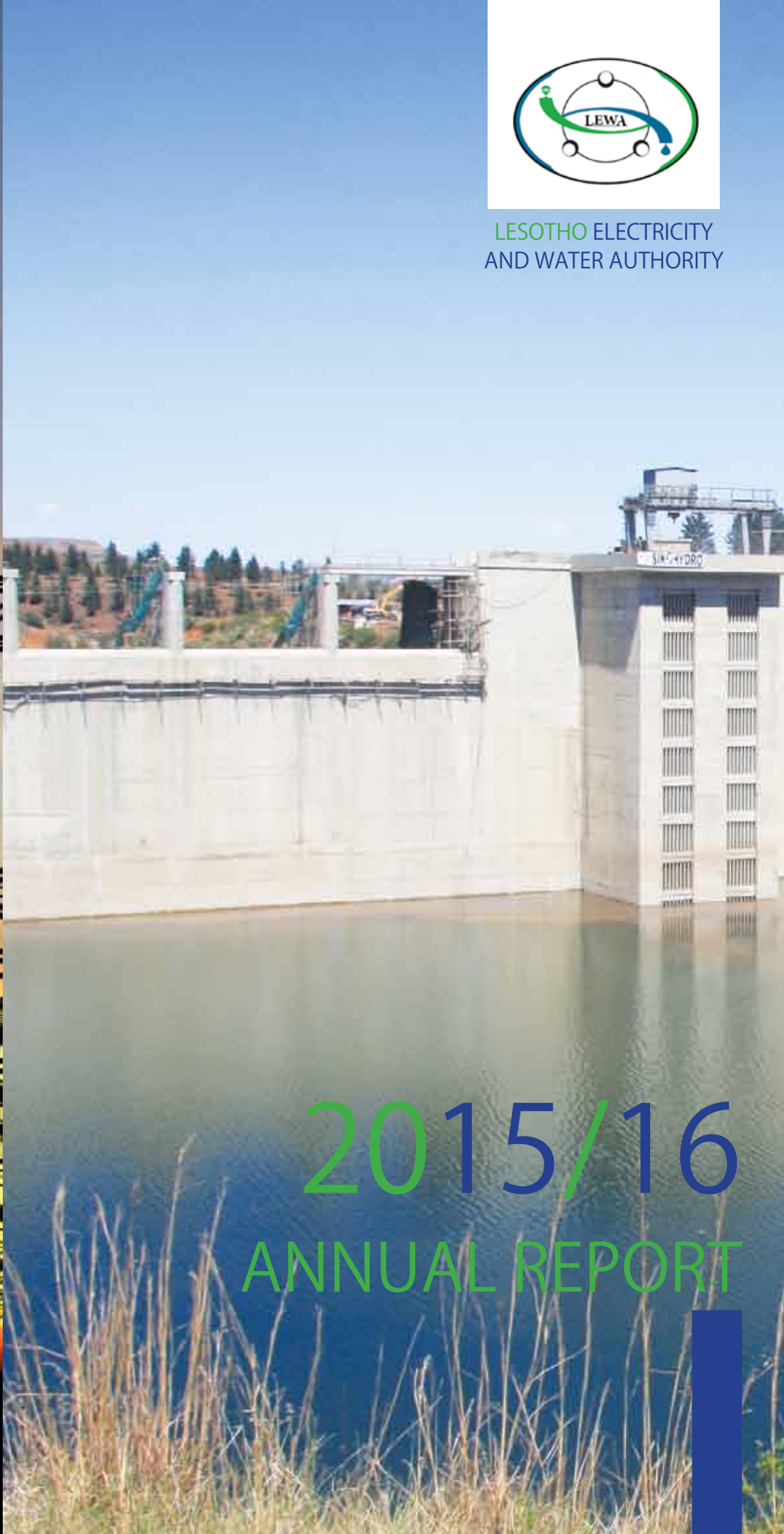




LESOTHO ELECTRICITY
AND WATER AUTHORITY



2015/16

ANNUAL REPORT



LESOTHO ELECTRICITY AND WATER AUTHORITY

REPORTING FRAMEWORK FOR 2015/16 LEWA ANNUAL REPORT

Annual reports serve as important tools in assisting the general public to understand the operations of organisations whether they are in the private or public domain. Through annual reports, public organisations such as the Lesotho Electricity and Water Authority (LEWA) maintain their financial and performance accountability to the key stakeholders such as parent ministries, parliament, employees, the business sector, consumers of electricity urban water and sewerage services, and the general public.

Section 28 of the Lesotho Electricity Authority Act, 2002 as amended, requires LEWA to report on its annual performance to the responsible ministries for the latter's consideration and presentation to parliament. Under the requirements of the Act, LEWA must include highlights regarding activities undertaken during the year, developments within regulated sectors, proposed activities for the coming year and others.

In the support of the realisation of this requirement, LEWA has developed and put into operation the Strategic Plan 2014/15- 2018/19 which aims to build a strong and sustainable organisation by developing and implementing this statutory reporting. The Plan further recognises the importance of this Report in awareness-raising, empowerment and protection of both internal and external stakeholders of the Authority. This Annual Report follows the logical framework approach adopted in the Strategic Plan 2014/15-2018/19.

Starting from 2016/17 LEWA will, in addition to following to the above framework, implement integrated reporting so that the Authority reports on financial, social and environmental aspects of its business.

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ABBREVIATIONS AND ACRONYMS

AFUR	African Forum for Utility Regulators
BADEA	Arab Bank for Economic Development in Africa.
BOS	Bureau of Statistics
CF	Capacity Factor
CGHB	Corporate Governance Handbook
COD	Chemical Oxygen Demand
CoW	Commissioner of Water
CSR	Corporate Social Responsibility
DCS	Downstream Conveyance System
DoE	Department of Energy
EAF	Energy Availability Factor
EAPPs	Electricity Access Pilot Projects
EDM	Electricidade de Mozambique
ESAWAS	Eastern and Southern Africa Water and Sanitation Regulators Association
ESI	Electricity Supply Industry
ESR	Electricity Supply Rules
GIS	Geographical Information System
IFRs	International Financial Reporting Standards
IPP	Independent Power Producers
ISA	International Standards on Auditing
KI	Kilolitre
KPIs	Key Performance Indicators
LEC	Lesotho Electricity Company
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LF	Load Factor
MD	Maximum Demand
MDWSP	Metolong Dam and Water Supply Programme
MEM	Ministry of Energy and Meteorology
MW	Ministry of Water
MHP	'Muela Hydropower Plant

ABBREVIATIONS AND ACRONYMS

NRW	Non-Revenue Water
NUL	National University of Lesotho.
OF	Operating Factor
OFID	OPEC Fund for International Development
ORASECOM	Orange Senqu Commission
PATs	Performance Assessment Tools
PMS	Performance Management System
SPPA	Standardised Power Purchase Agreement
PCLF	Planned Capability Loss Factor
QOSSS	Quality of Supply and Service Standards
RE	Renewable Energy
RERA	Regional Electricity Regulators Association of Southern Africa
SADC	Southern African Development Community
SFOs	Standing Financial Orders
SHE	Safety and Hygiene Education
SS	Suspended Solids
SFD	Saudi Fund for Development
UAF	Universal Access Fund
UCF	Unit Capability Factor
UCLF	Unplanned Capability Loss Factor
USAID	United States Agency for International Development
UWSS	Urban Water and Sewerage Services
WASCO	Water and Sewerage Company
WB	World Bank
WSIP2	Water Sector Improvement Project Phase 2

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CORPORATE STATEMENTS

VISION

“To be a world class utilities’ regulator that facilitates delivery of affordable, sustainable and quality services”.

MISSION

“To regulate the electricity, urban water and sewerage services in the interest of all stakeholders through transparency, consistency, professionalism and teamwork”.

CORE VALUES

The Lesotho Electricity and Water Authority (LEWA) embraces and has adopted the following values:

Professionalism: The Authority shall undertake, at all times, a competent and committed approach in line with professional ethics and standards.

Teamwork: The Authority shall, at all times, embrace team work, mutual cooperation, extensive consultation and appreciation of diverse perspectives in the discharge of its duties and functions.

Efficiency: The Authority shall make regulatory decisions, without undue delay using minimum resources available.

Integrity: The Authority’s decisions and practices shall be honest, reliable, ethical and unbiased.

Excellence: The Authority shall be a high quality, continuously improving and self-aware institution.

REGULATORY PRINCIPLES

The Authority has adopted the following internationally accepted regulatory principles:

Consistency and Predictability: The Authority endeavours to act in a consistent manner and its decisions should have a reasonable degree of predictability based on previous rulings in similar matters in line with best practices in similar regulatory settings.

Transparency: The Authority ensures, at all times, that the entire regulation process is transparent and open to public scrutiny and stakeholders’ participation.

Accountability: The Authority recognises its responsibility to stakeholders and the public, and ensures accountability at all levels.

Neutrality: The Authority is neutral, fair and non-discriminatory to all.

CORPORATE STATEMENTS

LEWA MOTTO

“A partner to all for sustainable services” “Re selekaneng sa moshoelella.”

OVERVIEW OF LEWA'S MANDATE

The LEWA is mandated to regulate the Electricity Supply Industry (ESI) and Urban Water and Sewerage Services (UWSS) in Lesotho. In doing so, the Authority issues licences to any persons or entity seeking to provide regulated in electricity, urban water and sewerage services; sets the minimum levels of service for supply of electricity, urban water and sewerage services; determines the prices of electricity, urban water and sewerage service; and resolves customer complaints that have not been resolved by the regulated entities in the electricity, urban water and sewerage service sectors.

REGULATED ACTIVITIES & ENTITIES

In terms of Section 41 of the Lesotho Electricity Authority Act 2002, as amended, regulated activities in the ESI are the generation, transmission, distribution, supply to premises, import and export of electricity. Currently, the regulated ESI institutions are:

- Lesotho Electricity Company (LEC), which has been issued with the Electricity Composite Licence to conduct transmission, distribution and supply businesses;
- Lesotho Highlands Development Authority ('Muela Hydropower Plant), issued with the Generation Licence; and
- Department of Energy's (DoE) Rural Electrification Unit (REU) which undertakes electrification projects throughout the country has been issued the Licence Exemption to implement Electrification Access Pilot Projects at Qholaqoe, Ha Sekake and Dilli-Dilli/Sixondo.

For the UWSS regulated activities are treatment and production, transmission, distribution by reticulation system and supply of water to premises in the urban areas, storage of water for purposes of treatment, distribution for onwards supply and delivery to trunk main pipelines or main pipelines where the water so delivered is not produced by another licensed operator is also regulated. Furthermore, the Authority regulates the treatment of sewage and its safe disposal into the environment by sewerage systems in the urban areas. Currently, the regulated utility in UWSS is the Water and Sewerage Company (WASCO), which has been issued the Composite Water and Sewerage Services Licence and operates in 16 designated urban and peri urban areas.

FUNDING

The funds of the Authority comprise levies from consumers of electricity, urban water and sewerage services, licence fees and all monies that may, from time to time be donated, lent or granted to the Authority. LEWA also obtains interests on invested funds.

STRATEGIC OBJECTIVES

In order to execute its mandate, the Authority has six Departments which are mentioned below. The Report covers the activities undertaken by these Departments in pursuance of attainment Strategic Objectives during the reporting period under Section 9. The Departments are:

- Technical Regulation Electricity;
- Technical Regulation Water;
- Economic Regulation;
- Legal Services;
- Consumer Affairs and Communication; and
- Human Resources Finance and Administration.











Under the 2014-15 to 2018-19 Strategic Plan, LEWA has set seven Strategic Objectives to provide a comprehensive action programme, for the Authority to effectively and efficiently deliver on its mandate, for the period 2014/15 – 2018/19. The Strategic Objectives are as follows:

- Strategic Objective 1: To determine Tariffs and Charges;
- Strategic Objective 2: To Ensure Security of Supply;
- Strategic Objective 3: To Develop and Implement Regulatory Frameworks;
- Strategic Objective 4; To Monitor Licencees Performance and Compliance;
- Strategic Objective 5: To Build and Operate a Sustainable Organisation;
- Strategic Objective 6: To Promote Stakeholder Awareness, Empowerment and Protection; and
- Strategic Objective 7: To Increase Access to Electricity, Water and Sewerage Services.

In addition to reporting on these Strategic Objectives under the Departments under Section 9, the Report comprises a section on how ESI and UWSS Licencees performed in Section 11.

LEWA BOARD AND SUB-COMMITTEES

In terms of the Lesotho Electricity Authority Act No. 12 of 2002 (as amended) the Members of the Board for the period under audit were:

			
<i>Dr. L. Thamae</i>	<i>Mr. R. Motlojoa</i>	<i>Dr. M. Kotelo – 'Molaoa</i>	<i>Adv. K. Mohau</i>
<i>Chairperson</i>	<i>Member</i>	<i>Member</i>	<i>Member</i>
			
<i>Dr. M. Matete</i>	<i>Mrs. M. Maliehe</i>	<i>Mr. T. Khasipe</i>	
<i>Member</i>	<i>Member</i> <i>Until 13 April 2015</i>	<i>Member</i> <i>Until 29 September 2015</i>	
			
<i>Mr. S. Mhlooua</i>	<i>Mr. B. Ramatšella</i>	<i>Assoc. Prof. N. Rapapa</i>	
<i>Member</i> <i>From 1 July 2015</i>	<i>Member</i> <i>From 1 March 2016</i>	<i>Member</i> <i>Chief Executive</i>	

Disclosure of Interest

The Authority is a Government Regulatory Agency. The Members of the Board do not hold any financial interest in the Authority.

LEWA BOARD AND SUB-COMMITTEES

The Board is responsible for oversight and governance. The Board consists of a diverse body of individuals with varying backgrounds and skill sets. The primary role of the Board is to provide strategic direction and oversight. The Board ensures that the organisation is on track with regard to meeting its goals, as well as to craft good corporate governance based on ethical foundations in support of those goals. The organisational staff implements the plans and follows the strategic direction set by the Board.

The Board has four Committees, which are:

- Audit and Risk Committee;
- Pricing and Tariffs Committee;
- Customer Services Committee; and
- Human Resources, Finance and Administration Committee.

The Committees assist the Board in discharging its responsibilities.

Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring that the Authority conducts its business in an ethical and professional manner, in line with legislation and generally accepted accounting practices.

Human Resources, Finance and Administration Committee

The human resources objective of the Human Resources, Finance and Administration Committee is to ensure that LEWA discharges its responsibilities of attraction, learning, development and retention of the required staff competencies. In respect of its financial and administrative responsibilities, the Committee ensures that Executive Management has created and maintained an effective environment for financial management.

Customer Services Committee

The Customer Services Committee ensures that the Authority maintains an effective framework for the monitoring of performance and the handling of complaints and disputes

Pricing and Tariffs Committee

The Pricing and Tariff Committee ensures that LEWA has and maintains an effective framework for the assessment and approval of the prices and tariffs of Licencees.

The Metolong Dam and Water Supply Programme (MDWSP) which provides improved and sustainable water supply to Maseru, Mazenod, Teyateyaneng, Roma and Morija was inaugurated during the reporting period.



CHAIRPERSON'S STATEMENT



ON BEHALF of the Board of Directors of the Lesotho Electricity and Water Authority (LEWA), it is my sincere pleasure to present LEWA's Annual Report for the Financial Year ending 31st March 2016. The Report is made in line with Section 28 of the Lesotho Electricity Authority Act 2002, as amended. As already referred in Section 5, this document focuses on three main areas namely, the activities undertaken by the Authority, some of the developments in the regulated Electricity Supply Industry (ESI) and Urban Water and Sewerage Services (UWSS) sectors and the audited LEWA Financial Statements.

Throughout the past years LEWA has diligently and consistently executed its prime responsibility of regulating the ESI and the UWSS in the country. The objective was to promote transparency and predictability of the regulatory processes. In fulfilling its mandate, the Authority considered the issues of affordability, reliability and cost effectiveness of services as well the financial viability of the regulated entities. In the electricity sector, the

CHAIRPERSON'S STATEMENT

Authority continued to fulfill its statutory obligation of supporting Government's efforts of enhancing universal access to electricity services, by administering the Universal Access Fund. As a pro-poor consideration in the UWSS, LEWA removed the Standing Charges for lowest consuming water consumers in Band A. This decision was also made to incentivise WASCO to serve the poor customers who were initially obliged to pay the Company without receiving water service due to the existence of Standing Charge component in the tariff structure.

The Authority is obligated to promote the participation of private sector in the regulated sectors. This was realised, inter alia, when the Authority developed and completed regulatory frameworks for renewable energy (RE) resources. The RE frameworks are meant to level the playing field and prescribe requirements for entry into ESI by prospective entrants.

Private sector participation in the UWSS is mainly limited to systems designs and installations to households. Whilst on-site sanitation is not a regulated activity, increased private sector participation in it can result in increased access to sanitation services in the country. Initiatives by WASCO in addressing low access to sewerage services in most urban centres in the country have been noted and are welcomed by the Authority.

The Lesotho Energy Policy 2015-2025 was launched by the Ministry of Energy and Meteorology (MEM) in September, 2015. The policy has, in effect necessitated the review of LEA Act, 2002, as amended and set the new framework for private sector participation in power generation and transmission infrastructure development. The Authority has since developed and implemented the new Grid Code for the electricity sector in the country. The Grid Code is a tool that will be used by all sector players in the development and governance of the ESI.

In the UWSS, the Water and Sanitation Policy of 2007 provides a framework for a holistic and sustainable water resources management and development approach, ensuring as wide a participation of water stakeholders as possible and treatment of the resource as an economic, environmental and social good. The Long Term Water and Sanitation Strategy (LWSS) is the guiding plan for implementing the Policy up to 2030. In this regard, major development took place in the UWSS and a few of these may be mentioned. The Metolong Dam and Water Supply Programme (MDWSP) which provides improved and sustainable water supply to Maseru, Mazonod, Teyateyaneng, Roma and Morija was inaugurated. The Five Towns Water Supply that entails expansion of networks in Butha Buthe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek was on-going. The Urban and Peri-Urban Water Supply which is aimed at expanding and rehabilitating the existing water infrastructure in all urban centres and the Maseru Wastewater Project geared to extend sewerage network coverage in Maseru were also ongoing.


Cooperation and collaboration with stakeholders such as the Department of Energy (DoE) continued wherein the Authority made inputs into the former's efforts to diversify the energy sources in the ESI. LEWA reviewed and made inputs into studies concerning the feasibility of three wind energy sites at Mafika-Lisiu Mountain Pass, Thaba-Putsoa Pass and Lebelonyane. Taking these projects to a developmental stage will go a long way towards ensuring electricity security in the country. The country has not experienced power shortages because new generation facilities were commissioned in the Southern African Power Pool (SAPP) during the reporting period.

CHAIRPERSON'S STATEMENT

The Authority participated in some global and regional platforms in order to enhance capacity building and information sharing as well as to improve effectiveness of regulation in the local context. Such platforms included the World Forum Energy Regulation (WFER) and the International Water Association (IWA). LEWA was engaged by the Ministry of Energy and Meteorology (MEM) in the Southern African Development Community (SADC) Water Week events as part of advocacy for the theme “WASH” which promoted the attainment of water, sanitation and hygiene for all. Other platforms included Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), Africa Forum for Utility Regulators, and Regional Electricity Regulators Association (RERA) which are discussed further in this Report

Reflecting on challenges and way forward, improving access to electricity services for rural communities continues to be a major hurdle, given the escalating cost of providing grid electricity. Though commendable compliance to regulatory requirements by regulated utilities has been realised, there is still a lot of room for improvement. In the UWSS sub-sector limited access to water and sewerage services has been a challenge to growth and development. The Authority has also noted that there are other challenges such as an increase in non-revenue water (NRW), sporadic water supply disruptions and poor effluent quality. Inspections of water service centres and infrastructure must be enhanced in this regard. In the ESI, Licencees must address, amongst others, problems pertaining to quality of supply and service.

Two new Board members Messrs Seretse Mohlouoa, and Bokang Ramatšella joined the Authority to fill vacancies created by Mrs ‘Maboiketlo Maliehe and Mr. Thabo Khasipe, who both left in 2015. The entire Board wholeheartedly wishes the former Board members luck in their future endeavours. In the same vein, the Board welcomes the new Members to LEWA.

I wish to express my sincere appreciation to Hon. Selibe Mochoboroane, the Minister of Energy and Meteorology and Hon. Ralechate ‘Mokose, the Minister of Water, for their support to LEWA in achieving its goals. Without the cooperation and collaboration of our entire spectrum of stakeholders, LEWA would not have achieved its goals. Finally, I would also like to commend LEWA Board Members, Management and Staff for their continued commitment, dedication and hard work during the reporting year 



Leboli Thamae (Dr.)
Chairman of the Board

CHIEF EXECUTIVE'S STATEMENT



ON BEHALF of Management and Staff of the Lesotho Electricity and Water Authority (LEWA) it is my pleasure and honour to make a presentation on key operational activities that the Authority undertook in 2015/16, as required by the law. This Statement provides a synopsis of achievements made in the realisation of the Authority's Annual Business Plan for 2015/16. The detailed activities are outlined in the subsequent sections of this Report. Furthermore, the Report reflects on the challenges that were met during the reporting period.

Finalisation of the Energy Policy

As already noted in the Chairman's remarks, the MEM embarked on a process to develop and finalise the Lesotho Energy Policy 2015-2025. In this regard, the Authority collaborated with stakeholders such as Government, Licencees and private sector towards the finalisation and launch of the policy. Government had realised that energy utilisation is vital for human development, as countries that have high energy consumption (kWh per capita) enjoy high indices of human development. One of the Policy's eight focus areas; the Institutional and

CHIEF EXECUTIVE'S STATEMENT

Regulatory Framework Area stipulates that all sector players must adhere to the Transmission Grid Code as well as Quality of Supply and Service Standards (QOSSS) to guarantee reliability of power supply. As a step towards conforming to the policy, LEWA approved the Lesotho Grid Code in October 2015.

Promotion of private sector participation in ESI and UWSS

Promotion of private sector participation is one area on which LEWA focused. The Authority completed several documents as part of the assignment to develop regulatory frameworks for renewable energy. These include draft templates for Renewable Electricity Generation Licence, Electricity Transmission Licence, Electricity Distribution and Supply Licences and Standardised Power Purchase Agreement (SPPAs) which were in the final stages of being finalised. It is anticipated that these tools will come into operation in early 2016/17. Experience from other parts of the world has demonstrated that private investors' entry into electricity supply chain leads to enhanced service delivery. In the UWSS, the Authority was exploring as to how best address the issue. Further consultations would, therefore, commence in the future.

Promoting universal access

In order to realise the Government's goal of increasing access to electricity services by all, particularly through the extension of the grid to rural areas, the Authority, under the direction of the MEM disbursed approved funds to meet part of the electrification drive costs. At the end of the year over M32 million, which had been allocated for this purpose, had been expended on 15 electrification projects. Following electrification of new areas, concerned communities are expected to increase their economic activities and accelerate the realisation of set socio-economic development targets as envisioned in line with Government policy. This activity was one of the Authority's major functions of facilitating expansion of electricity services in the country.

With respect to UWSS, the Authority had approved M9.3 million revenue to WASCO in order for the Company to carry out capital maintenance which is essential for reducing NRW and enhancing reliable water services to customers. In addition, the WASCO Emergency Fund meant to address unplanned occurrences in the UWSS was maintained at M3 million for the reporting period.

Security of supply

In collaboration with MEM and other stakeholders, LEWA explored generation options such as the modalities of generating electricity from phase II of the Lesotho Highlands Water Project (LHWP). In addition, several meetings with potential investors were held to discuss issues on electricity supply in the country. Authority also took part in the 2015 SADC Energy Ministers' Meeting for officials held to discuss, diminishing generation surplus in the region. In order to address this problem, the Ministers approved the establishment of Centre for Renewable Energy in Namibia, to advocate for increase in the use of renewables in the energy mix of the region.

The Authority made contribution in the review of the draft final Metolong Dam Water Supply Programme (MDWSP) Transition and Integration Plan, WASCO's and the Maseru Sewerage Master Plan. LEWA, with other UWSS stakeholders, hosted the SADC Water Week event to raise awareness on water situation in the region so as to positively influence both supply and demand side practices and ensure that water is conserved.

CHIEF EXECUTIVE'S STATEMENT

Determination of electricity, water and sewerage services tariffs

The Authority determined that volumetric water and sewerage services tariffs for all customers in the year 2016/17 should be increased by an average of 8.7% effective from 1st April, 2016. The Authority further eliminated the monthly Standing Charges for the lowest consuming customers. This decision was intended to incentivise WASCO to provide minimum service to poor customers in order for them to pay their monthly bills. WASCO was allowed a revenue requirement of M201.40 million and M32.78 million for water and sewerage services, respectively for the financial year 2016/17.

Regarding determination of electricity prices, LEWA was in the process of reviewing LEC tariffs application for 2016/17 at end of the reporting because, LEC submitted the tariff review application in February 2016 instead of December 2015. In line with the regulatory requirements all Licencees' applications for tariff reviews should be submitted to the Authority at least three months prior to the period in which new tariffs should be operational. Hence at the end of the reporting period, one public consultation on LEC's application had been held in Quthing in March 2016, and two more were planned for Butha-Buthe and Maseru in April 2016.

In all public hearings that were held, most stakeholders opposed the proposed increases. Others emphasised that increases in tariffs should be made in view of the fact that electricity, urban water and sewerage services were basic and that increases should not affect consumer groups such as the aged negatively. The Authority duly considered the received opinions and related evidence when determining the UWSS tariffs.

Licencees' performance

6

One method of monitoring of Licencees' performance and compliance was through scheduled inspections on numerous parts of LEC's and WASCO's infrastructure. In addition, electricity power quality audits were carried out in various parts of LEC's network and reports were compiled and communicated to LEC. Detailed findings from inspections are reflected in the Report. Pertaining to urban water and sewerage quality, WASCO was required to address some of the deficiencies diagnosed in LEWA inspections. Still on this issue, the Licencee experienced challenges on reporting to the Authority as reflected in the Report. The Authority also implemented customer complaints rules and procedures to resolve customer complaints. The electricity related complaints lodged with the Authority increased by 60% during the same period in comparison to the 2014/15 period. Water and sewerage services related complaints lodged with the Authority declined by 38% in comparison to the previous reporting period. In two related developments, during the last quarter of the reporting period, LEC had submitted a Complaints Handling Code for review by LEWA. WASCO had submitted a Connection Policy for approval by the Authority. The LEC Complaints Handling Code is intended, inter alia, to guide customers when lodging complaints with LEC. The objective of WASCO's Connection Policy is to provide a clear and comprehensive overview in dealing with customers' requests for provision of water and sewerage services. Both documents were under review by the Authority and will be finalized in the next financial year.

CHIEF EXECUTIVE'S STATEMENT

Regulatory compliance by Licencees

Compliance to technical standards in terms of service provision by the Licencees in the regulated sectors did not improve in areas such as provision of verifiable data. The Authority intends to continue to conduct enforcement inspections and verify reported data by Licencees in order ensure that there is adherence to licence conditions by all regulated entities. As an indication of the Authority's commitment to hold Licencees to comply, there will be increased advocacy at highest level between the Licencees and LEWA.

Upgrade of regulatory framework and standards

The efforts to update the legal and regulatory frameworks were sustained. The aim was mainly to strengthen the Authority's governance, licensing mechanisms and promote investment in the regulated sectors, to mention but a few. The Authority continued to review and identify gaps in the legal and regulatory frameworks so as to address them.

Advocacy, collaboration and communication with other stakeholders

According to the Poverty Reduction Strategy Paper and other Government policy documents, one of the strategies that will improve service delivery at the grassroots is the provision of energy services. Hence in order to contribute towards the realisation of the above goal, the Authority attended several workshops and scheduled meetings organised by Government Ministries and Departments on a variety of themes which included decentralisation, development of service standards, MEM's Strategic Plan, E-Government and others. It is also necessary to highlight that partnerships with other organisations and bodies outside Government were sustained in areas such as exchange of information and corporate social responsibility. The District Administrators offices continued to facilitate successful outreach endeavours with the public throughout the country.

LEWA continued to implement a stakeholder communication program by holding scheduled radio programs and television broadcasts in the reporting period. The print media also published a number of scheduled announcements, newsletters and information bulletins. Stakeholder workshops and public meetings were held throughout the country and LEWA website updates were effected timeously. In addition to these initiatives, face-to-face communication events were held with stakeholders on regulatory matters.

Building a strong organisation

The internal governance and administrative policies, processes and procedures were reviewed so they could help in the realisation of the objective of building a sustainable organisation. Pertinent activities included information sharing sessions, effecting of training programs, continued improvement and execution of integrated and statutory reporting. The Authority has continuously observed best corporate principles in its activities during the year 2015/16 as demonstrated, by the unqualified audit opinion issued on the 2015/16 Financial Statements.

On a lighter note, LEWA won a Bronze Award at the 2015 Public Service Day awards celebrations. This achievement served to acknowledge the Authority's contribution to the Government's efforts of encouraging organisations to be dedicated to serving the public with excellence.


CHIEF EXECUTIVE'S STATEMENT

Challenges

Despite these successes, some challenges were experienced during the period. For example, out of numerous Licence conditions it did not adhere to, LEC did not submit system capacity and interconnector statements to reflect quantities of electricity transferred to and from Lesotho. Similarly, WASCO's water leakage reduction strategy and the utility's Geographical Information System (GIS) and hydraulic models for all networks had not been completed and submitted to LEWA as required by the Licence. WASCO had not confirmed the existence of the Emergency Fund account to enable monitoring of its usage. LEWA was considering modalities of ensuring that in future that these and other data were provided in scheduled or periodic reports by the Licencee.

Proposed activities for the coming year

Numerous activities are planned for the coming year and only a highlight of those can be provided here. The Authority intends to transform the electricity connection charges guidelines into regulations. Among others, that will assist in ensuring that costs of electricity connection are transparently and fairly allocated and there is no free riding. The cost of service study of electricity is expected to commence in 2016/17. The objectives of the study are to two-fold. The first is to set electricity tariffs to promote economic efficiency of production and consumption, and ensure financial viability of the electricity sector while taking into account social and equity considerations. The second is to provide a basis of strategy formulation for the gradual transition from existing financial-cost based tariffs to economic cost reflective tariffs, setting of targeted life-line tariffs and associated subsidy mechanism, while maintaining consumer level economic-cost based tariffs.

In conclusion let me thank the World Bank, African Development Bank (AfDB) and United States Agency for International Development (USAID) for supporting the Authority in areas such as capacity building and development of regulatory tools. Government Ministries, Consumers, Licencees, potential investors, ESI and UWSS sector players are recognised for their reliable support to the Authority. Last but not least, Members of the Board and LEWA's Staff are applauded for displaying dedication and professionalism in the performance of their duties in 2015/16 



N. Rapapa (Assoc. Prof.)

Chief Executive

REPORT ON 2015/16 REGULATORY ACTIVITIES

As explained under Section 5.0, detailed reporting on the activities that the Authority undertook in the quest to fulfil its mandate under the LEA Act 2002, as amended, is made hereunder. At the operational level the activities that were meant to attain the LEWA Strategic Objectives were undertaken by the lead departments indicated below, in collaboration with other departments.

TECHNICAL REGULATION – ELECTRICITY

In the pursuit of the Strategic Objective 3 that focuses on the development and implementation of the regulatory frameworks, the Authority finalised the Grid code, established its panel and developed the regulatory frameworks for renewable energy as explained below.

Development of Grid Code and Establishment of Grid Code Panel

The Grid Code is a technical document specifying technical requirements for connection to, and use of the transmission system. Hence compliance with the Grid Code is a regulatory requirement. The Composite Electricity Licence issued to LEC inter alia, requires the Licencee to prepare the Grid Code and submit the same to LEWA for approval. The Authority approved the Lesotho Grid Code and the document came into operation on 1st October 2015. At the end of the reporting period, most stakeholder organisations had appointed representatives to the Panel. The role of the Panel includes keeping the Grid code and its implementation under incessant scrutiny and review. No major incident had been occurred to be investigated by the panel during the reporting period.

Development of Regulatory Frameworks for Renewable Energy

The Authority had developed and completed regulatory frameworks for renewable energy resources. Of these documents, the Renewable Electricity Generation Licence, Electricity Transmission Licence, Distribution and Supply licence templates were approved by LEWA and hence adopted by the ESI. Furthermore, a Standardised Power Purchase Agreement (SPPA) for renewable electricity had also been developed.

The objective of Renewable Electricity Generation Licence template is to provide guidance to prospective renewable electricity generation Licencees regarding requirements for applying for renewable electricity generation licence from the Authority.

The Electricity Transmission Licence Template is intended to provide guidance to prospective electricity transmission Licencees regarding requirements for applying for electricity transmission licence from the Authority. The objective of the Electricity Distribution and Supply Licence Template is to provide guidance to prospective electricity distribution and supply Licencees regarding requirements for applying for distribution and supply licences from the Authority.

The purpose of the Standardised Power Purchase Agreement (SPPA) for Renewable Electricity templates to provide guidance to both prospective power producers and off-takers such as Lesotho Electricity Company (LEC) in proposing their power purchase agreements (PPAs) to LEWA for approval.

TECHNICAL REGULATION – WATER

As reflected below in this sub-section, the Report overviews WASCO's reporting to LEWA and the process of developing Key Performance Indicators (KPIs) to monitor the operations of the Licencee. These activities were undertaken in the quest to attain the Strategic Objective 4 of monitoring Licencees' performance.

WASCO's Reporting to LEWA

Apart from WASCO's performance being assessed through Performance Assessment Tools (PATs), the Licencee was expected to report to LEWA using the Reporting Formats (RFs). At the end of the reporting period, WASCO was having challenges in filling the RFs. Despite those challenges, WASCO was requested to provide the annual basic data and it duly complied.

Development of WASCO's KPIs

LEWA had started developing selected Key Performance Indicators (KPIs) for future assessment of WASCO's performance. The Authority intends to use the Water Utility Performance Index (WUPI) to establish the WASCO KPIs. WUPI is built by clustering the KPIs into three (3) main performance components. The components are: quality of service, economic efficiency and operational sustainability. WUPI is a composite indicator which has been adopted by ESAWAS for regional comparison. As a result, consultations were to be held with stakeholders such as WASCO and the Ministry of Water to finalise the process.

ECONOMIC REGULATION

Strategic Objective 1 of the Authority provides that the Authority must determine tariffs and charges for electricity, urban water and sewerage services. Consequently, in this sub section the Report highlights the processes that the Authority undertook in fulfilling this Strategic Objective. The Authority also initiated the process of enhancing access to electricity services through exploration of pro-poor pricing mechanism.

Electricity Pricing for 2016/17

In February 2016, LEC filed a tariffs review application motivating for a revenue requirement of M819.5 million for the financial year 2016/17. The Company further requested a tariff increase of 25.4 percent (25.4%) on both energy and Maximum Demand (MD) charges. The drivers of the application included increased electricity bulk purchases and operating expenditure for transmission and distribution businesses, the necessity to replace ageing network assets, enhanced reliability and compliance to performance standards. At the end of the reporting period, one public hearing had been conducted in Butha-Buthe and two more were scheduled for Teyateyaneng and Maseru. As already noted, LEC did not submit the application three months before the end of the Financial Year 2015/16. The Authority would analyse the Licencees' application as well as the public comments, available facts, reasons and evidence in April 2016. The announcement of final LEC tariffs level would be made in April 2016.

Pro-poor pricing mechanism

Following receipt of clearance from the Government, the Authority secured funding to undertake a cost of study which would include the formulation of the pro-poor pricing mechanism. The pro-poor pricing mechanism was intended to ensure that tariffs were designed to be affordable to the most vulnerable in society.

Water and Sewerage Services Pricing for 2016/17

On 06 January, 2016, WASCO submitted its Tariff Review Application requesting a 13% increase in volumetric charges on both water and sewerage services. The Company requested no changes in standing charges for the Financial Year 2016/17.

In terms of Section 24(6) of the LEA Act 2002 as amended, the Authority embarked on a public consultation process wherein, the public was notified of WASCO's application in the local newspapers, television, radio programs and notices. Three (3) public hearings were held in Thaba-Tseka, Teyateyaneng and Maseru and stakeholders were given the opportunity to present their views and WASCO also made presentations and responded to public comments.

Three (3) groups out of eleven (11) from the public agreed to an increase of the tariffs ranging between 5% and 13% on the basis that WASCO should improve its service provision and coverage. Other groups objected to the proposed increase arguing that water is a necessity to human life, adding that the scarcity of water due to persistent drought and the HIV and AIDS pandemic and its ramifications were some of the factors that made an increase in WASCO tariffs unjustifiable.

ECONOMIC REGULATION

The Authority, based on the available information and analysis of WASCO's application, the submissions from stakeholders, reasons, facts and evidence provided, approved that:

- Volumetric Water and Sewerage services Tariffs for all customers were increased by an average of 8.7% effective from 1st April, 2016;
- The Standing Charge for Band A domestic customer category was abolished effective from 1st April, 2016;
- The Standing Charges for all other customers excluding Band A remained unchanged; and
- That Water and Sewerage Company (WASCO) was allowed revenue requirement of M201.40 million (as opposed to M200.4 million requested by WASCO) and M32.78 million (against M39.48 million requested by WASCO) comprising of water services and sewerage services, respectively for the financial year 2016/17.

The approved 2016/17 detailed tariffs for water and sewerage services are reflected in tables 1, 2 and 3 below.

Table 1: Approved Volumetric Tariffs							
Customers Categories	2015/16 Unit Cost Excluding Levies (M/kl)	Percentage change (%)	Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/kl (M/kl)	Final unit cost (M/kl)	2016/17 Approved unit cost including customer levies of M0.2054/kl (M/kl)	Final Tariff Percentage Increase (%)
Domestic Customers							
Band A (0 - 5 kl)	4.3046	8.6%	4.673	4.9041	4.90	4.51	8.7%
Band B (>5 - 10 kl)	7.4346	8.6%	8.0765	8.3076	8.31	7.64	8.7%
Band C (>10 - 15 kl)	13.2146	8.7%	14.3615	14.5926	14.59	13.42	8.7%
Band D (>15 kl)	18.2946	8.7%	19.8854	20.1165	20.12	18.50	8.7%
Non Domestic Customers							
Government	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Non Domestic (Business, Industry)	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Schools	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Religious Institutions	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Stand pipes	5.9046	8.6%	6.4128	6.6439	6.64	6.11	8.7%
The charges above include a Customer Levy of M0.2311/ kl							

Table 2: Approved Standing Charges		
Customers Categories	2015/16 Standing Charges (M/month)	Approved 2016/17 Standing Charges (M/month)
Domestic Customers		
Band A (0 - 5 kl)	21.93	0.0
Band B (>5 - 10 kl)	40.9	40.90
Band C (>10 - 15 kl)	40.9	40.90
Band D (>15 kl)	40.9	40.90
Non Domestic Customers		
Government	272.35	272.35
(Business, Industry)	393.39	393.39
Schools	272.35	272.35
Religious Institutions	196.70	196.70
Stand pipes	0	0

ECONOMIC REGULATION

Table 3: Approved Sewerage Services Tariffs			
Customers Categories	2015/16 unit charges (M/kl)	Approved percentage change (%)	Approved 2016/17 unit Charge (M/kl)
Domestic Customers			
Water borne sewerage customers 1	8.92	8.7%	9.70
Non Water borne sewerage customers 2	8.92	8.7%	9.70
Non Domestic Customers			
Standard Non-Domestic	8.92	8.7%	9.70
Lesotho Brewing Company	8.92	8.7%	9.70
Likotsi and Qoaling Clinics	44.94	8.7%	48.86
C and Y Sewer	0.93	8.7%	1.01

LEGAL SERVICES

Under this sub-section, the Report focuses on matters relating to regulatory compliance, and the development of legal and regulatory tools. These activities were undertaken pursuant to Strategic Objective 2 that focuses on security of supply and Strategic Objective 3 which relates to development and implementation of regulatory frameworks. The Board Members attendance of ordinary and extra-ordinary meetings as well as their attendances of the four committees' meetings are reflected.

Development of Electricity Supply Regulations

The Electricity Supply Regulations (ESRs), once developed will establish the manner in which the construction, installation, operation, maintenance and protection of the electricity supply infrastructure should be carried out by the Licencees, customers and electricity contractors. The LEA Act 2002, as amended, expressly requires the Authority to formulate ESRs to ensure safety and sustainability of continuity of electricity supply, by providing safety guidance in relation to electricity supply to the public. LEWA had forwarded the ESR document to MEM for consideration

Review of Other Legislative and Regulatory Frameworks

During the reporting period, the mediation settlement agreement document to be signed by complainants and Licencees during complaints resolution was prepared. The internal rules for conducting public hearings were implemented. Regular benchmarking of other regulatory instruments developed by LEWA against the best practice on regulatory models was also continued.

The revision of the legislative framework, the LEA Act, 2002 as amended was sustained. The objective of the review was to update and align the LEA Act, 2002 as amended with the Lesotho Energy Policy 2015- 2025 and to best practices obtaining in the region and beyond. During the reporting period, the Authority had submitted the relevant recommendations on the review of the LEA Act, 2002 as amended to MEM for consideration and policy clearance. The Authority decided to transform the Electricity Connection Charges Guidelines to the Electricity Connections Regulations. This endeavour was still in progress.

Board Activities

The Board met as scheduled to consider strategic issues that included, tariff applications from WASCO for 2015/16, 2016/17 LEWA budget, the 2015/16 audited Financial Statements, resolution of customer complaints, developments around security of supply and access to electricity and water services and the administration of the UAF.

During the reporting period, two Board Members Mr. Thabo Khasipe and Mrs 'Maboiketlo Maliehe left LEWA after rendering exceptional service to the Authority. During the reporting period, two new members, Messrs Seretse Mohlouoa and Bokang Ramatšella joined the Board. All Board Members underwent training meant to enhance their skills on regulatory oversight.

Tables 4 and 5 below reflect the Board Members' attendance of meetings during 2015/16

LEGAL SERVICES

Table 4: The Board Members' Attendance of Meetings During 2015/16

Member	Meetings (attended/total held)	
	Ordinary meetings	Extra-ordinary meetings
Dr. L. Thamae	3/3	2/2
Dr. M. Kotelo-Molaoa	3/3	1/2
Dr. M. Matete	3/3	1/2
Adv. K. Mohau	3/3	1/2
Mr. R. Motlojoa	3/3	2/2
Mr. S. Mohlouoa	2/2	2/2
Mr. B. Ramatsella	N/A	1/2
Mr. T. Khasipe	1/1	N/A

Table 5: The Committees Members' attendance of the Meetings During 2015/16

Committee	Members	Meetings	Meetings
Audit and Risk	Mr. T. Khasipe	1/1	N/A
	Mr. S. Mohlouoa	N/A	1/1
	Mr. S. Selepe	1/1	1/1
	Mr. R. Motlojoa	1/1	1/1
Customer Services	Dr. L. Thamae	2/2	N/A
	Dr. M. Kotelo-Molaoa	2/2	N/A
	Adv. K. Mohau	2/2	N/A
Human Resource, Finance and Administration	Mr. R. Motlojoa	2/2	2/2
	Dr. M. Matete	1/2	1/2
	Adv. K. Mohau	2/2	2/2
	Mr. S. Mohlouoa	1/1	N/A
Pricing and Tariffs Committee	Dr. M. Matete	N/A	1/1
	Mr S. Mohlouoa	N/A	1/1
	Dr. M. Kotelo-Molaoa	N/A	1/1



Compliance matters

The Authority established the compliance function to ensure that there was both external and internal compliance in the regulatory fraternity. In order to comply with the reporting requirements as outlined in LEA Act 2002, as amended, an internal compliance schedule was developed and approved.

With regard to external compliance, pertinent compliance letters were issued to WASCO, REU and LEC. Of particular concern to the Authority was Licencees' non-compliance in relation to regulatory obligations and persistent gaps in reported data. LEC had submitted a draft Code of Practice for Customer Complaints Handling Procedure while WASCO had delivered a draft Connections Code. Both documents were being reviewed with a view to preparing them for approval. The Authority was contemplating to draw up a comprehensive external compliance program which would be binding to the Licencees.

CONSUMER AFFAIRS & COMMUNICATION

The Authority constantly strives to ensure that processes to resolve customer complaints are in place to ensure efficiency. This commitment is in line with the Strategic Objective 4 of monitoring Licencee performance. Furthermore in line with the Strategic Objective 7 that provides that LEWA must promote stakeholder awareness, empowerment and protection, the Authority engages in constant communication with stakeholder groups which are Customers, Licencees, Government and potential investors. The reporting in this subsection reflects the activities undertaken to attain the Strategic Objectives mentioned above.

Customer Complaints Resolution

The Authority realised some improvement regarding resolution of complaints in that, generally, there was always a positive trend for resolved complaints. The total number of resolved complaints was greater than pending ones for both ESI and UWSS. Another progress realised was that, despite the challenges faced by the Authority regarding wayleave related complaints, which were mostly influenced by unplanned settlement in the country, all complaints on wayleave had been resolved.

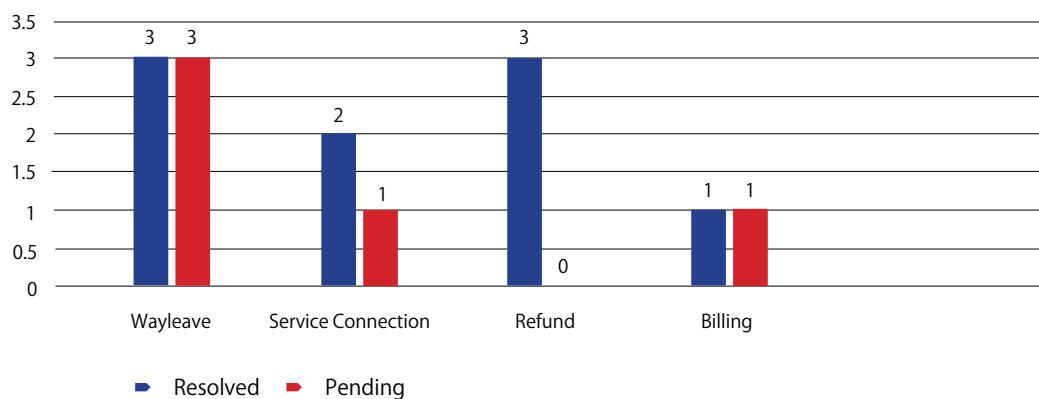
The complaints that were resolved during the period have been categorised into two sections namely ESI complaints and UWSS complaints. The total number of electricity related complaints lodged with the Authority increased by 60% during the reporting period in comparison to the 2014/15 period. UWSS services related complaints lodged with the Authority declined by 38% in comparison to the previous reporting period. A further breakdown of ESI and UWSS complaints is reflected in figures 1 and 2 below.

Electricity Supply Industry (ESI) Complaints

Four (4) complaints had been brought forward from the previous reporting period. Ten (10) new complaints were received during the reporting period, which brought the total number of complaints to 14. As illustrated in figure 1 below, nine (9) complaints have been resolved while five (5) were at the very penultimate stage of being finalised by the Authority. The categories of complaints were on billing, refund, service connection and wayleave.

CONSUMER AFFAIRS & COMMUNICATION

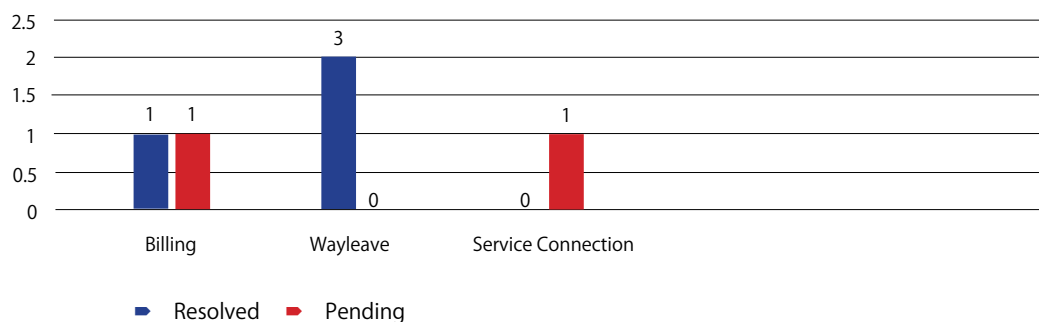
Figure 1 ESI Complaints by category



Urban Water and Sewerage Services (UWSS) complaints

No complaint had been brought forward from the previous reporting period. As reflected in Figure 2 below, five (5) complaints were received during the reporting period and three (3) complaints had been resolved while two (2) were in the advanced stage of being finalised by the Authority.

Figure 2 UWSS Complaints by category



CONSUMER AFFAIRS & COMMUNICATION

Mediation for Complaints at District Level

As part of ongoing efforts to roll out services to customers in other parts of the country LEWA participated in mediation efforts for complaints originating from customers in the other districts of the country. These involved getting assistance from district based stakeholders such as District Administrators for providing venues for LEWA to convene Licencees' representatives and complainants to mediation meetings.

Stakeholders Engagement and Communication

The Authority held electronic media events such as radio programs and television interviews on regulatory issues to inform stakeholders from the wide spectrum of society of developments in regulated sectors. The stakeholder communication efforts through the print media entailed publication of advertorials, notices and advertisements to reach newspaper readers. Open public meetings were held for customers, consumers, local authorities and civil servants to raise their awareness and promote their engagement on regulatory issues. Educational workshops for customers were undertaken in the ten districts to raise awareness on QOSSS issues. In response from the various intervention stated above, stakeholders invariably expressed appreciation of the LEWA communication initiatives and requested regular communication and feedback from LEWA regarding the developments in the regulated sectors. They felt that their comments and inputs should be taken into consideration during decision making. The stakeholders further articulated their desire for the Authority to ensure that Licencees delivered on quality service and feedback to be provided. LEWA assured the stakeholders that under regulatory dispensation the Licencees were gradually improving on service delivery although there was still room for further improvements.

The LEWA quarterly newsletters, which covered some of the periodic developments within the regulated ESI and UWSS sectors, were produced and distributed to stakeholders throughout the country using an approved distribution list. At the end of the reporting period three (3) out of four (4) newsletters had been issued and the last publication of 2015/16 was at the advanced stage of being prepared.

Website Updates

The review and upgrade of the website contents was done on an ongoing regular basis. Some of the documents which were uploaded onto the website included WASCO 2016/17 tariff determinations, notices, job vacancy advertisements, and invitation for public inputs into LEC's and WASCO's tariff applications and determination. The Authority ensured that the website was functioning at all times and attended queries relating to the content thereon.

CONSUMER AFFAIRS & COMMUNICATION

Corporate Social Responsibility (CSR)

The corporate social responsibility (CSR) goal of LEWA is to contribute to the growth of the regulated sectors by recognising and promoting talent amongst students of institutions of higher learning. In September 2015 the Authority gave awards to best performing students at the Lerotholi Polytechnic (LP) and the National University of Lesotho (NUL). At NUL, the best performers were in the fields of Bachelors of Engineering, Physics and Electronics and Economics. The LP best performers were in the area of Diplomas in Water and Environmental Engineering and Electrical and Electronic Engineering. By engaging in these CSR endeavours LEWA seeks to ensure that the country produces professionals who can make positive impact in the regulated electricity, water and sewerage services and contribute to sustainable development.

In addition, LEWA assisted the needy in society by donating 130 school shoes to orphans and vulnerable children from the communities of Khokhoba, Mapheleng and Marabeng in Berea in December, 2015. The holding of the event was facilitated by councillors of the three areas and was attended by more than three hundred people. The event did not only benefit the children and the community, but also LEWA in that it served to raise awareness about the mandate and responsibilities of the Authority amongst the concerned communities.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

In the quest for fulfilling the Strategic Objective 5 of building and operating a sustainable organisation, the Authority prepared and implemented the financial and human resources strategies that are reflected in this sub-section. The Authority further endeavoured to attain the Strategic Objective 7 of increasing access to electricity, water and sewerage services by administering the Universal Access Fund (UAF).

Financial Statements and Management

Reported hereunder is the matter relating to the operating budget for the Authority which was meant to ensure that budgeted activities are attained within the context of attaining LEWA's mandate. The UAF is part of the Authority's financial accountability though, as noted above, is meant to assist Government's efforts of increasing access to electricity services throughout the country.

Operating Budget

The Authority's budget was financed by licence fees, customer levies and donor funding. The budgeted income met all the Authority's expenditure requirements. This resulted in an operating cash flow of M7,115,860 and that was used for procurement of assets, gratuity for staff under contract employment and Universal Access Projects.

Revenue was higher at 14% for 2015/16 compared to the year 2014/15. M73 million was spend in operating costs (inclusive of M32 million for Universal Access Projects). Major costs incurred during the year were among others staff costs, development of renewable energy framework, technical assistance for regulation of water and sewerage services and implementation of regulatory instruments, and the day-to-day operations.

The Financial Statements for the year ended 2015/16 were audited and clean audit opinion was issued. This is the 12th consecutive year that the Authority prides itself for obtaining yet another unqualified audit opinion from the Auditor - General. Management accounts were prepared on an ongoing basis for information, control and decision making purposes.

The current ratio stands at 4:1, and shows the Authority's better position to meet its short term liabilities. The financial performance of the Authority had been under proper management and therefore considered probable to continuously sustain its operations for the foreseeable future.

The LEWA Business Plan together with the Budget for 2016/17 were prepared and approved. Customer levies and licence fees are to finance the 2016/17 budget.

Universal Access Fund

The approved UAF budget for the reporting period was M19.8 million and it financed 15 electrification projects. At the end of the reporting period 80% of the UAF budget had been expended. The total amount spent was M32 million which included projects that were in progress from 2014/15. Projects financed were Linotsing, Ha Ramoloi, Litlhatsaneng, Khalahali, Ha Monyane, Ha Thaba Bosiu, Ha Sekoati, Ha Leneha, Ha Fusi, Ha Mothamane, Ha Mokati, Tloutle, Sebaki, Popa , and Ha Palama, whose details are reflected in the Report.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

Human Resources

Below the subsequent two subheadings deal with human resources related issues which are staff appointments and training so as to highlight their results. Equally important to report on is staff wellness and health issues which give an indication of the Authority long term sustainability.

Appointments and Training

The total staff compliment of LEWA as at 31 March 2016 was 23, out of which 15 were professionals and 8 were support staff. There was one vacancy as a result of the resignation of one member of staff. The staff turnover stood at 4.2% which is an acceptable level. The gender composition of LEWA staff was at 10 females and 13 males while the composition for core function was 57% against the 43% for the support function of the regulator.

LEWA believes that investing and developing employees' skills and knowledge is key to achieving its regulatory mandate. To this end, the 2015/16 Training Plan was implemented through attendance of workshops, seminars and on-the-job training. Specific employee skills were targeted to be developed and were part of the approved Training Plan in various areas pertaining to regulation. The Authority also invested in professional employees registering with professional bodies or associations relevant to their professions to enhance their continuous professional development. The Authority continued implementing the Performance Management System (PMS) in order to enhance performance and productivity of employees.

Staff Wellness, Safety Issues and Health

The Authority strives to establish a work environment that promotes healthy lifestyles, decreases the risk of disease, and enhances the quality of life through implementing wellness program. LEWA wellness program included the HIV and AIDS program, team building and general wellness programs. The Authority, as a role player in the fight against HIV and AIDS, continued to undertake strategies of its prevention. Follow-up sessions were held to evaluate the previous team-building session and to inform future team-building activities.

In order to assist the Authority to plan ahead for the future, the Authority introduced compulsory retirement age for all employees, which will be on attainment of 60 years. This development will allow the Authority to undertake succession planning by identifying the potential positions whereby skills and knowledge are needed, and then train employees to fill such positions.

In order to ensure employees' physical wellbeing, the Authority encouraged its employees to take part in local gym facilities through subsidising gym membership. The Authority was in the process of developing a comprehensive wellness policy to guide the HIV and AIDS programs, Health and Safety and general wellness issues.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

Statutory reporting

The Authority further carried out statutory reporting. The prepared Annual Financial Statements for the year ended 31 March 2016 were approved by the Board. The Annual Report for 2014/15 was presented to the Minister of Energy and Meteorology and published.

Acquiring LEWA House

The Authority currently rents out its office space and costs for this are high and escalating every year indicating that it is not a sustainable situation in the long term. In order to curb this problem, LEWA has undertaken a feasibility study to explore whether it should continue renting offices in the city for its operations; or buy an existing office building in the city that suits its office space and amenities requirements; or construct a new building that addresses its current and future space needs in a suitable location. The final report has been completed and the Authority is considering options.

HIGHLIGHTS OF REGIONAL AND INTERNATIONAL ACTIVITIES

LEWA participation in both regional and international activities is consistent with the Authority's Strategy Objective 7 of Promoting stakeholder awareness, empowerment and protection. LEWA is a member of the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), the Regional Electricity Regulators' Association of Southern Africa (RERA) and the African Forum for Utility Regulators (AFUR).

The objectives of both RERA and ESAWAS include capacity building and information sharing through the facilitation of information sharing, skills training at national, regional and international level, and enhancing regional and regulatory cooperation.

The objectives of AFUR could be generally summarised as supporting the development of effective utility regulation in Africa through facilitating, the harmonisation of regulatory policies, interchange of information and lessons of experience amongst regulators, and capacity building in support of the socio-economic development of the African continent.

Hereunder LEWA's participation in each association is briefly reviewed.

Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS)

LEWA participated in a peer review exercise of the water services regulatory system of National Water and Sanitation Council of Zambia (NWASCO) with other ESAWAS members in July, 2015. The peer review was carried out in partial fulfilment of ESAWAS objective of capacity building and information sharing through the facilitation of information sharing and skills training at national, regional and international level to enhance the capacity of members in water supply and sanitation. The peer review also supports the partial fulfilment of the second objective of regional cooperation through the identification of best practices to improve effectiveness of water supply and sanitation in the region. Regulatory performance was assessed in terms of three concepts: regulatory governance, regulatory substance and regulatory impact.

Furthermore, LEWA took part in the meeting of the technical committee on ESAWAS Benchmarking in Maputo, Mozambique. The benchmarking entails analysis of the performance of the largest water and sewerage utilities in each member country of ESAWAS which were: Lusaka Water and Sewerage Company (Zambia); Nairobi Water and Sewerage Company (Kenya); Dar es Salaam Water and Sewerage Corporation (Tanzania); Águas da Região de Maputo (Mozambique); Water and Sewerage Company (Lesotho); Water and Sanitation Corporation (Rwanda).

The benchmarking report also introduces a performance ranking of the water and sewerage utilities using an integrated measurement of performance such as coverage and QOSSS called the WUPI. With regard to WASCO's performance, the report noted that the utility recorded medium performance values in terms of quality of service, economic efficiency and operational sustainability.

The benchmarking report was presented in the 9th ESAWAS Conference and Annual General Meeting (AGM) held in Kenya in October, 2015. The theme of the AGM was "*Enhancing Regulatory Substance*". The benchmarking report was accepted and the AGM resolved that it should be communicated to the relevant utilities such as WASCO.

HIGHLIGHTS OF REGIONAL AND INTERNATIONAL ACTIVITIES

Regional Electricity Regulators' Association of Southern Africa (RERA)

LEWA made contributions in all Regional Electricity Regulators Association of Southern Africa (RERA) Subcommittees and Portfolio committees meetings held in Cape Town, South Africa and Blantyre, Malawi in April and September 2015 respectively. Some of the issues discussed included sharing information on pertinent regulatory developments that took place within Member States and the development of an Independent Power Producer (IPP) Framework Model to facilitate sector investment in the power sectors of SADC Region and to increase cross border power exchange. The RERA tariff publications 2012/13 and 2013/14 was published and distributed to members.

RERA held the 2015 Energy Conference and Annual General Meeting (AGM) in Ezulwini, Swaziland, from November 25-27, 2015. The theme for the conference was “Regulating for sustainable development of the Regional Energy Sector to support the socio-economic development and industrialisation of the SADC region”.

The key note message that was projected at the event was that regulators in the SADC region must play a role in attracting investment in the energy sectors to improve the socio-economic development of the region. It was decided that LEWA would host the 2016 RERA Conference and AGM in Maseru, Lesotho.

African Forum for Utility Regulators (AFUR)

As a member regulator of the African Forum for Utility Regulators (AFUR), the Authority participated in the 12th Annual Conference and General Meeting in July 2015 in Johannesburg, South Africa. At the AGM, LEWA was elected as a Deputy Chairman of AFUR. The theme for the conference was “The Role of Technological Advancement in Regulation in Sustaining Development in Africa”.

The objective of the Annual Conference deliberations were threefold: a) provide AFUR members with a useful networking opportunity that also allows them to benchmark progress/ development across the continent; b) provide an opportunity to academicians and experts to share research undertaken on developments – continentally and globally – in the infrastructure regulation fields; and c) provide a forum where members can strategize about ways to improve AFUR, expand membership among continental regulators and to discuss programs of interest to be implemented over the upcoming year.

Apart from being a member of the regional and continental body, the Authority interacted with development and cooperating partners through the Government. In the subsequent sub-section a brief synopsis of the substance of interaction with African Development Bank (AfDB), United States Agency for International Development (USAID) and World Bank is made.

HIGHLIGHTS OF REGIONAL AND INTERNATIONAL ACTIVITIES

Development and Cooperating Partners

As reflected in the Report development and cooperating partners in Lesotho have committed some resources to the attainment of some specific regulatory objectives. The highlight of such endeavours are reflected under each institution below.

African Development Bank (AfDB)

The African Development Bank (AfDB) assisted the Authority with funding for the development of Regulatory Frameworks for the Development of Renewable Energy Resources. The assignment was part of implementing some of the provision of National Energy Policy statements that called for the development of a framework for participation of renewable energy generators (IPPs) that will include Power Purchase Agreements (PPAs).

United States Agency for International Development (USAID)

The United States Agency for International Development (USAID) provided LEWA with financial assistance for the review of the LEA Act 2002 as amended.

World Bank

The World Bank provided funding for the Water Sector Improvement Project Phase 2 (WSIP2), whose objectives were to:

- Review the status and support implementation of the Metolong Dam and Water Supply Program (MDWSP);
- Review the status and support implementation of the institutional support to the water sector through the office of the Commissioner of Water (CoW), specifically review the status of the Tertiary Lines for the MDWSP;
- Review the state of regulation through LEWA;
- Support WASCO;
- Follow-up on key activities in relation to Phase 2 of the Lesotho Highlands Water Project;
- Review preparations for implementation of the next phase of the Lowlands Water Supply Program;
- Finalise the restructuring to extend the closing date and re-allocate funds to priority activities; and,
- Review and finalise the publication on Water Security and Climate Change in Lesotho.

REGULATED SECTORS' PERFORMANCE

Section 21 (1) (i) of the LEA Act 2002, as amended, provides that the Authority must guarantee the collection, publication and dissemination of information concerning, the ESI and UWSS in Lesotho for use by the industry, consumers and prospective investors. It is on the basis of this requirement, that the performance by regulated entities is reflected here.

The next section highlights the performance of Licencees, starting with those in the ESI and subsequently those in the UWSS.

ELECTRICITY SUPPLY INDUSTRY

The regulated electricity supply industry (ESI) entities are LEC, the Lesotho Highland Development Authority's (LHDA) 'Muela Hydropower Plant (MHP) and the Rural Electrification Unit (REU) of the DoE. The performance of each of these is reflected below.

Lesotho Electricity Company (LEC)

LEC holds a Composite Electricity Licence for Transmission, Distribution and Supply issued by LEWA in December 2006.

(a) Demand Growth

LEC's bulk energy purchases increased by 15.51 GWh from 786.36 GWh in the previous reporting period to 801.87 GWh in the reporting period. The energy sales on the other hand increased by 19 GWh (representing a 2.8% increase) from 680 GWh in 2014/15 to 699 GWh in the reporting period. The LEC's total system peak demand was around 153 MW, an increase of 4 MW from the previous year's figure. The energy growth trend is shown in Table 6, while Table 7 indicates the Maximum Demand (MD) profile.

Table 6: LEC Energy Purchases and Sales

Year	Energy Purchased (GWh)		Total Energy Purchased (GWh)	Energy sold (GWh)	Energy loss (%)
	Local	Imports from ESKOM and EDM			
2012/13	461.5	310.1	771.6	685	11.7
2013/14	516.4	285	801.44	705	12
2014/15	515.2	271.2	786.36	680	16
2015/16	520.8	281.1	801.86	699	13

Table 7: Lesotho Maximum Demand Profile (MW) for Period 2007/8- 2015/16

Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2007/08	115.3	72	43.3	38
2008/09	122.5	72	50.5	41
2009/10	133.4	72	61.4	46
2010/11	138	72	66	48
2011/12	141.69	72	69.69	49
2012/13	147.63	72	75.63	51
2013/14	143	72	71	50
2014/15	149	72	77	52
2015/16	152.98	72	80.98	53

ELECTRICITY SUPPLY INDUSTRY

(b) Electrification

A total of 15,149 new connections were made in 2015/16. The new connections increased the total LEC customer base to 203,876. Of the 15,149 new connections, 14,215 were domestic. Using National and Sub-National Population Projections of June 2010 produced by Bureau of Statistics (BOS), the total number of connected households (192,838) translates to about 42% of Lesotho households connected to the main grid electricity.

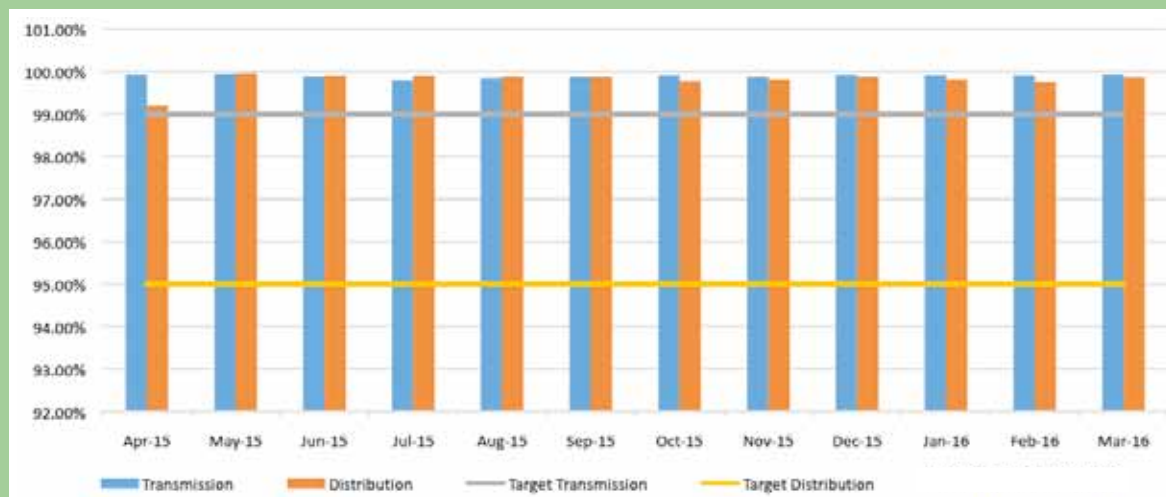
(c) System Availability

The monthly system availability for both transmission and distribution systems is depicted graphically in figure 3 below as set against the respective corporate target levels.

The transmission system availability has been consistently above target for the whole reporting period. The average system availability for the year was 99.89 % against the target annual average of 99.00%.

Similarly, the availability of the distribution system was above target, with an average of 99.80% against an average target of 95.00% per annum.

Figure 3: Transmission & Distribution Systems Availability



Source: LEC Reports

ELECTRICITY SUPPLY INDUSTRY

Inspections and Power Quality Audits

The Authority undertook inspections on part of LEC's infrastructure in 2015/16. The findings of the inspections are shown in Table 8 below. All of the seven (7) substations inspected during the period had no fire extinguisher services or had the fire extinguisher equipment not serviced. Just over 40%, three (3) out of seven (7) of the substations had garbage material inside the substation yard. The two conditions imply that in the case of fire in the substations, the risk of having a total substation burndown is high, thus they compromise the security of electricity supply. Close to 60%, four (4) out of seven (7) of the substations had no hazard signs mounted on the yard. In addition, power quality audits carried out at selected LEC substations established that power quality parameters (frequency and voltage) were within the limits specified in QOSSS document.

Table 8: Summary of findings from inspections of LEC infrastructure

CONDITION CHECKED	TOTAL SUBSTATIONS INSPECTED	NUMBER OF ABNORMALITIES OBSERVED	PERCENTAGE OF ABNORMALITIES
Transformer leakages	7	2	29%
Hazard signs	7	4	57%
Damaged fencing	7	2	29%
Fire extinguisher serviced	7	7	100%
Garbage material inside substation yard	7	3	43%
Poor labeling of apparatus	7	1	14%
Roof leakages	7	0	0%

Lesotho Highlands Development Authority ('Muela Hydropower Plant)

(a) Power Plant's Technical Performance

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The technical performance of power plants is measured by a number of parameters, most of which are ratios. The ratios are indicators of how well a plant is utilised, operated and maintained. The indicators that have been selected and agreed for the performance of MHP are the following:

- **Monthly Indicators**

The following monthly indicators have been selected to measure the performance of the plant as a whole.

Load Factor (LF) – refers to the ratio of the actual energy produced to the energy that would have been produced if the plant had run at maximum demand over the same month. It is also expressed as the ratio of the average demand to the maximum demand.

Operating Factor (OF) – refers to the ratio of the time during which the plant was operational to the total time in a month.

- **Annual Indicators**

The following annual indicators have been selected to measure the performance of the individual units.

ELECTRICITY SUPPLY INDUSTRY

Capacity Factor (CF) - refers to the ratio of the actual energy produced to the energy that would have been produced if the plant had run at rated power over the same year.

Energy Availability Factor (EAF) - refers to the ratio of the energy that the available capacity could have produced to the energy that the reference (rated) unit power could have produced during the same year. The energy that the available capacity could have produced is equal to the reference energy minus all the planned and unplanned (within and outside plant management control) losses.

Unit Capability Factor (UCF) - refers to the ratio of the available energy generation to the reference energy generation over the same year. The available energy in this case is limited to losses within plant management control.

Planned Capability Loss Factor (PCLF) – refers to the ratio of planned energy losses to the reference energy.

Unplanned Capability Loss Factor (UCLF) – refers to the ratio of unplanned energy losses, (under plant management control), to the reference energy.

The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in figure and the tabulation of the annual indicators in Table 9. The indicators are expressed in percentages.

Figure 4 shows that the pattern of the two indicators is almost identical from April 2015 to March 2016. However, it can be observed that during June to August, the OF was almost constant at around 100% while LF averaged around 95%. There is a marked variance in actual and planned operating factors for the period September 2015 to March 2016. For the period May to August it can be observed that the plant operated almost uninterrupted and at almost its maximum capacity. With reference to Table 9, it is noted that CF ratios for unit 1 and unit 3 are almost identical. Unit 1 and 2 were available most of the time as depicted by relatively higher values for, CF and UCF. Unit 3 was the least available as indicated by relatively lower values for, CF and UCF and relatively higher values for, UCLF and PCLF. Figure 5 shows ‘Muela energy generation, sales and export, while Figure 6 depicts ‘Muela peak generation.

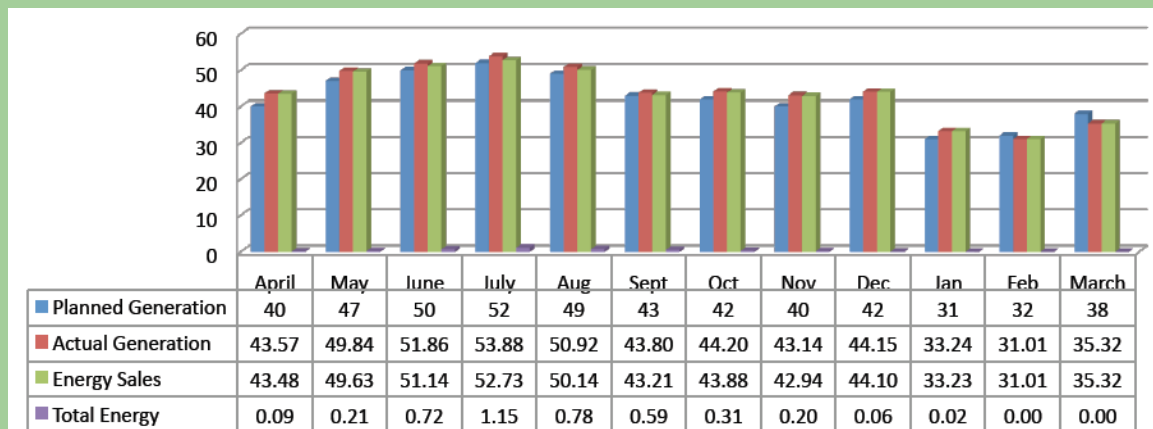
ELECTRICITY SUPPLY INDUSTRY

Figure 4: MHP Load and Operating Factors (Percentages) for 2015/16



Source: 'Muela Reports

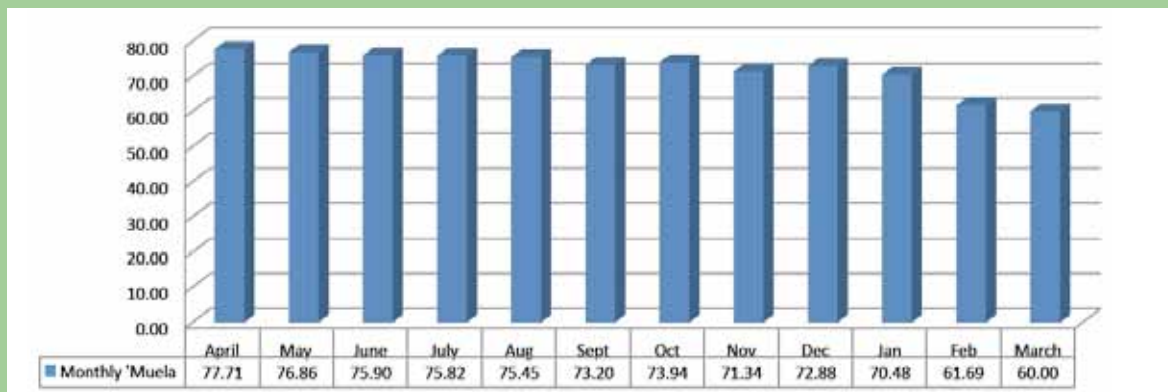
Figure 5: MHP Energy Generation, Sales and Exports



Source: 'Muela Reports

ELECTRICITY SUPPLY INDUSTRY

Figure 6: 'Muela Monthly Peak (MW)



Source: 'Muela Reports

Table 9: Performance of MHP Units in 2015/16 – Ratios Expressed in Percentages

Unit Identifier	Capacity Factor (CF)	Energy Availability Factor (EAF)	Unit Capability Factor (UCF)	Unplanned Capability Loss Factor (UCLF)	Planned Capability Loss Factor (PCLF)
Unit 1	79.8	69.1	96.0	0.2	3.76
Unit 2	85.6	84.7	95.0	1.3	3.73
Unit 3	78.8	80.9	83.9	5.1	11.01

Source: LHDA Reports

(b) Safety and Environmental Incidents

The pertinent performance indicators that 'Muela uses for assessing the Plant's performance in this regard are: Industrial Safety Accident rate per 200,000 man-hours, Number of Major Vehicle Accidents and Number of Undesired Environmental Incidents. In the reporting period, 'Muela recorded Three (3) Major Vehicle Accidents, four (4) Minor Vehicle Accident and zero (0) in the rest of the performance indicators.

Department of Energy (Rural Electrification Unit)

The DoE has held a licence exemption for running three Electricity Access Pilot Projects (EAPPs) since October 2007. The exemption, which expired in September 2014, has been further extended until September 30, 2016. REU had four commercial customers being two (2) Econet communication towers at Qholaqhoe and Ha Sekake, Tebellong Hospital and Dilli-Dilli/ Sixondo clinic.

i. Qholaqhoe, Dilli-Dilli/ Sixondo and Ha Sekake EAPPs

The networks in the Qholaqhoe and Ha Sekake EAPPs are supplied from the LEC networks at 33 kV, while the network in the Dilli-Dilli/Sixondo EAPP is supplied from the ESKOM (Republic of South Africa) network at 22 kV. As illustrated in Table 10 below a total of 2,372 customers were recorded during the reporting year and this includes 53 newly connected customers. The number of registered customers stood at 2,370 at the beginning of the year.

ELECTRICITY SUPPLY INDUSTRY

Table 10: Customer Base for the EAPPs

EAPP	Number of requests for new connections	Number of consumers at the beginning of year	Number of new connections during the year	Total number of registered consumers at the end of year	Backlog from previous year	Total backlog at end of year
Dilli-Dilli/ Sixondo	273	229	0	223	326	599
Qholaqhoe	108	213	48	241	316	376
Sekake	245	1928	5	1908	97	337
TOTAL	626	2370	53	2372	739	1312

Source: REU Reports

The global view of energy purchases and sales for the three EAPPs is reflected in Table 11 below.

Table 11: Energy Purchases and Sales for EAPPs

EAPP	Bulk Energy Purchased (kWh)	Energy sold (kWh)	Max. Demand (kW)	Energy loss (kWh)	Energy loss (%)
Dilli-Dilli/ Sixondo	183,855.24	163,735.16	37.30	20,120.08	11%
Qholaqhoe	270,381.41	226,295.32	76.22	44,086.09	16%
Sekake	946,680.01	817,556.05	241.52	101,818.92	14%

Source: REU Reports

ii. Inspections in EAPPs Networks

Inspections were carried out in the EAPPs networks on overhead lines, transformers and pillar boxes. All 18 pillar boxes inspected in the three project areas were not locked pointing out to lack of safety pertaining to pillar boxes. The transformers showed good conditions as only one (1) out of 31 transformers was found to be leaking. For the lines, only three (3) out of 38 had been encroached by trees and buildings respectively. The rest of the conditions checked displayed no abnormalities.

Generation

Expansion of local electricity generation is important as it contributes towards security of supply and may contribute towards lowering of tariffs. It is for this reason that the Authority participated in several stakeholder meetings where the modalities of generating electricity in the country were assessed. Although generation of electricity is not one of LEC's core businesses, the company has two mini hydro plants at Semonkong and Mantšonyane. In Semonkong the mini hydro plant was not functional and hence the town's off grid network was dependent on diesel generation.

URBAN WATER AND SEWERAGE SERVICES

Water and Sewerage Company (WASCO)¹

WASCO holds a Composite Water and Sewerage Services Licence for production, treatment, transmission, distribution and supply of water and the storage of water for the purpose of treatment, distribution of onward supply, delivery of water to trunk main pipe lines and the treatment and disposal of sewage businesses. The Licence was issued by LEWA on 01 May, 2013 in terms of the provisions of the Lesotho Electricity Authority Act 2002 as amended.

WASCO provides services in the following areas: Maseru, all the other nine district towns, Mazenod, Morija, Roma, Peka, Maputsoe, Mapoteng and Semonkong.

Below, the report covers some of the indicators illustrating the Company's performance in the reporting period.

(a) Service coverage- comprises water and sewerage connections

- **Water connections:**

At the end of 2014/15, there were 85,131 water connections in the WASCO system. A total of 5,413 new water connections were made in 2015/16 against a WASCO set target of 6,000; bringing the total number of water connections at the end of 2015/16 to 90,544. Maseru comprised 59% of these connections. The overall coverage of water services in urban areas stood at 67.4%².

- **Sewerage Connections:**

At the end of 2014/15, there were 6,806 sewerage connections in the WASCO system. A total of 359 new sewerage connections were made in 2015/1; bringing the total number of water connections at the end of 2015/16 to 7,165. As in water services coverage 90% of the connections were in Maseru. Total coverage of sewerage services was at 5.3%³.

(b) Total water produced, billed and Non-Revenue Water (NRW)

The total volume of water produced in 2015/16 was 23,859 kilolitres (kl). Of these 15 801 kilolitres (kl) was billed, resulting in a NRW of 8, 058 kilolitres (kl) representing 34% against a WASCO set target of 27%. NRW refers to water that does not produce revenue in a period. It is an indication of the volume of treated water lost during distribution to customers. It is derived at by determining the difference between the volume of water produced and volume of water billed as a proportion of volume of water produced.

¹ The information from section 13.2.1 to 13.2.6 was provided by WASCO and could not be independently verified.

² This figure has been derived from estimates of the urban population.

³ This figure has been derived from estimates of the urban population.

URBAN WATER AND SEWERAGE SERVICES

(c) Water and Sewage Quality

• Water quality

The produced potable (drinking) water quality is monitored to ensure compliance to the set drinking water standard. Of the samples that were tested in 2015/16, those that passed the microbiological test were 94%, while 91% passed the chlorine tests. A two year comparison shows an improvement in WASCO's performance as reflected in Table 12 below.

Table 12: Potable Water Quality		
Quality Test	Percentage Passing in 2014/15	Percentage Passing in
Microbiological	86%	94%
Chlorine	89%	91%
Source: WASCO Reports		

• Sewage Quality

The treated wastewater (sewage) water quality is monitored to ensure compliance for safe disposal into the environment. Of the samples that were tested in the reporting period, 36% passed the Suspended Solids while 24% passed the Chemical Oxygen Demand tests. This is a decline in performance when compared to 2014/15 as illustrated in Table 13 below.

Table 13: Treated Sewage Quality		
Quality Test	Percentage Passing in 2014/15	Percentage Passing in 2015/16
Suspended Solids (SS)	65%	36 %
Chemical Oxygen demand (COD)	36%	24 %
Source: WASCO Reports		

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LEWA Inspections of WASCO Infrastructure and Services

LEWA further carried out inspections 10 WASCO services centres, namely Mapoteng, Mokhotlong, Butha-Buthe, Hlotse, Maputsoe, Thaba-Tseka, Roma, Morija, Mohale's Hoek and Quthing. However, the Authority faced challenges of data incompleteness but despite those challenges, the Authority managed to make assessment of the performance.

The Authority observed that in most of the centres, there were slight improvements processes such as disconnections and reconnections, faults and supply interruptions. At some centres, the utility was in compliance with the QOSSS with regard to issuance of quotations for connections, disconnections and reconnections process, response to leakages, bursts and faults. There was consistent potable water quality monitoring in the form of process tests. A leakage on a major distribution line in Quthing had been repaired and fencing of the wastewater treatment ponds at Mapoteng was being completed. Additional findings from these inspections showed that there was:

- Lack of Standard Operating Procedures and Safe-Handling Guidelines for gas and granular chlorine;
- Non-functional equipment at potable water treatment plants;
- Leaking and rusting reservoirs and tanks;
- Unrestricted access to some reservoirs and unsatisfactory upkeep of surroundings at reservoirs; and
- Untidy, dilapidated and unfenced wastewater ponds.

URBAN WATER AND SEWERAGE SERVICES

Findings from these inspections had been communicated to the Utility and implementation schedules for remedial works had been developed and agreed on by both the Authority and the Utility.

WASCO Performance Assessment for 2014/15

An assessment of WASCO's performance for the year 2014/15 was carried out in September 2015, using the developed Performance Assessment Tools (PATs). The assessment was carried out with the aim of providing a benchmark for the performance of WASCO primarily against the QOSSS, assessing operational and financial performance of WASCO, and to furnish LEWA with an appropriate level of information with which to base future economic regulatory decisions throughout the tariff determination process.

The assessment of WASCO's service performance for 2014/15 had shown that there was an improvement in data provision compared to 2013/14 assessment. There appeared to be a greater awareness of the QOSSS within WASCO and requisite performance assessment. Key features of WASCO's performance entailed the following:

- Over the last four (4) years, WASCO reduced a backlog of new water supply connections by over 8,000 to 831 at the end of 2014/15. This represented a significant and continuous improvement. However, the submitted data did not enable the time to make new connections from receipt of payment to be assessed in accordance with the QOSSS;
- Drinking water quality was moderate (as 6.9% of distribution samples contained coliforms), and the quality of treated water shows a deteriorating trend;
- Wastewater effluent compliance with the required standards was poor, but shows some signs of improvement (from 4% samples passing in 2013/14 to 17% in 2014/15);
- WASCO had not produced Codes of Practice, or provided information to customers as required by the QOSSS;
- Mains repair times appeared to have increased significantly in June 2014, (average repair times for mains bursts in Maseru increased from under a day in 2014/15 compared to over 5 days in 2013/14, and from 75 days to 125 days for minor leakages repairs); and
- WASCO was behind its own plan to meet the QOSSS as stipulated in their August 2013 QOSSS Implementation Schedule.

The assessment established that the immediate priority was for WASCO to establish monitoring and reporting methodologies, so that compliance may be assessed with ease, particularly the QOSSS. It was also established that areas that needed to be targeted for improvement included quality of wastewater effluent, measurement of availability of water supply, provision of information to customers and reduction of mains' repair-time.

Urban and Peri-Urban Water Supply Project

The Urban and Peri-urban Water Supply Project was a project meant to assist WASCO with extension of the network, replacement of old pipes, construction of new reservoirs, rehabilitation and construction of treatment works and pumping works. The project cost was valued at M368, 919,514.59 which was meant to improve the lives of 157,295 people. The project entailed new pipeline extensions totalling 80.46 kilometres and a total refurbishment / rehabilitation of 61.4 kilometres old lines.

The project was implemented through five packages; namely, Package 1- (Maseru and Mazenod), Package 2- (Semonkong), Package 3- (Mafeteng, Mohale's Hoek, Quthing and Qacha's Nek), Package 4- (Leribe, Butha Buthe, and Mokhotlong) and Package 5- (Mapoteng). The water treatment work's capacity at Semonkong was 1 million litres per day.

URBAN WATER AND SEWERAGE SERVICES

By the end of the reporting period most packages had been completed and operational. The exception was in Maseru where the replacement of the asbestos pipe network was still ongoing.

Five Towns Water Supply Project

The objective of the project is the construction of river intake structures, water treatment plants, water transmission lines, water retaining reservoirs and reticulation extensions in Butha-Buthe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek.

Only the design for Butha-Buthe had been completed and the construction is expected to commence in 2016/17. The project is funded by the Arab Bank for Economic Development in Africa (BADEA), OPEC Fund for International Development (OFID) and Saudi Fund for Development (SFD) at a cost of M419 million to serve 227,610 people. The project shall consist of a total pipeline network of 124.20 kilometres and an overall production of 24,680 cubic metres per day of potable water.

Maseru Wastewater Project

The project was aimed at reducing the number of people without access to sanitation through the development of the modern, environmentally friendly system of waste water collection and treatment within the administrative boundaries of Maseru. Project entailed rehabilitation and extension measures for improvement of service in town areas where piped system exists or proves justified.

At the end of the reporting period the Agricultural College and MASOWE waste water treatment plants had been completed and were operational. The connection and operationalisation of the sewerage network and activation of house connections in the Northern parts of Maseru had been undertaken. The construction of sewer trunk mains and transmission lines and a pump stations, for delivery into the Agricultural College waste water treatment plant, was ongoing.

Asset Management Agency (AMA)

The Asset Management Agency (AMA), under CoW, would own the Metolong Dam and Water Supply Programme (MDWSP) infrastructure with WASCO operating the assets. As a result, AMA and WASCO were to have the maintenance contract on the operation of the (MDWSP) infrastructure by WASCO. The MoU between WASCO and CoW, was being drafted to allow WASCO to operate the MDWSP infrastructure while the maintenance contract was being finalised.

Metolong Dam and Water Supply Programme (MDWSP)

The Metolong Dam and Water Supply Program (MDWSP) is a multi-donor partnership developed with the Government to realise an extensive infrastructure program in support of sustained socio-economic growth, increasing the quantity of safe, bulk water supplied to Maseru, Mazenod, Roma, Morija and Teyateyaneng. The MDWSP comprises the following components:

- The dam and intake;
- 70-90 million litres water treatment works; and
- Downstream pipeline- conveyance system.

URBAN WATER AND SEWERAGE SERVICES

Progress on the program is reflected in the subsequent subsections below.

Dam and Raw Water Pumping Station

The pumping station has been completed and tested and can deliver the design capacity of 103 million litres MI/day raw water to the treatment works.

The placing of concrete on the 83 meters high roller compacted concrete dam (RCC Dam) as well as the bridge over the spillway were complete. The work on the dam wall access route was about 80% complete. That is, a completion of a small part of the permanent access route on the road that runs over the dam crest on the left bank was in progress.

Other on-going construction activities at the Metolong Dam included slope stabilisation and rehabilitation works at both right and left banks.

Water Treatment Works (WTW)

All the essential water treatment processes were being successfully carried out at the plant. Chemical dosages and the necessary water treatment process had been made on trial basis and refined over time; and the target consistency of water quality had been achieved.

At the same time, treated water had been provided to WASCO, albeit on condition that it should be subjected to further chlorine adjustments, at Roma, Mazenod, Morija, TY and Mpilo Reservoirs in Maseru according to the design of the system.

Assisted Operation (AO) by the AO contractor started 04 April, 2016 so that WASCO could gradually take on full responsibility for the operation of the water treatment plant (March 2017) and the Dam (by September 2017). With regard to Dam Safety, WASCO had signed an MOU with LHDA so that the experts available to LHDA could provide services for Metolong Dam as well.

Downstream Conveyance System (DCS)

The secondary pipelines for DCS to Roma, Morija and TY were completed, and respective reservoirs were also completed and tested. All the DCS pipelines to and within Maseru were also completed. The hydraulic testing of the pipelines was complete.

The concrete placing on the construction of the second reservoir (25 MI Capacity) at Mpilo Reservoir site as an addition to the previously planned one had been completed.

Some latent defects were noted on the primary pipeline (within Maseru near Thabong, IEMS and Lekhaloaneng road intersection.) as some of the air valves failed resulting in heavy bursts. The problem had been identified and solved. The air valves in question had factory defects which were rectified by the contractor.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Members of the Board are required by law to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the results of its operations and cash flows for that period. The annual financial statements set out on pages 44 to 61 are the responsibility of the Members of the Board.

The Members of the Board are responsible for ensuring that the Authority keeps accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and which enable them to ensure that the financial statements comply with the Lesotho Electricity Authority Act No.12 of 2002 (as amended).

The Members of the Board are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities. The Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2016 set out on pages 44 to 61, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Members of the Board also consider that all applicable International Financial Reporting Standards and risk management principles have been followed and confirm that the financial statements have been prepared on a going concern basis.

The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across Organization. While operating risk cannot be fully eliminated, the Organization endeavours to minimize it by ensuring that appropriate infrastructural controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The auditors' responsibilities are stated in their report on page 42 - 43.

The Members of the Board are satisfied that Management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the annual financial statements, to safeguard the assets of the Authority, and to ensure that all transactions are duly authorized.

The Members of the Board have reviewed the Authority's cash flows forecast for the year ended 31 March 2016 and, in light of the review and current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

Against this background, the financial statements set out on pages 44 to 61 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 29 September, 2016 by the Members of the Board and signed on its behalf by:



CHAIRMAN



CHIEF EXECUTIVE OFFICER

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 BOARD MEMBERS' REPORT

Directors

In terms of the Lesotho Electricity Authority Act No. 12 of 2002 (as amended) the Members of the Board for the period under audit were:

Dr. Leboli Thamae (Chairperson)
Mr. Retselisitsoe Motlojoa
Dr. 'Mampho Kotelo-'Molaoa
Adv. Karabo Mohau
Dr. 'Mampiti Matete
Mrs. 'Maboiketlo Maliehe (Until 13 April 2015)
Mr. Thabo Khasipe (Until 31 May 2015)
Mr. Seretse Mohlouoa (From 1 July 2015)
Mr. Bokang Ramatšella (From 01 March 2016)
Associate Professor Ntoi Rapapa (Chief Executive)

Disclosure of Interest

The Authority is a Government Regulatory Agency. The Members of the Board do not hold any financial interest in the Authority.

Auditors' Appointment

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority.



Office of The Auditor General
P.O. Box 502, Maseru 100, Lesotho

**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LESOTHO COMMUNICATIONS AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2016**

I have audited the accompanying financial statements of Lesotho Electricity and Water Authority which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 44 to 65.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit has been conducted in accordance with International Standards on Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion to the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

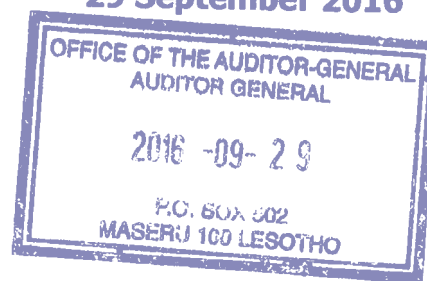
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority at 31 March 2016, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Electricity Authority Act No. 12 of 2002, as amended.



Lucy. L. Liphafa (Mrs)
Auditor General

29 September 2016



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

ASSETS	Notes	2016 M	2015 M
Non - Current Assets			
Property, Plant & Equipment	8	3,253,499	2,610,111
Current Assets			
Cash & Bank	9	30,882,124	41,707,609
Trade & Other Receivables	5	7,463,326	6,425,289
		38,345,450	48,132,898
Total Assets		41,598,949	50,743,009
FUNDS & LIABILITIES			
Funds and Reserves			
Retained Surplus/(Deficit)	13	4,372,099	2,088,784
Revaluation Reserve	14	1,732,369	1,332,389
Universal Access Fund Balance	11	23,491,810	35,483,298
		29,596,278	38,904,471
Non-Current Liabilities			
Gratuity	6.1	2,017,910	6,939,126
Current Liabilities			
Bank Overdraft	9-10	684,592	661,794
Gratuity	6	8,387,958	3,476,672
Trade & Other Payables	6	912,211	760,946
		9,984,761	4,899,412
Total Funds and Liabilities		41,598,949	50,743,009

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 M	2015 M
INCOME			
Customers' Levy	4	27,842,631	20,174,678
License Fees	3	5,796,639	4,966,041
GoL & World Bank Grants	2	8,282,918	4,186,322
Universal Access Fund	11 & 15	32,247,307	35,694,689
		74,169,495	65,021,730
EXPENDITURE			
Staff Costs	16	21,471,662	18,562,709
Depreciation	8	1,285,044	1,204,245
Directors Expenses	16	1,135,495	1,282,003
Audit Fee		28,350	27,000
Universal Access Fund	11 & 15	32,247,307	35,694,689
Operating Costs	16	16,717,497	9,888,554
		72,885,355	66,659,200
Surplus /(Deficit) From Operations		1,284,140	(1,637,470)
Gain/(Loss) Assets Sale		-	-
Finance Income	12	513,931	313,790
Finance Costs		-	-
Sundry Income		7,500	7,180
Total Other Income		521,431	320,970
Surplus/(Deficit) for the year		1,805,571	(1,316,500)
COMPREHENSIVE INCOME			
Revaluation Reserve	14	477,744	335,278
Total Comprehensive Income/(Loss) for the Year		2,283,315	(981,222)

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2016

	Revaluations Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
Balance at 31/03/2014	1,676,391	-	50,109,874	3,070,006	54,856,271
Amortisation for the year	-	-	-	-	-
Grant	-	-	-	-	-
Revaluation Reserve	(344,002)	-	-	-	(344,002)
Universal Access Fund	-	-	(14,626,576)	-	(14,626,576)
Surplus/(Deficit) for the year	-	-	-	(981,222)	(981,222)
Balance at 31/03/2015	1,332,389	-	35,483,298	2,088,784	38,904,471
Amortisation for the year	(477,744)	-	-	477,744	-
Increase During the Year	877,724	-	-	-	877,724
Surplus/(Deficit) for the year	-	-	-	1,805,571	1,805,571
Universal Access Fund	-	-	(11,991,489)	-	(11,991,489)
Balance at 31/03/2016	1,732,369	-	23,491,809	4,372,099	29,596,277

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2016 M	2015 M
Surplus/(Deficit) for the Year Adjustment for:		1,805,571	(1,316,500)
(Increase)/Decrease in Receivables		(1,038,037)	(726,514)
Increase/(Decrease) in Payables		5,063,282	3,965,184
Depreciation		1,285,044	1,204,245
Capital Grant Amortisation		-	-
Gain /Loss on Disposal of Fixed Assets		-	-
Net Cash from Operating Activities		7,115,860	3,126,415
Investing Activities:			
Purchase of Fixed Assets	8	(1,051,438)	(427,087)
Disposal Proceeds		-	65,052
Net Cash Used in Investing Activities		(1,051,438)	(362,035)
Financing Activities			
Gratuity		(4,921,216)	90,785
Universal Access Fund		(11,991,489)	(14,626,576)
Net Cash Used in Financing Activities		(16,912,705)	(14,535,791)
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		(10,848,283)	(11,771,411)
Cash and Cash Equivalents at the Beginning of the Year		41,045,815	52,817,226
Cash and Cash Equivalents at the end of the year		30,197,532	41,045,815

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

Basis of Accounting

The principal accounting policies of the Authority, which are set below, have been consistently followed in all material respects and comply with International Financial Reporting Standards and the Lesotho Electricity Act No.12 of 2002 (as amended). These financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies. The financial statements are prepared on a going concern basis.

1.1 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation less impairment losses where applicable. Depreciation is calculated on a straight line basis from the time the property, plant and equipment were available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following expected useful lives are used in the calculation of depreciation:

Office Fittings	5 Years
Office Furniture	5 Years
Office Equipment	4 Years
IT Equipment	3 Years
Motor Vehicles	4 Years
Freehold Refurbishment	3 Years

Consumables are assets that cost less than M1, 500 as per the LEWA Financial Standing Orders hence they are written off in the period of purchase.

1.2 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction.

1.3 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks less bank overdrafts.

1.4 Taxation

No provision for taxation is required as the Authority is exempt from taxation.

1.5 Revenue Recognition

1.5.1 Revenue

Income comprises of customer levy, licence fees from LEC, LHDA and WASCO, bank interest and grants from Government of Lesotho and World Bank, and is recognized when invoiced or at the time of disbursement by the relevant institution.

1.5.2 Interest Income

Interest is recognized on a time proportion basis taking into account the effective yield on the investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1.5.3 Revenue Grants

Revenue grants are recognized as income to match them with related costs, which they have been intended to compensate. Capital grants are recognized as deferred credit and are recognized in the income expenditure on the basis of matching them with the related costs for which the grants are intended to cover. They are amortised over the useful lives of assets.

1.6 Leases

Leases on which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income statement on a contracted amounts basis over the period of the lease.

1.7 Trade and Other Receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivables less impairment for trade receivables if any.

1.8 Trade and other payables

Trade and other payables are stated at their fair values.

1.9 Previous Year's Figures

Figures for the previous year have been regrouped and stated wherever necessary to conform to current year's presentation.

1.10 Financial Instruments

Exposure to credit risk and interest rate risk arising in the normal course of the Authority's business.

Financial Assets

The principal financial assets are cash and bank balances, investments, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade rate.

Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

Interest Rate Risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimizing risks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Credit Risk

The financial assets of the Authority that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions are made for bad debts.

1.11 Fair values

The fair values of most financial instruments are substantially identical to carrying values reflected in the statement of financial position.

1.12 Gratuity

The Authority provides for gratuity for contract staff as per the terms of their respective employment contracts.

1.13 Impairment of Assets

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1.14 Adoption of IFRSs During the Year

The Authority has adopted the following revised standards during the year and comparative figures have been amended as required. Adoption of revised standards does not have any effect on the funds and reserves as at 31 March 2009.

IAS 1 Presentation of Financial Statements;

IAS 7 Statement of Cash Flows;

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

IAS 10 Events after the Reporting Period;

IAS 16 Property, Plant and Equipment;

IAS 17 Leases;

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance;

IAS 21 The Effects of Changes in Foreign Exchange Rates;

IAS 24 Related Parties Disclosures;

IAS 39 Financial Instruments: Recognition and Measurement;

IAS 40 Investment Property, and

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

IFRS's not Adopted

The Authority has not applied the following IFRSs that have been issued.

IFRS 2 Shared-based Payments;

IFRS 3 Business Combinations;

IFRS 4 Insurance Contracts, and

IFRS 6 Exploration for and Evaluation of Mineral Resources.

These standards do not apply to the activities of the Authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

	2016 M	2015 M
2. World Bank / AfDB Grants	8,282,918	4,186,748
3. Licence Fees		
LEC	3,904,835	3,507,555
LHDA	950,541	708,486
WASCO	941,263	750,000
	5,796,639	4,966,041
4. Customer Levies		
LEC	25,140,193	20,174,678
WASCO	2,702,438	-
	27,842,631	20,174,678
5. Trade & Other Receivables		
LEC & WASCO – Customers' & Electrification Levies	6,059,353	4,744,324
Trade & Other Receivables	1,403,973	1,680,965
	7,463,326	6,425,289
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	8,387,958	3,476,672
Trade & Other Payables	1,596,803	760,946
	9,984,761	4,237,618
6.1 Falling due after 1 year		
Gratuity	2,017,910	6,939,126
	12,002,671	11,176,744

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

	2016 M	2015 M
7. Operating Lease obligation		
Minimum lease payments due:		
- Within 1 year	3,285,582	2,986,949
- In fifth year inclusive	3,614,140	6,899,851
Present Value of minimum lease payments	6,899,722	9,886,800

Presentation on systematic basis in accordance with IAS 17.

This lease obligation relates to rented office space at Moposo house. The lease term is 60 months with escalation of 10% per annum.

LESOTHO ELECTRICITY AND WATER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

8. Property, Plant and Equipment

	Office Furniture		Office Equipment		IT Equipment		Office Fittings		Motor Vehicles		Freehold Refurbishment		Totals	
	M	M	M	M	M	M	M	M	M	M	M	M	M	M
Cost/Revaluation														
At April 1, 2015	666,573	108,675	3,888,732	19,642	1,157,159	590,427	6,431,208							
Additions	137,533	13,531	381,455	13,688	479,136	26,095	1,051,438							
Disposal/Adjustments	(477,097)	(78,542)	(247,403)	-	(877,614)	(547,092)	(2,227,748)							
Revaluation	187,184	27,169	-	-	257,416	439,569	911,338							
At March 31, 2016	514,193	70,833	4,022,784	33,330	1,016,097	508,999	6,166,236							
DEPRECIATION														
At April 1, 2015														
Charge for the year	342,944	49,682	2,539,418	5,192	538,414	345,447	3,821,097							
Adjustments	132,433	28,860	578,335	5,302	339,200	200,914	1,285,044							
	(475,377)	(78,542)	(215,510)	-	(877,614)	(546,361)	(2,193,404)							
At March 31, 2015	-	-	2,902,243	10,494	-	-	2,912,737							
CARRYING VALUE														
At April 1, 2015														
	323,629	58,993	1,349,314	14,450	618,745	244,980	2,610,111							
At March 31, 2016	514,193	70,833	1,120,541	22,836	1,016,096	508,998	3,253,499							

All assets were revalued on the 31 March 2016 in compliance with IAS 16 to reflect their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

9. Cash & Cash Equivalents	2016	2015
	M	M
Cash and cash equivalents are measured at fair price and consists of:		
Petty Cash	2,500	2,500
Short-Term Deposits – (NedBank)	2,575,355	980,208
Short-Term Deposits – (StanLib)	6,971,152	7,490,276
Central Bank of Lesotho	548	-
	9,549,555	8,472,984
Current Accounts – UAF (Standard Lesotho Bank)	1,796,651	1,614,314
Short-Term Deposits – UAF (StanLib)	19,535,918	31,620,311
	30,882,124	41,707,609
Bank Overdraft – (NedBank)	(684,592)	(661,794)
Total	30,197,532	41,045,815

10. Bank Overdraft

The overdraft represents cheques issued but not yet presented for payment at year end, which would otherwise be met by automatic drawdowns from call account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

11. Universal Access Fund (UAF) - Receipts & Payments	2016	2015
	M	M
Receipts		
Levies Collection	18,874,426	18,464,898
Finance Income (i)	1,381,393	2,603,215
TOTAL	20,255,819	21,068,113
Expenditure		
Electrification Projects	32,103,648	35,689,860
Bank Charges/Other Costs	143,659	4,829
TOTAL	32,247,307	35,694,689
Movement in UAF – For the year	(11,991,488)	(14,626,576)
Universal Access Fund –B/F	35,483,298	50,109,874
Universal Access Fund Balance (ii)	23,491,810	35,483,298

11.1 UNIVERSAL ACCESS FUND

The Fund was established pursuant to LEA Act 2002 as amended. The main objective of the Fund is to facilitate expansion of electricity services where they are non-existent. The Fund is administered pursuant to UAF Rules of 2011. The fund is ring-fenced through the dedicated accounts with Stanlib and Standard Lesotho Bank. It receives monies from electricity users, through payment of rural electrification levies. The Authority determines the levies and approves all the projects to be funded by the UAF, including annual budget for the Fund.

11.2 UAF Receivables	2016	2015
	M	M
LEC - Electrification Levies	2,104,768	2,400,787
Electrification Levy due from LEC and accrued investment interest that form part of Universal Access Fund balance.		

11.3 Receipts

(i) Finance income - Represents interest realized on investment account.

(ii) Universal Access Fund Balance – A budget of M17 million had been approved for electrification projects for the next financial year, while M5 million is committed to approve projects which are still in progress.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

12. Investment Income	2016	2015
	M	M
	513,931	313,790
Interest received on short term investment with STANLIB Lesotho (Pty) Ltd & NedBank Lesotho Call Account.		
13. Retained Surplus / (Deficit)	2016	2015
	M	M
Income	41,922,188	65,021,730
Expenditure	40,638,048	66,659,200
Operating Surplus/(Deficit)	1,284,140	(1,637,470)
Loss on disposal	-	-
Total Other Income	521,431	320,970
Surplus/(Deficit) for the year	1,805,571	(1,316,500)
Revaluation Reserve Amortisation	477,744	335,278
Surplus B/F	2,088,784	3,070,006
Retained Surplus/(Deficit)	4,372,099	2,088,784
14. Revaluation Reserve	2016	2015
	M	M
Balance at the beginning of the year	1,332,389	1,676,391
Increase during the year	877,724	-
Amortised during the year	(477,744)	(344,002)
Balance at the end of the year	1,732,369	1,332,389

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

15. Universal Access Fund (UAF) Projects				
Villages Name/Projects	Name of Contractor	Approved Budget 2016/ WIP 2015 Contracts	Payments Project	Balance
Linotsing	B & G Electrical	3,052,994	1,592,891	415,666
Ha Ramoloi	Power Factor	3,133,219	1,610,994	131,364
Litlhatsaneng	K.R. Consultants	1,051,096	633,015	-
Khalahali	PHAKS Electrical	1,071,147	479,995	171,857
Ha Monyane	LR Construction	358,500	85,048	-
Ha Thaba Bosiu	LR Construction	1,372,759	772,088	302,821
Ha Sekoati	LR Construction	667,351	381,829	178,104
Ha Leneha	KR Consultants	3,264,511	1,673,229	-
Ha Fusi	Lesehe Constr.	2,500,000	2,112,670	195,076
Ha Mothamane	Electro Techno	3,100,000	2,617,493	137,763
Ha Mokati	Lesehe Constr.	3,200,000	2,378,177	-
Tloutle	Lesehe Constr.	1,903,077	1,902,779	-
Sebaki	B & G Electrical	9,243,670	8,864,059	279,611
Popa Ha Moruti	LR Construction	8,231,001	4,794,415	3,521,634
Ha Palama	Lesehe Constr.	2,339,846	2,204,967	134,879
TOTALS		44,489,171	32,103,649	5,468,775
Committed Funds				5,468,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

16. Detailed Statement of Comprehensive Income	2016	2015
	M	M
INCOME:		
Customers' Levy	27,842,631	20,174,678
Licence fees	5,796,639	4,966,041
World Bank & AFDB Grants	8,282,918	4,186,322
	41,922,188	29,327,041
Universal Access Fund	32,247,307	35,694,689
Other Income		
Finance Income	513,931	313,790
Other Income	7,500	7,180
Gain/(Loss) Assets Sale	-	-
	521,431	320,970
Total Income	74,690,926	65,342,700
Less: Expenditure		
Directors' Expenses:		
Director's Fees	553,857	727,565
Other Costs – Board	154,527	245,260
Board Training	427,111	309,208
	1,135,495	1,282,033
Staff Costs:		
Staff Remuneration & Benefits	15,714,923	13,729,646
Staff Wellness Activities	28,879	35,359
Gratuity	3,991,768	3,567,458
Staff Training/Workshops	1,653,329	1,149,625
Health & Wellness allowance	31,861	48,660
Staff Uniform	50,902	31,961
	21,471,662	18,562,709
Operating Costs:		
Stationery	217,138	224,736
Advertising	199,922	180,026
Cust./Stakeholder Empower.	402,190	490,744
Publications	9,064	-
Advocacy	5,812	-
LEWA Literature	3,846	13,290
International Technical Standards	18,970	60,506

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

16. Detailed Statement of Comprehensive Income (continued)	2016	2015
	M	M
Consumables assets below M1,500	-	5,084
RERA, ESAWAS & A FUR subscriptions	685,319	487,027
Public Relations	16,531	-
Office Expenses	242,750	265,422
Transport Costs	425,260	285,056
Bank Charges	96,897	58,793
Rent	2,986,893	2,715,412
Electricity	161,513	82,101
Telephone	137,236	126,850
Internet	48,000	48,000
Corporate Social Responsibility	145,323	72,672
Insurance	133,619	113,571
IT Expenses	206,603	94,409
RERA Meetings and Workshops	848,223	266,673
AFUR Meetings and Workshops	167,866	60,542
International Meetings and Workshops	463,143	626,046
Risk Consultant	301,800	-
ESAWAS Meeting and Workshops	102,239	189,855
LEWA House - Consultants	60,705	-
Annual Report	48,257	37,153
Inspection Costs	44,100	19,138
Promotional Items	336,932	121,565
Design of Regulatory Model/Framework	7,092,686	623,538
Increasing Access to Electricity	557	13,200
National Security of Supply	-	22,207
Public Hearing	204,207	302,557
Universal Access Fund (Elect. Projects)	32,247,307	35,694,689
Casual Labourers	9,125	-
African Peer Review	115,386	3,311
Complaints Resolution	-	1,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

16. Detailed Statement of Comprehensive Income (continued)	2016	2015
	M	M
Security	5,586	5,586
Strategic Plan / Wellness Consultants	-	123,353
Web-site Support	31,236	30,568
Water Regulation Expenses		
Water Regulatory Instruments Consultancy	634,933	2,100,447
Water Regulation Tools	107,630	18,086
Other costs:		
Audit Fees	28,350	27,000
Depreciation	1,285,044	1,204,245
Operating & Other Expenses	50,278,198	46,814,458
Total Expenses	72,885,355	66,659,200
Surplus/ (deficit) for the year	1,805,571	(1,316,500)

For any quires or questions contact LEWA at:
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