

Lesotho Electricity Authority
Annual Report
2012/13

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Francina Moloi
Chairperson



Retselisitsoe Motlojoa
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'Maboiketlo Maliehe
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Leboli Thamae
Board Member



Karabo Mohau
Board Member



'Mampiti Matete
Board Member



**'Mampho Kotelo-
'Molaoa** Board Member



Ntoi Rapapa
Chief Executive

Disclosure of Interest

The Authority is a Government regulatory agency with no shareholding. The Members do not hold any financial interest in the Authority.

Auditor's Appointment

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



Francina Moloi (Professor)
Chairperson

CHAIRPERSON'S REPORT

On behalf of the Lesotho Electricity Authority's (LEA) Board, it is with a deepest sense of gratification that I present the Authority's 2012/13 Annual Report which contains the highlights of the activities and achievements of the Authority during the reporting period. The Report is inclusive of audited Financial Statements for the same period. It may be proper to indicate that, looking at the developments in the urban water and sewerage services regulatory landscape, this report could be the last one issued by LEA in its current constitution and mandate. The Government has taken a decision to transform the Authority into a multi-sector regulator assuming additional powers to regulate the urban water and sewerage services sub-sector. The activities leading to the realisation of the said goal are well documented in the Report.

In order to achieve the objectives of regulation as envisaged under the Lesotho Electricity Authority Act, 2002 as amended, several key activities of the Board were carried out. Of those, I wish to mention the determination of the 2012/13 electricity prices. LEA received a tariff application from the Lesotho Electricity Company (LEC) for an average tariff increase of 25% on energy charges and 27% on maximum demand charges with a revenue requirement of M550 million. Following a public consultation process and LEA's analysis of the application, the Board resolved that the approved revenue requirement for LEC, including customer and electrification levies, would be realised from end-user tariff increases of 6.9% for large customers, 7.4% for street lighting, and 6.9% for domestic and general purpose on energy charges and 9.7% on maximum demand charges for large users. The customer levy was increased by 8% from M0.0213/kWh to M0.0230/kWh while the electrification levy was not changed.

It will be recalled that the Authority has established a Universal Access Fund (UAF) to assist the Government in its electrification initiatives. The Board approved M8, 700,000.00, as a total UAF budget for 2012/13. Regarding implementation of the UAF-funded electrification projects, the Ha Rafoletsane electrification scheme (in Mokhotlong district) was the only project that was completed although the work to electrify the area had commenced in the financial year 2011/12.

Furthermore, the LEA Board approved the Department of Energy's (DoE) application for extension of licence exemption for the Electricity Access Pilot Projects (EAPPs) from October 2012 to September 2014. It is anticipated that the DoE would, in motivating for further extension or otherwise, provide the Authority with lessons learnt from the pilot projects so that appropriate mechanisms can be put in place to increase access to electricity.

The Board is aware of the huge implications of prudence in financial management at a time when the country is on a campaign to fight the scourge of financial mismanagement in its various forms. In this regard, the notion of transparency continued to be the basis of regulation of the electricity sector. This reality is evidenced by the attached Financial Statements for the reporting year.

Another area that I wish to reflect on is the resolution of complaints between licensees and customers. There was a steady improvement with regard to LEA's complaints resolution mechanisms in that the relative number of unresolved cases has been reduced. In a related development geared towards enhancing LEA's readiness for assumption of urban water and sewerage services regulation, the Lesotho Electricity and Water Authority (Resolution of Complaints for Water Services) Rules 2013 were finalised and pending publication. The Rules are to be applied in resolving complaints that pertain to the urban water and sewerage services. The Authority also finalised other regulatory instruments for the anticipated urban water supply and sewerage services regulation. In this report, detailed information regarding the application and benefits of these instruments is provided.

The issue of fairness of connection charges to electricity customers was considered by the Board. In this regard, the Lesotho Electricity Authority (LEA) Electricity Connection Charges Guidelines were approved by the Authority and became operational from 01 September, 2012. The purpose of the Guidelines is amongst others, to guide LEC on steps to take in formulating fair and transparent charges with regard to electricity connections.



The Minister of Energy, Meteorology and Water Affairs Dr. Timothy Thahane (left) interacts with some of the LEA and WASCO Board Members during the Minister's end of year function in December, 2012.

The Authority's vision is to become a world class regulator. LEA commits itself to be a regulatory body that upholds, amongst others, the values of transparency and professionalism. This was realised when the Authority extensively involved the Water and Sewerage Company (Pty) Ltd (WASCo), the water utility, in developing the regulatory instruments for the water sector.

It would be a remiss not to acknowledge that the regulated entities (Licensees) displayed a movement towards embracing regulation of the electricity sector. This development was highly appreciated as noticeable improvements were made on matters pertaining to service delivery by Licensees. Nevertheless, the Board noted that the Licensees, especially LEC, were not reporting as required under the law and subsidiary legislation. In this regard, it is imperative that, during the next financial year, they should enhance their reporting to the Authority so that the latter may discharge its responsibilities to the fullest.

The contribution that the non-governmental organisations, academia, industries, consumer associations, commercial sector, electricity customers and other stakeholders made during regulatory processes such as electricity tariffs reviews undertaken by LEA has not gone unnoticed. The Authority indeed appreciates the active participation and involvement of the civil society in the regulatory processes. The intention is to escalate the use of consultative processes to a higher level for increased inclusiveness and stakeholder benefit.

Throughout the year, Members of the Board indicated their unwavering commitment and dedication while executing their fiduciary duties for the Authority. This has been equally the case with the Authority's employees. Both the Board and the Authority's staff are appreciated and highly commended for demonstrating a high level of maturity, professionalism and adherence to good corporate governance in the execution of their duties.

I would also like to thank our cooperating partners, namely, the United States Agency for International Development (USAID) and the World Bank for their assistance. The USAID provided financing for the power planning training course organised for the electricity supply industry's (ESI) stakeholders that included amongst others, LEA, DoE and LEC. The World Bank has been instrumental in assisting the Authority with the development of the regulatory instruments for urban water supply and sewerage services including part of the Authority's staff costs.

Without the support of the Government, the Authority would not have achieved its objectives during the year. This support is more commendable when one realises that when the new Government assumed power in 2012, it displayed and constantly sustained great enthusiasm to consult role players on all aspects pertaining to the electricity services provision in the country. Our special tribute goes to the Honourable Minister of Energy Meteorology and Water Affairs (MEMWA), Dr. Timothy Thahane for his exceptional leadership, guidance and continued support to the Authority.

In conclusion, I wish to assure every LEA stakeholder that we take the mandate of the Authority seriously and pledge to continue serving both the country and the electricity sector with honour motivated by our perennial professionalism

Francina L. Moloi (Prof.)
Chairperson



Ntoi Rapapa (Associate Professor)
Chief Executive

CHIEF EXECUTIVE'S STATEMENT

It is with sincere pleasure that I report, on behalf of the Management and Staff of the Lesotho Electricity Authority (LEA), the activities that the Authority carried out during the period April 2012 to March 2013. The year 2012/13 is the ninth since the Authority started its operations. In the main, the report focuses on the operational activities that were undertaken in accordance with the corresponding year's Business Plan. The Business Plan was informed by the five-year 2009/10 to 2013/14 LEA Strategic Plan. The Strategic Plan provides the overall vision of the Authority during the five year period. In summary, the Strategic Plan focus areas were as follows: a) the Internal Processes; b) Public Awareness, Education and Branding; c) Advocacy; d) Facilitating Universal Access; e) Ensuring the Security of Supply and f) Human Resources Management and Development.

The internal processes of the Authority have to be continually improved and refined so as to attain improved service delivery targets, and to meet the ever changing demands of regulation. Activities under this area included the development of the licensing and regulatory framework for urban water and sewerage services, and improvement in service delivery processes and systems within the Authority. The Authority, with assistance from the World Bank funding, developed urban water and sewerage services regulatory instruments. These were the Composite License, Urban Water Quality of Service and Supply Standards (QoSSS), Wastewater Treatment Facilities Safety Standards, and subsidiary legislation. The documents were extensively discussed in consultative workshops with stakeholders, particularly WASCO. As a result, WASCO is tentatively scheduled to be regulated in 2013/14.

Another key area that is indicative of the improvement in LEA's service delivery is resolution of customer complaints lodged against electricity services providers when they are escalated to the Authority.

It should be highlighted that the Authority aims to ensure that complaints brought to it are expeditiously and amicably resolved. I should therefore take this opportunity to emphasise that, in the case of a complaint arising

between a customer and a licensee, the customer should first exhaust all possible measures within the licensee before approaching the Authority for resolution.

In line with the focus area of public awareness, education and branding, several initiatives were successfully undertaken. Following the establishment of working relationships with LEA stakeholders in the ten districts of the country in 2011/12, the Authority had face-to-face interactions with the stakeholders and public. The aim was to raise and maintain countrywide public awareness on LEA's mandate and promote access to regulatory information. The Authority supplemented these efforts with the use of channels such as regular radio programs, television presentations and publication of advertorials in the newspapers. As part of enhancing information dissemination on the regulation of electricity and urban water and sewerage services, the Authority held a workshop for the media to appraise the latter on the role of the Authority in the regulation of electricity and urban water and sewerage services.

As a socially responsible institution, LEA carried out Corporate Social Responsibility (CSR) activities at the Juvenile Training Centre (JTC), Lerotholi Polytechnic (LP) and National University of Lesotho (NUL). Regarding advocacy LEA participated in the regular Ministry of Energy, Meteorology and Water Affairs (MEMWA) activities, such as Heads of the Ministry's Departments and of Parastatals meetings chaired by the Honourable Minister. Amongst others, the Ministerial meetings discussed matters pertaining to the enhancement of MEMWA's service delivery objectives. Moreover, the Authority held workshops for the ESI stakeholders on Power Quality and Transmission Grid Code development. LEA and the United Nations Economic Commission for Africa (UNECA) held a high level workshop to provide platform for discussion on deployment of Public-Private Partnerships (PPPs) in renewable energy (RE) in Lesotho which was attended by major local and international stakeholders.

Further afield, the Authority participated in meetings and training workshops organised by the Regional Electricity Regulators Association of Southern Africa's (RERA) and the African Forum for Utility Regulators (AFUR). The new trend amongst regional regulators is that most have been transformed from electricity sector to multi-sector regulators. As a new member of Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), the Authority participated for the first time as a full member in the Association's Annual General Meeting (AGM) and Conference in Kigali, Rwanda. In a related development, the Authority has been requested to host ESAWAS's 7th Annual General Meeting and Conference in October 2013.

The issue of security of supply in the country continued to be another priority area for LEA. In an effort to partake in sector wide efforts in ensuring securing of supply, the Authority participated in Ministerial activities to determine electricity generation options. To this effect meetings on Kobong pumped storage initiative and bi-lateral meetings between the Departments of Energy of Lesotho and South Africa on energy cooperation matters were attended. In order to ensure that local stakeholders were aware of the importance of the issues on security of supply, the first two of three modules for a customised power planning training course were held for Electricity Supply Industry (ESI) stakeholders. The last one would be held in 2013/14. The purpose of the course was to capacitate MEMWA, LEA, LEC, Lesotho Highlands Development Authority (LHDA) and the private sector on key issues of power planning for the country.

The facilitation of the attainment of universal access objective was undertaken. In this regard the LEA Electricity Connection Charges Guidelines were finalised and duly approved. Amongst others, the Guidelines aim at ensuring that electricity licensees, clearly and transparently, define the basis on which connection charges will be calculated and that there is no 'free-riding'. All customers have to make a fair contribution to the cost of upstream networks and any cross-subsidy must be clearly reflected.

In April 2012, the Authority extended Performance Management System (PMS) to all staff members. Initially,


the PMS had been used to assess LEA Management based on their individual responsibilities and timelines as entailed in the Business Plan.

The issue of risks that could jeopardise the Authority's ability to deliver on its mandate was also placed high on the agenda. As a result, risk mitigation measures were being considered and LEA started processes of developing a risk policy and strategy document in this regard.

Turning attention to challenges and way forward, it may be mentioned that a new Strategic Plan needs to be developed and the Corporate Governance Handbook (CGHB) has to be reviewed to enable the Authority to deliver on its mandate beyond 2014. In 2013/14 the Authority will assume urban water and sewerage services regulation mandate. The Authority will aim to, amongst other things, finalise and issue a licence to WASCO, study the utility's pricing mechanism so as to eventually review the company's tariffs' structure and levels upon the latter's future tariff review application submissions. Reporting mechanisms for WASCO will have to be developed. Issues of access to water and sewerage services and awareness on urban water and sewerage services will be prioritised. Measures will be undertaken to expand the cooperation framework between the Authority and other Competent Authorities.

On the electricity side, the Authority will seek to develop guidelines for Power Purchase Agreements (PPA) and Independent Power Producers (IPPs). IPP frameworks would be very useful in promoting private sector participation in electricity generation business and contribute to enhanced security of electricity supply in the country. Terms of reference for the assignment have been developed and submitted to a potential financier.

It is pleasing to inform our stakeholders that similar to previous years since the establishment of the Authority, our financial statements have been issued unqualified which is the mark of the Authority's sound financial management.

Once again, on behalf of the Management and Staff of the Authority, I would like to express my deep gratitude and appreciation to all LEA stakeholders, especially Government, Licensees and Customers for their enduring goodwill and support to LEA's endeavours, thus providing very valuable inputs into the regulatory processes. The continuing provision of excellent and visionary leadership by the Board of Directors of LEA is also highly commendable. I wish also to thank LEA Management and support Staff for their dedication and diligence in performing their duties. Last but not least, LEA aims to serve all stakeholders consistently with accountability, professionalism, transparency and teamwork 



N. Rapapa (Assoc. Prof.)
CHIEF EXECUTIVE

Technical Regulation Electricity

3

Transmission Grid Code

Following the drafting and preparation of the Grid Code document, and its submission to Lesotho Electricity Company (LEC) in 2011/12, the Grid Code Review Panel held stakeholder workshops to discuss the draft document. Subsequently, the Panel met to consider comments made during the stakeholders' workshops. It was envisaged that the conclusion of the Grid Code would be realised in the following financial year as a step towards the finalisation of the Supply Rules. The Transmission Grid Code is meant to provide clear and transparent requirements for non-discriminate access to transmission infrastructure.

Finalisation of Electricity Regulatory and Licensing Framework

With the aim of ensuring that the grading and categorisation of electrical contractors and installers was regulated so as to ensure transparency, LEA met with key stakeholders such as the Ministry of Works, LEC and electrical contractors to finalise the process of developing pertinent rules. As of the end of March 2013, the Authority had prepared the Rules for stakeholders' consideration. A brief on the background, legal basis, and objectives of the Rules and an executive summary of the Rules had been prepared for Ministerial briefing.

Monitoring Licensees' Compliance and Performance

Technical audits of licensee' systems had been carried out and power quality reports had been prepared and analysed following regular power quality investigations. The analyses showed that the power quality was within acceptable limits at all investigated sites. Inspection of all the LEC transmission substations was undertaken and a report with recommendations was prepared and submitted to LEC to address issues that were identified to be posing risk to Licensee's staff, the general public, the equipment itself, and could affect security and reliability of supply. The conclusion drawn from the inspections was that the general condition of some of LEC's transmission substations was not safe to the public and the Company's personnel. The Authority thus recommended that LEC should prepare a detailed substation Planned Preventive Maintenance (PPM) schedule within two (2) months and provide the Authority with the copy of the same so that the latter's own inspection team could work independently to ascertain whether the PPM schedule was indeed being implemented.



The growth of trees in some areas threatens electricity supply.

Inspections of the LEC network have shown that in some areas the growth of trees threatens electricity supply. At the end of the reporting period LEC had not submitted the maintenance schedule to the Authority. Inspections on parts of the LEC distribution network had been carried out and reports on the findings were being prepared. Inspections were also undertaken on customers' premises in response to customer complaints.

Collection of ESI Data

The Authority had continued to explore external funding sources for a countrywide survey on the Electricity Supply Industry (ESI) data. Data from the Licensees such as that on maximum demand and connections had been received and analysed.

Mini-Grids Frameworks Development

The Authority as a member of the Regional Electricity Regulators Association of Southern Africa (RERA) was involved in the development of Regulatory Frameworks for Mini Grids, employing the Renewable Energies for the Southern African Development Community (SADC) region. The initiative is an endeavour to enhance electricity access to the rural parts of the region ☐

Technical Regulation Water

4

Regulation of Urban Water and Sewerage Services

In anticipation of the assumption of urban water and sewerage services regulation in 2013/14, some key operational documents were being finalised. In the reporting period the following instruments were developed:

1. Urban Water Quality of Service and Supply Standards (QoSSS)

The QoSSS document addresses both service and supply quality aspects. With regard to quality of service, the document amongst other things, addresses issues such as time frames for WASCO to provide customer services requests including quotations and supply, faults' handling, water account queries and customer complaints handling. The standards provide detailed measures that WASCO has to take to ensure that customers get quality service. The quality of supply standards set the parameters of the quality of potable water that the utility must adhere to.

2. Water and Sewage Treatment Facilities Safety Standards

The standards are to be applied to the operation and maintenance of all water and wastewater treatment facilities operated by the licensee. The licensee should adapt these standards to the operation of any particular facilities wherever it is necessary. The objectives of the safety standards are to avert accidents on urban water and wastewater treatment plants, to mitigate health risks to workers and to ensure the protection of the environment.

Consultative Processes on Development of Water Regulation Instruments

During the year, the Authority held several consultative meetings with key stakeholders; namely, Government Departments, WASCO, NGOs, industries and business representatives, the media and others, to discuss the modalities of urban water and sewerage services regulation and presentations of the pertinent documents was made. The implementation of the regulatory instruments requires continuous development and strengthening of applicable skills with respect to water regulation. In this regard, the World Bank and the Government have committed to assisting LEWA with continued capacity building geared towards implementation of the regulatory instruments and annual performance assessment of WASCO ☐



One of the final workshops wherein the Authority and WASCO discussed issues pertaining to regulation of urban water and sewerage services.

Economic Regulation Department

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Electricity Prices for 2012/13

The Lesotho Electricity Authority (LEA) received a tariff review application from the Lesotho Electricity Company (LEC) requesting an annual price increase of 25% on energy charges and 27% on maximum demand charges for the 2012/13 financial year. LEC requested to be allowed a revenue requirement of M547.6 million. After LEA had sought clarifications on the application, LEC modified the application accordingly. In the revised application, LEC's revenue requirement was M550 million.

A public notice was issued for stakeholders to make comments and inputs as required by the law. Comments were received from Consumer Protection Association (CPA), Large Industrial Customers (Humin Jeanswear (Pty) Ltd and CGM Group), Forum of Electrical Practitioners Industry (FEPI), Queen 'Mamohato Memorial Hospital, Lesotho Textile Exporters Association (LTEA), Bakers Association of Lesotho (BAL) and Domestic Customers. A public consultation session was held where representatives of FORMOSA, FEPI, Lesotho Chamber of Commerce and Industry (LCCI) and CPA made presentations.

Subsequently, the LEA Board approved LEC's revenue requirement of M473.7 million for 2012/13 resulting in the approved tariffs reflected in the tables 1 and 2 below. The tariffs excluded a 5% Value Added Tax (VAT).

Table 1: Approved LEC Energy Charges for 2012/13 by the LEA Board

Customer Categories	Old Energy Charges (MkWh)	Approved Energy Charges (MkWh)	Adding Customer Levy @ M0.0213/kWh ¹	Adding Rural Electrification Levy @M0.02/kWh for large customers and @M0.035/kWh for others (M/kWh) ²	Final Approved Energy Charges including levies (M/kWh)	Old Energy Charges including levies (M/kWh)	Final Tariff Percentage increases
Industrial HV	0.1083	0.1169	0.1399	0.1599	0.1599	0.1496	6.9%
Industrial LV	0.1199	0.1294	0.1524	0.1724	0.1724	0.1612	6.9%
Commercial HV	0.1083	0.1169	0.1399	0.1599	0.1599	0.1496	6.9%
Commercial LV	0.1199	0.1294	0.1524	0.1724	0.1724	0.1612	6.9%
General Purpose	0.8855	0.9555	0.9785	1.0135	1.0135	0.9418	7.6%
Domestic	0.7834	0.8453	0.8683	0.9033	0.9033	0.8397	7.6%
Street Lighting	0.4448	0.4799	0.5029	0.5379	0.5379	0.5011	7.4%

Table 2: Approved LEC Maximum Demand (MD) Maximum Demand for 2012/13 by the LEA Board

Customer Categories	Old Maximum Demand Charges (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial. HV	150.0586	9.7%	164.61428
Industrial. LV	175.2732	9.7%	192.27470
Commercial. HV	150.0586	9.7%	164.61428
Commercial. LV	175.2732	9.7%	192.27470

The figures in the two tables above exclude 5% VAT.

Figures 1 and 2 below illustrate the annual electricity tariff increases from 2007/08 to 2012/13.

¹ The customer levy is approved by the Minister of the Ministry of Energy, Metereology and Water Affairs (MEMWA).
² The rural electrification levy is meant to increase access to electricity and is also approved by the Minister-MEMWA

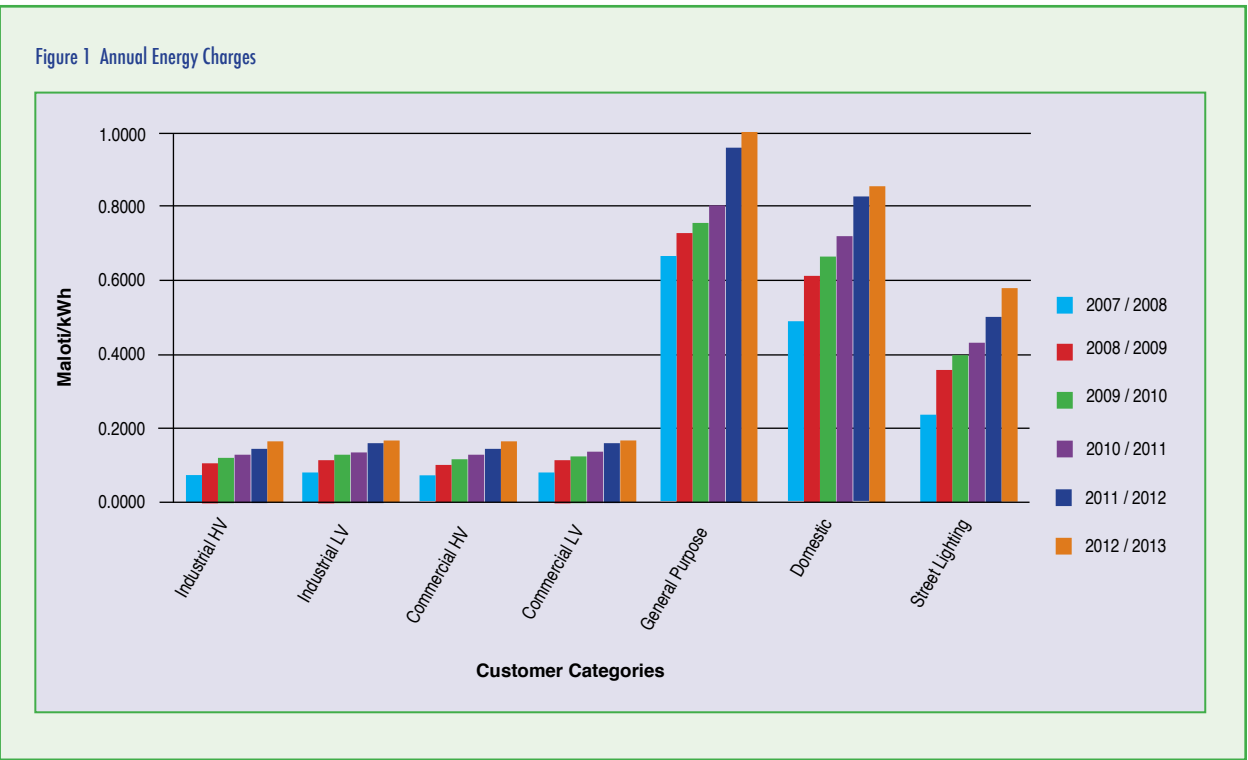


Figure 1 above, illustrates that from 2007/08 to 2012/13 energy tariffs increased from M0.0740/kWh to M0.1599/kWh for industrial and commercial HV and from M0.0819/kWh to M0.1724/kWh for industrial and commercial LV customers, respectively. General purpose energy tariff increased from M0.6800/kWh to M1.0135/kWh in six years while energy tariffs for domestic customers increased from M0.4900/kWh to M0.9033/kWh during the same period. On average, domestic, industrial and commercial, and general purpose customers' energy tariffs increased by 5.2%, 12.2% and 1.2%, respectively above average inflation rate during the period 2007/08 to 2012/13. Energy tariffs for street lighting increased from M0.2690/kWh to M0.5379/kWh and, on average, this constitutes above 10% increase in real terms for the period of six years.

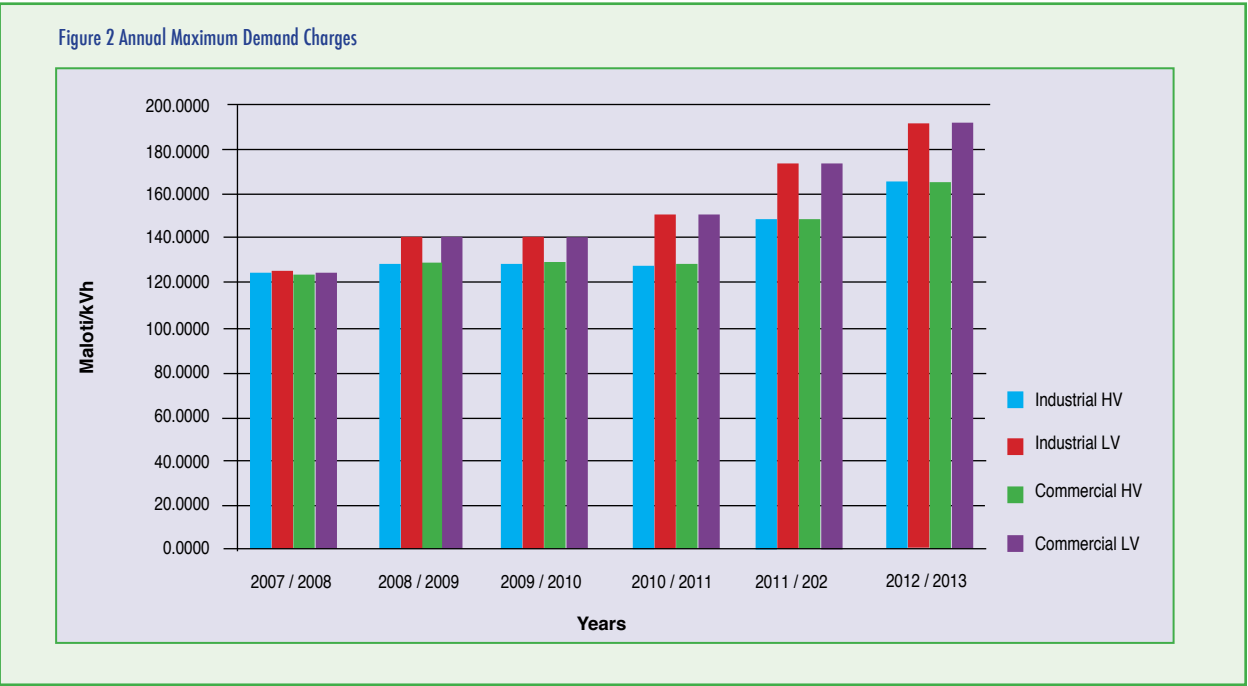


Figure 2 above illustrates that maximum demand charges for large customers increased from M123.3180/kVA to M164.6143/kVA for HV and from M123.9690/kVA to M192.2747/kVA for LV customers, respectively. On average, high voltage customers' maximum demand charges increase was slightly below the average inflation rate while low voltage was 1.2% above inflation for the period 2007/08 to 2012/13.

The increases have mainly been due to increased bulk supply, operating and maintenance costs for LEC.



A representative of the Lesotho Chamber of Commerce and Industry (LCCI) Mr. Steven Monyamane makes a presentation before LEA Board, LEC and the Public during the 2012/13 electricity prices consultations at Lehakoe Recreational club.

Regulatory Documents

The Authority developed and approved the following guidelines and principles, which became effective from 01 September 2012:

(a) Lesotho Electricity and Water (LEWA) Charging Principles for Electricity and Water and Sewerage

The Charging Principles provide the basis for allowed revenue and how fixed assets (depending on how they have been financed) are to be treated by the Authority in tariff reviews. The Principles also oblige licensees to justify the reasonableness of costs and provide guidance on how reasonableness of costs in calculating required revenue can be reviewed. The Principles provide how fixed assets should be treated in tariff review and the applicable rate of return. The Licensees are further guided on how they should deal with forecasts and out-turn adjustments and audited data in tariff submission. Finally, the licensees are provided with guidance in the

design of tariffs, in that tariffs, to the extent possible, reflect costs of providing service and shall not discriminate by location of users or generators.

(b) Lesotho Electricity Authority (LEA) Electricity Connection Charges Guidelines

The Authority developed and approved Electricity and Connection Charges Guidelines. The main objectives of the Guidelines are to:-

1. Set a standard methodology for determining connection charges for transmission and distribution customers in the country;
2. Describe the technical requirements and arrangements for the connection; and
3. Provide a governance structure to deal with future developments. This includes a resolution process to deal with disputes relating to connection arrangements and charges.

The Electricity Connection Charges Guidelines are meant to ensure that electricity licensees, clearly and transparently, define the basis on which connection charges are calculated and that there is no 'free-riding' and that all customers make a fair contribution to the cost of upstream network and any cross-subsidy is clearly reflected.

Finally, the Connection Guidelines require the electricity licensees to design connection charges based on 'shallow' approach' as opposed to 'deep approach'. Under the shallow approach, the customers are only required to pay dedicated costs of connections while in the later, the customers are required to pay all the costs associated with the connection, including upstream network reinforcements, if any.

The shallow approach is likely to encourage more connections and reduce incidences where customers require connection refunds ☐

Legal Services Department

6

Regulatory Framework for Urban Water Supply and Sewerage Services

One of the main focus areas of the Authority was to develop subsidiary legislation for water and sewerage services regulation and a composite licence for WASCO. After the engagement of a consultant and intensive consultations with key stakeholders such as Commissioner of Water, Ministries of Environment, Health, MEMWA, WASCO (Pty) Ltd and the Department of Rural Water Supply (DRWS), there was a huge progress regarding completion of the above mentioned activity.

Regulations and Rules dealing with License Fees and Customer Levies and Customer Complaints Resolution for Urban Water and Sewerage Services were finalised and they were pending publication.

Regulatory Compliance

Compliance by regulated entities has consistently been a challenge that the Authority has faced since inception of regulation of the electricity sector. As an example, it may be pointed out that some of the obligations of LEC include reporting on issues such as availability of resources, regulatory accounts, information provision and preparation of codes of practice within timelines set by the Licence and provision of data such as on electricity maximum demand. LEC has been less than forthcoming with regard to reporting on progress regarding these issues. Both the Lesotho Highlands Development Authority (LHDA) and the Rural Electrification Unit (REU) have improved their reporting and the Authority is of the view that if they could sustain and improve further, they would eventually fully oblige with the regulatory reporting requirements.

To address the continued non-compliance, the licensees were engaged at various levels such as workshops and meetings and revision of the reporting forms. The Authority shall continue to engage LEC, LHDA and REU to ensure that regular reporting on ESI data is adhered to, so as to inculcate a culture of adherence to the prescripts of regulation.

Board Activities

The Board consists of seven (7) non-executive members and the Chief Executive who is an ex-officio member. During the reporting period, the Board held a total of eight (8) meetings, of which four (4) were ordinary and

another four (4) extra-ordinary. The Board Members' attendance of the meetings held under the reporting period is reflected below in table 3. The Manager – Legal Services provides the secretarial services for the Board. Amongst others, the Board considered various regulatory and administrative instruments that included the Authority's Business Plan for 2013/14, Lesotho Electricity and Water Authority (LEWA) Charging Principles for Electricity and Water and Sewerage, Lesotho Electricity Authority (LEA) Electricity Connection Charges Guidelines, extension of a licence exemption for the REU Electricity Access Pilot Projects (EAPPs) and regulatory instruments for urban water and sewerage services.

Table 3: The Board Members' Attendance of the Meetings during 2012/13

Members	Meetings (attended/total held)	
	Ordinary Meetings	Extra-Ordinary Meetings
Prof. F. L. Moloi (Chairperson)	4/4	4/4
Dr. M. Kotelo-Molaoa	4/4	3/4
Mr. R. Motlojoa	3/4	3/4
Mrs. M. Maliehe	4/4	4/4
Dr. M. Matete	3/4	1/4
Adv. K. Mohau	3/4	4/4
Dr. L. Thamae	4/4	4/4
Assoc. Prof. N. Rapapa (Chief Executive)	4/4	4/4

The Board has four (4) Committees which assist in discharging its responsibilities. All the Committees consist of non-executive members who are also the members of the Board, except the Audit Committee which has one non-executive member who is not a Member of the Board. The Committees met during the reporting period to discharge their fiduciary duties and responsibilities as set out in their respective committees' terms of reference. The Chief Executive and Managers attend the committee meetings by invitation and have no voting rights. The attendance of the Committee meetings held during the period under review is reflected in table 4 below.

Table 4: The Committees' Members Attendance of the Meetings during 2012/13

Committee	Members	Meetings (attended/total held)
Audit	Mrs. Maliehe (Chairperson)	3/3
	Mr. R. Motlojoa	3/3
	Dr. L. Thamae	3/3
	Mr. M. Taole (External Member)	3/3
Customer Services	Prof. F. L. Moloi (Chairperson)	5/5
	Dr. M. Kotelo-Molaoa	4/5
	Adv. K. Mohau	5/5
Human Resource, Finance and Administration	Mr. R. Motlojoa (Chairperson)	4/4
	Dr. M. Matete	2/4
	Adv. K. Mohau	4/4
Pricing and Tariffs Committee	Dr. M. Matete (Chairperson)	3/3
	Mrs. M. Maliehe	3/3
	Dr. M. Kotelo-Molaoa	1/3
	Dr. L. Thamae	3/3

Customer Affairs Department

Public Awareness

The Authority continued with endeavours to attain sustainable empowerment of stakeholders in regulation of electricity and urban water and sewerage services. To this end, various efforts at communicating with the public using different means such as electronic and print media were undertaken. A total of 21 radio programmes were held during the reporting period. Mainly, the broadcasts aimed to inform the public about the Authority's impending assumption of regulation of urban water and sewerage services, and electricity quality of service issues. Other broadcast themes included LEC tariff adjustment application and public consultations for 2012/13 and LEA's current mandate. Press releases on LEC's application for 2012/13 tariff review and its determination were issued. Public notices were broadcast on electronic media and published on print media. LEWA notices were displayed on District Administrators' offices.

Planned communication interventions such as public meetings were held with stakeholders. Such meetings were held in Butha-Buthe, Berea, Mphahle's Hoek, Quthing, Mafeteng and Thaba-Tseka towns. Topics discussed with the public therein included, the importance of public participation in regulatory processes, Electricity Connection Charges Guidelines and LEA's assumption of regulation of urban water and sewerage services.

LEA website content was regularly updated and public notices, advertisements and vacancies were further posted on the medium. In the interim, a prototype LEWA website was designed and populated with the relevant information.

To promote civic education on regulation, two advertorials on transformation of LEA to a multi sector regulator were published in newspapers. Organisational brochures and other promotional materials were used to brand LEA at various events such as the RERA AGM and stakeholder workshops in the country.

Two meetings were held with district councillors in Quthing and Thaba-Tseka after general public meetings had been held in the two districts.



LEA officials discuss issues of electricity and water services provision by regulated utilities with the public in Teyateyaneng.

Outreach Activities

In order to formalise the working relationship between LEA and District Administrators (DAs), a Memorandum of Understanding (MOU) was prepared and sent to offices of the Principal Secretary – Ministry of Local Government and Chieftainship and the DAs offices for consideration. The efforts to establish the links with stakeholders through the DAs offices was also boosted when district contacts points were appointed in Thaba-Tseka, Mphahle's Hoek, Mafeteng, Maseru, Quthing, Berea, Butha-Buthe and Qacha's Nek districts. The contact points liaised with LEA on a variety of regulatory issues such as complaints handling and publicity surrounding regulatory issues.

Customer Complaints

The total number of complaints received within the reporting period was 24. Of these, 21 were resolved and three were pending resolution. A breakdown of the complaints shows that 60 % of complaints were on wayleave issues, 30% on service delivery while 10% were about high quotations. The percentage of resolved complaints during the year was 87.5 % compared with 70% of complaints resolved in 2011/12 and 50% in 2010/11. This was largely a result of enhanced resolution mechanisms developed and implemented by LEA.

Figure 3: Synoptic Complaints Summary 2010/11-2012/13

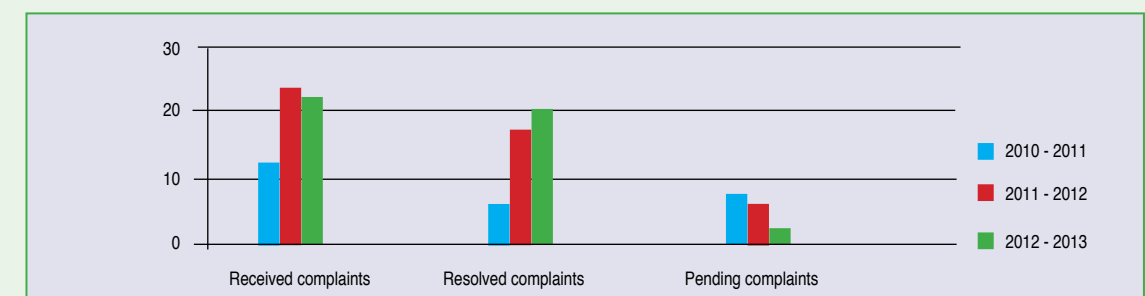


Figure 3 above reflects a positive trend in that the annual relative number of complaints unresolved from 2010/2011 to 2012/13 has been declining and this is consistent with the Authority's goal of ensuring that all the complaints are resolved on time ☒

Finance, Human Resources & Administration Department

8

FINANCE

Operating Budget

The Authority's budget for 2012/13 was financed through licence fees, customer levies and contribution from the World Bank. The World Bank's contribution was used to finance capacity building activities for water regulation, part of staff costs and the costs for the development of the legal and regulatory instruments for urban water and sewerage services regulation.

The Business Plan together with the Budget for 2013/14 were prepared and approved. Similar to the Budget for 2012/13, the Budget for 2013/14 is to be financed by the Licence fees, Customer Levies and Grants from cooperating partners.

Universal Access Fund (UAF)

The Authority developed a procedure for disbursements of UAF funds and the objectives of the procedure, amongst others, are to ensure UAF funds are used in accordance with LEA's Financial Standing Orders and establish responsibilities for ensuring compliance with Lesotho Electricity Authority (Universal Access Fund) Rules, 2011. The approved UAF budget for electrification was M8, 750,997.00 for the reporting period. However, no disbursements were made in the reporting year under UAF budget as there were no electrification projects undertaken with the exception of the payment of a balance brought forward from 2011/12 project for Ha Rafolatsane and the retention fees.

Financial Statements and Management

The 2011/12 Financial Statements of the Authority were audited and were published as part of the LEA Annual Report for 2011/12.

Monthly reports on status of funds and expenditure were prepared in the period under review. LEA accounts were continually reconciled during the 2012/13 financial year.

HUMAN RESOURCES

Staff Appointments

The Authority's staff compliment increased as a result of a need for a fully functional human resources office. In this regard a full time human resources position was established and filled accordingly.

Training

All levels of staff underwent training in line with the LEA Training Plan. The training was on areas such as Public-Private Partnership for Infrastructure, Contracts Dispute Resolution, Renewable Energy Policy, Technology Standardisation and Drafting Of Standards, Wiring Code (South African National Standard 10142), Power Planning, Corporate Governance, Managing Power Sector Reform and Regulation, Power Purchase Agreement- all of which are critical to capacity building in core regulatory functions. Support staff also undertook training on areas such as Talent Attraction, Development and Management, Effective Business Report Writing and Reception and Frontline Skills. In order to ensure staff's continuous professional development (CPD) the Authority facilitated the registration of staff and renewal of membership with various professional bodies.

Performance Management System (PMS)


The PMS for assessing work performance of all LEA staff was rolled out to cover performance of all employees. The aim of the system is to enhance employees' productivity, reward good performance and desired behaviour and attitude towards work.

Staff Wellness, Safety and Health

In order to promote welfare and morale of its employees, the Authority introduced a wellness program that covers the health, safety, HIV and AIDS wellness aspects of employees. The purpose of the program is to establish a work environment that promotes healthy lifestyles, decrease the risk of disease spread, reduce workplace accidents and enhance the quality of employees' life.

ADMINISTRATION

Acquirement of Office Space

Efforts to acquire office space for all the employees were successful in that LEA obtained an office space on Moposo Building 7th floor where all staff would be accommodated in the 2013/14 financial year. Relocation processes had begun at the end of March 2013 

Cooperation with Regional & International Bodies

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The Authority continued its cooperation initiatives with various international and regional bodies in order to enhance its capacity in regulating both the electricity sector and urban water and sewerage services. Of these the Report has made a few highlights.

AFUR

As member of the pan African umbrella utilities regulatory association, African Forum Utility for Regulators (AFUR), the Authority took part in AFUR's events such as the AFUR's Conference and Annual General Meeting (AGM) in April 2012 which was held in Johannesburg, South Africa.

ESAWAS

Following formal admission to the body LEA took part in the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) AGM and Conference in September 2012 (previously LEA was an observer). The initiative of joining ESAWAS was in anticipation of impending assumption of regulation of urban and water and sewerage services.

RERA

The Authority continued participating in various meetings and consultations of portfolio committee and subcommittee levels of Regional Electricity Regulators Association of Southern Africa (RERA) in 2012/13. In November 2012, LEA participated in RERA's Conference, AGM and 10th Anniversary held at Association's headquarters in Windhoek, Namibia. RERA also organised several training events which were attended by LEA staff.

In July 2012 LEA became one of the RERA members that participated in the African Electricity Regulator Peer Review and Learning Network Phase II exercise sponsored by the University of Cape Town (UCT) and organised under the auspices of RERA. Under this exercise RERA member regulators engage in a peer review process involving members in various regulatory aspects such as regulatory governance, licensing, impact, tariff setting, customer complaints handling mechanisms and regulatory impact.



LEA Chief Executive Associate Professor Ntoi Rapapa addresses delegates at the 10th RERA summit in Windhoek in November 2012.

The Authority reviewed documents on RERA best practice in regulation to ensure that LEA as a member of RERA contributed to the efforts aimed at fostering and adoption of world class regulatory standards in the region.

ICER

The Authority shared information with other International Confederation of Energy Regulators (ICER) members on best practice and philosophy in regulation of energy sector. Furthermore, documentation and correspondence has been exchanged between the Authority and ICER.

UNECA

In April 2012, United Nations Economic Commission for Africa (UNECA) in collaboration with LEA held a workshop to provide platform for discussion on deployment of PPPs in renewable energy (RE) in Lesotho. The workshop was one of the high level stakeholder events that have underscored the cardinal role of the Authority in facilitating PPPs implementation in Lesotho's energy sector, in line with the current need to address issues around security of supply in the country. Once policy issues have been addressed at the higher level the regulatory framework and implementation of PPPs in RE in the energy sector would be realised ☐

Electricity Sector Developments

10

Licensees' Performance

Section 21 (1) (i) of the LEA Act mandates the Authority to ensure the collection, publication and dissemination of information relating to standards of performance by licensed operators and on the electricity sector in Lesotho for use by the industry, consumers and prospective investors. It is on the basis of this, that the performance of the LEA's licensees is reported here. Mindful of its reporting requirements as outlined in the Act, the LEA prepared and agreed reporting formats with its licensees (LEC and LHDA-'Muela Hydropower Plant). The licensees are thus expected to report as per the agreed formats.

However, as mentioned previously the Licensees continued to provide LEA with incomplete data at irregular intervals.

Lesotho Electricity Company (LEC)

LEC holds a Composite License for Transmission and Distribution & Supply issued by LEA in December 2006.

[a] Demand Growth

LEC energy sales grew by 24 GWh (3.7%), from 656 GWh in 2011/12 to 680 GWh in the reporting period. The LEC total system peak demand grew from 141.69 to 147.63 MW, an increase of 4.2 % in the reporting period.

[b] Electrification

A total of 16,149 new connections were made in the reporting year, a reduction of 6,326 which is a 28.1% decrease from last year's figure of 22,475. The new connections increased the LEC customer base from 128,583 to 144,732 of which 135,513 is domestic. Using household statistics from the national census and household survey of 2006, this translates to about 30.2% of Lesotho households connected to grid electricity. If this connection rate is maintained for the next two financial years, the Government's target of 35% households connected to electricity by 2015 would be met.

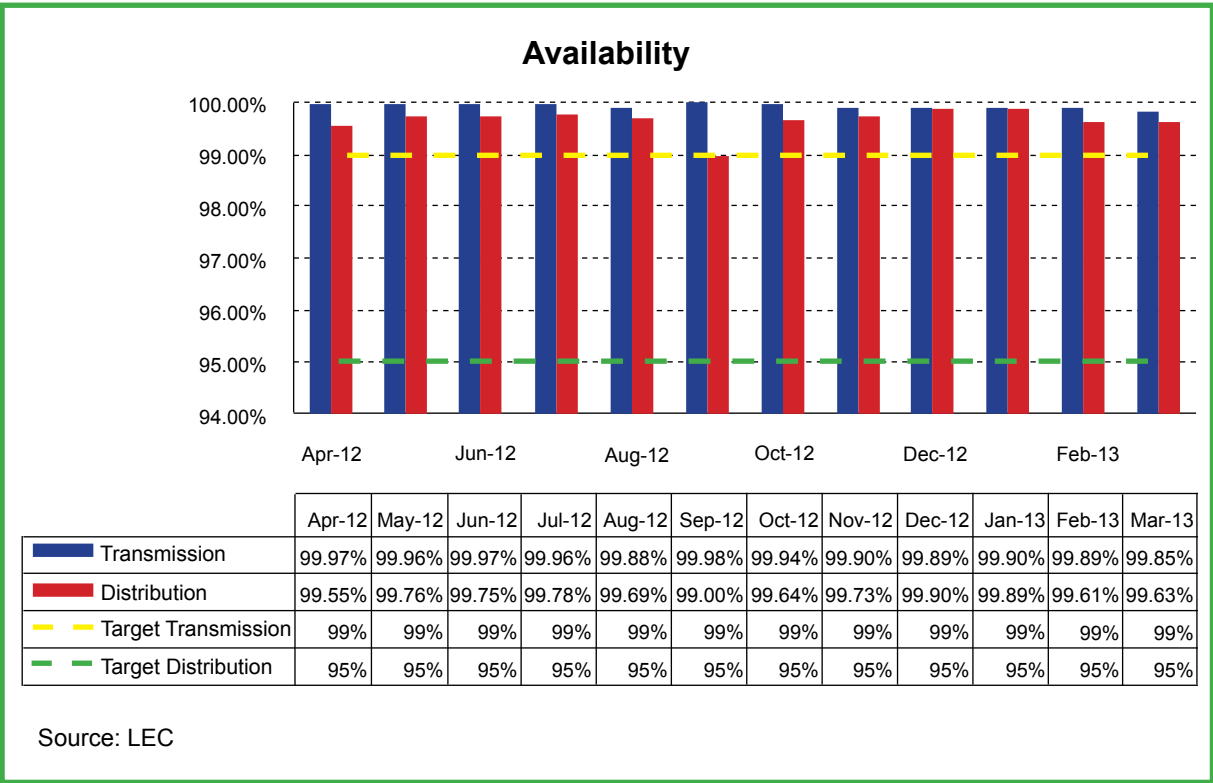


[c] System Availability

The monthly system availability for both transmission and distribution systems are depicted graphically in the figure 4 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 99.92% against the target annual average of 99.00%.

Similarly, the availability of the distribution system was above target, with an average of 99.66% against an average target of 95.00% per annum.



Lesotho Highlands Development Authority ('Muela)

LHDA holds a Generation Licence issued by LEA in December 2006.

[a] Electricity Sales

The 'Muela hydropower plant (MHP) produced a total energy of 461 GWh, a deficit of 1.3% from the planned generation of 467 GWh. This insufficiency was mainly due to a planned outage in October and November 2012 as a result of 'Muela delivery tunnel inspection. Of this sent out energy, 444.68 GWh was sold to LEC yielding 'Muela total revenue of M50.55 million, resulting in an average selling price of M0.11/kWh. The remaining 14 GWh was exported to Eskom at an average price of M0.19/kWh. A peak power demand of 80.45 MW was produced by MHP during the reporting period.



[b] Power Plant's Technical Performance

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. Some of the indicators that have been selected and agreed for the performance of MHP are the following:

Monthly Indicators

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

Load Factor (LF) – 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) – The ratio of the time during which the plant was operational to the total time in a month.

Annual Indicators

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

Unit Capacity Factor (CF) – 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) - 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.

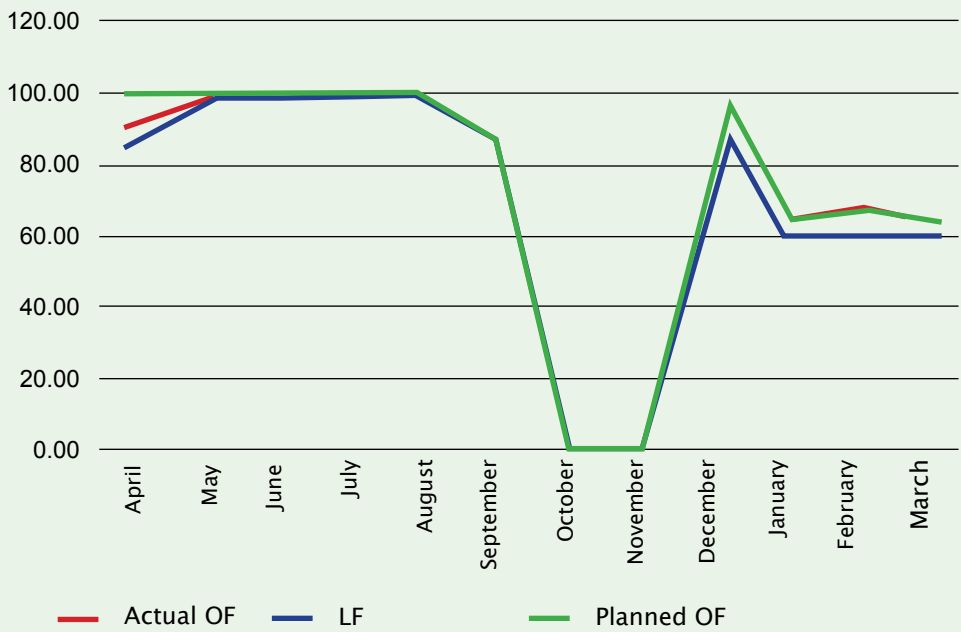
Unit Capability Factor (UCF) - The ratio of the available energy generation to the reference energy generation over the same year. The available energy in this case is limited to losses within plant management control.

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

Unplanned Capability Loss Factor (UCLF) – 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 4 and the tabulation of the annual indicators in table 3. The indicators are expressed in percentages. Figure 4 shows that the pattern of the two indicators is almost identical. This goes to explain that the plant operated at its available peak capacity, its maximum capacity in this case, with almost no interruption for the period April to September 2012. However, glaring from figure 4 is an absolute interruption of plant for the period October to November 2012. This was due to inspection and maintenance of the water transfer tunnel from 'Muela to the Republic of South Africa. From table 3 it is observed that performance of units 2 and 3 is similar with the exception that unit 2's CF is slightly lower at 72.9%. Unit 1 was the least available of the three units as depicted by relatively lower values for, EAF and UCF and a correspondingly relatively higher value for PCLF. The UCLF is slightly above zero for all units and this is so because of low number of outages that are reported as outside plant management control.

Figure 4: MHP Load and Operating Factors (Percentages) for 2012/13



Source: LHDA Reports

Table 3: Performance of MHP Units in 2012/13 – 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	87.5	69.6	78.2	0.2	21.65
Unit 2	72.9	80.5	82.9	0.0	17.05
Unit 3	94.3	79.5	82.8	0.1	17.09

Source: LHDA Reports



Accidents and Number of Undesired Environmental Incidents. In the reporting period they recorded zero (0) in all the performance indicators.

[c] Safety and Environmental Incidents

The pertinent performance indicators that 'Muela uses for assessing their performance in this regard are: Industrial Safety Accident rate per 1,000,000 man-hours, Number of Vehicle Accidents and Number of Undesired Environmental Incidents. In the reporting period LHDA recorded zero (0) in all the performance indicators.

Department of Energy (Rural Electrification Unit)

The Department of Energy has held a license exemption for running three electricity access pilot projects (EAPPs) since October 2007. The exemption, which expired in September 2012, had been further extended until September 30, 2014. The Department was further issued an exemption that would expire in 2014, for the 33 kV Ha Mpitl - Ha Sekake line and the associated distribution and supply networks.

(a) Electrification Access Pilot projects (EAPPs)

i. Qholaqhoe

The Qholaqhoe EAPP is connected to the LEC network. A total of 253 customers was recorded during the reporting year, an increase by one (1) customer over the previous reporting figure. Non-payment of bills by customers remained a major challenge.

ii. Dilli-Dilli/Sixondo

The Dilli-Dilli/ Sixondo EAPP is connected to Eskom (Republic of South Africa) network. A total number of 276 customers was recorded during the reporting year, a 25% increase over the previous year's figure. The flat rate meters which did not accumulate electricity units remained a major dissatisfaction of the customers.

Eskom had four planned outages to undertake preventive maintenance on the network and each lasted for about a day.

iii. Ha Mpitl- Ha Sekake EAPP

The Ha Mpitl- Ha Sekake EAPP is connected to LEC network. The vending system was in full operation and tamper reset software had been secured and the tampered meters had been restored back to service.

Electricity theft was the highest contributor to non technical electricity losses during the reporting period. To curb it, regular inspections were undertaken by REU and the contactor (LSP) to check if the meters had been bypassed or not. About 220 outstanding households at Tebellong had been electrified by the end of the reporting period. This increased the total number of household connected under the project to 1,927.

Thus the total number of customers connected to electricity under the three projects was 2456, equating to about one (1) household in every 200 households in the country.

(b) Lesotho Renewable Energy Based Rural Electrification

The Lesotho Renewable Energy Based Rural Electrification (LREBRE) project was in its fifth and final year of implementation. The project was closed on 31st March 2013. Over its lifetime the project had installed 1,537 home solar systems out of a 5,000 project target, a success factor of 31%. The major constraint had been lack of funds for the purchasing and installation of the systems from Government budget.

The street lighting project that was financed by a M5 million grant from the Chinese Government commenced in January 2013 and would be commissioned in May 2013. The villages covered were Mount Moorosi (Quthing), Ha Ntse (Maseru) and Pitseng (Leribe).

Generation

A full feasibility study for development of 1200 MW pumped storage scheme was being undertaken. The plan was to export 1000 MW of the power and consume 200 MW within Lesotho. Letšeng wind farm had not made progress since the last reporting period. The Implementation Agreement for the project had been signed and the major outstanding issue was the Power Purchase Agreement with LEC.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Board Approval and Statement of Responsibility

Members of the Board are required by law to prepare financial statements for each financial year which give 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 34 to 47 are the responsibility of Members of the Board.

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.

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. Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2013 set out on pages 34 to 47, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. Members of the Board also consider that all applicable International Financial Reporting Standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The auditors' responsibilities are stated in their report on page 33.

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 authorised.

Against this background, the financial statements set out on pages 34 to 47 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 13 September 2013 by Members of the Board and signed on its behalf by:



Chairperson



Member

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Report of the Auditor General

I have audited the financial statements of Lesotho Electricity Authority set out on pages 34 to 47 for the period ended 31 March, 2013. These financial statements are the responsibility of the Authority's Members of the Board. My responsibility is to express an opinion on these financial statements based on my audit.

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 2012, 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.



Lucy. L. Liphafa (Mrs)
Auditor General



Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Statement of financial position as at 31 March 2013

Assets	Notes	2013 M	2012 M
Non-Current Assets		2,481,567	2,632,306
Property, Plant and Equipment	7		
Current Assets			
Cash & Bank	9	32,000,229	13,922,865
Trade & Other Receivables	4	6,721,727	5,828,937
Assets Held for Sale	5	220,000	-
		38,941,948	19,751,802
Total Assets		41,423,523	22,384,108
FUNDS & LIABILITIES			
Funds and Reserves			
Capital Grant	8	502,365	1,004,720
Retained Surplus/(Deficit)	12	5,378,140	5,632,966
Revaluation Reserve	13	306,330	324,915
Universal Access Fund Balance	11	29,232,780	11,352,072
		35,419,615	18,314,673
Non-Current Liabilities			
Gratuity	6	4,114,710	2,111,587
Current Liabilities			
Bank Overdraft	10	525,503	428,979
Current Portion Long Term Loan		707,969	-
Trade & Other Payables	6	655,726	1,528,869
		1,889,198	1,957,848
Total Funds and Liabilities		41,423,523	22,384,108

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Statement of comprehensive income for the year ended 31 March 2013

	Notes	2013 M	2012 M
INCOME			
Customers' Levy		15,545,466	13,763,675
License Fees	3	3,301,552	2,914,130
GoL & World Bank Grants	2	4,190,271	2,846,929
Capital Grant Release	8	502,355	508,710
Universal Access Fund	11	1,556,237	40,063,887
		25,095,881	60,097,331
EXPENDITURE			
Staff Costs	15	14,385,367	11,230,535
Depreciation	7	1,185,526	1,025,434
Directors Expenses	15	861,783	1,312,041
Audit Fee		23,152	22,050
Universal Access Fund	11	1,556,237	40,063,887
Operating Costs	15	7,490,051	5,880,270
		25,502,116	59,534,217
Surplus From Operations		(406,235)	563,114
Gain/(Loss) Assets Sale		(17,456)	-
Finance Income		168,865	116,546
Finance Costs		-	(12,979)
Total Other Income		151,409	103,567
Surplus/(Deficit) for the year		(254,826)	666,681
COMPREHENSIVE INCOME			
Gains on Property Revaluation		206,484	-
Total Comprehensive Income (Loss for the Year)		(48,342)	666,681

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Statement of Changes in Funds for the year ended 31 March 2013

	Revaluation Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
Balance at 31/03/2011	548,010	1,513,430	32,677,462	4,743,190	39,482,092
Amortisation for the year	-	(508,710)	-	-	(508,710)
Grant	-	-	-	-	-
Revaluation Reserve	(223,095)	-	-	223,095	-
Universal Access Fund	-	-	(21,325,390)	-	(21,325,390)
Surplus/(Deficit) for the year	-	-	-	666,681	666,681
Balance at 31/03/2012	324,915	1,004,720	11,352,072	5,632,966	18,314,673
Amortisation for the year	-	(502,355)	-	-	(502,355)
Grants	-	-	-	-	-
Revaluation Reserve	(18,585)	-	-	-	(18,585)
Surplus/(Deficit) for the year	-	-	-	(254,826)	(254,826)
Universal Access Fund	-	-	17,880,708	-	17,880,708
Balance at 31/03/2013	306,330	502,365	29,232,780	5,378,140	35,419,615

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Statement of cash flow for the year ended 31 March 2013

	Notes	2013 M	2012 M
Surplus for the Year		(254,826)	666,681
Adjustment for:			
(Increase)/Decrease in Receivables		(892,790)	133,789
Increase/(Decrease) in Payables		(165,093)	(935,378)
Depreciation		1,185,526	1,025,434
Capital Grant Amortisation		(502,355)	(508,710)
Gain /Loss on Disposal of Fixed Assets		17,456	-
Net Cash from Operating Activities		(612,082)	381,816
Investing Activities:			
Purchase of Fixed Assets	7	(1,310,911)	(717,209)
Repayment – Bank Loan		-	(337,155)
Disposal Proceeds		20,000	-
Net Cash Used in Investing Activities		(1,290,911)	(1,054,364)
Financing Activities			
Gratuity		2,003,123	1,617,428
Universal Access Fund		17,880,708	(21,325,390)
Net Cash Used in Financing Activities		19,883,831	(19,707,962)
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		17,980,838	(20,380,510)
Cash and Cash Equivalents at the Beginning of the Year		13,493,888	33,874,398
Cash and Cash Equivalents at the end of the year		31,474,726	13,493,888

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

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 Authority 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 LEA 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 and LHDA, 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 account the effective yield on the investment.

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.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

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.

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.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

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.

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 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.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

	2013 M	2012 M
2. World Bank /GoL Revenue Grant	4,190,271	2,846,929
3. Licence Fees		
LEC	2,706,938	2,354,230
LHDA	594,614	559,900
	3,301,552	2,914,130
4. Trade & Other Receivables		
LEC – Customers' & Electrification Levies	4,554,162	4,277,154
Trade & Other Receivables	2,167,565	1,551,783
	6,721,727	5,828,937
5. Assets Held for Sale		
Motor Vehicle due for disposal	220,000	-

	2013 M	2012 M
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	707,969	398,052
* Retention Fee - Universal Access Fund	251,089	852,919
Trade & Other Payables	404,637	277,898
	1,363,695	1,528,869
Falling due after 1 Year		
Gratuity	4,114,710	2,111,587
	5,478,405	3,640,456

*Retention fee refers to amount held by the Authority on completion of electrification projects for latent defects for a period of a year.

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

7. Property, Plant and Equipment

	Office Furniture M	Office Equipment M	IT Equipment M	Office Fittings M	Motor Vehicles M	Freehold Refurbishment M	Totals M
Cost/Revaluation							
At April 1, 2012	340,792	84,520	2,640,205	149,503	1,031,046	170,441	4,416,507
Additions	24,644	-	313,150	-	751,424	221,693	1,310,911
Adjustments	(6,497)	(71,547)	(752,577)	(149,503)	(869,259)	(177,191)	(2,026,574)
Revaluation		51,552	-	-	154,929	-	206,481
At March 31, 2013	358,939	64,525	2,200,778	-	1,068,140	214,943	3,907,328
DEPRECIATION	20%	25%	33.33%	20%	25%	33.33%	
At April 1, 2012	69,120	40,789	1,316,221	44,011	232,328	81,732	1,784,201
Charge for the year	71,033	21,131	696,267	29,791	309,300	58,004	1,185,526
Adjustments	(3,040)	(61,920)	(723,843)	(73,802)	(541,628)	(139,736)	(1,543,969)
At March 31, 2013	137,113	-	1,288,645	-	-	-	1,425,758
CARRYING VALUE							
At April 1, 2012	271,672	43,731	1,323,984	105,492	798,718	88,709	2,632,306
At March 31, 2013	221,826	64,525	910,280	-	1,068,140	214,943	2,481,567

All assets were revalued on the 31 March 2013 in compliance with IAS 16 to reflect their fair values.

8. Capital Grants

	2013 M	2012 M
Balance at the beginning of the year	1,004,720	1,513,430
Increase during the year	-	-
Amortised during the year	(502,355)	(508,710)
Balance at the end of the year	502,365	1,004,720

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

9. Cash and cash equivalents

Cash and cash equivalents are measured at fair price and consists of:

	2013 M	2012 M
Petty Cash	2,500	2,500
Short-Term Deposits – (NedBank)	2,159,422	1,065,565
Short-Term Deposits – (StanLib)	2,572,514	3,012,751
	4,734,436	4,080,816
Current Accounts – UAF	53,169	829,500
Short-Term Deposits – UAF (StanLib)	27,212,624	9,012,548
	32,000,229	13,922,864
Bank overdraft - (Nedbank)	(525,503)	(428,979)
Total	31,474,726	13,493,885

10. Bank Overdraft

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

11. Universal Access Fund (UAF) - Receipts & Payments

	2013 M	2012 M
Receipts		
Levies Collection	18,728,538	7,533,355
Finance Income (i)	708,407	1,211,981
TOTAL	19,436,945	18,745,336
Expenditure		
Electrification Projects	1,553,611	40,063,887
Bank Charges	2,626	6,839
TOTAL	1,556,237	40,070,726
Movement in UAF – For the year	17,880,708	(21,325,390)
Universal Access Fund –B/F	11,352,072	32,677,462
Universal Access Fund Balance (ii)	29,232,780	11,352,072

11.1 UNIVERSAL ACCESS FUND

The Fund was established pursuant to LEA Act 2002. 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. 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.

Lesotho Electricity Authority
Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

11.2 Receipts

- (i) Finance income - Represents interest realized on investment account.
- (ii) Universal Access Fund Balance – A budget of M30,280,000 had been approved for electrification projects for the next financial year

12. Retained Surplus/(Deficit)

	2013	2012
Income	23,539,644	60,097,331
Expenditure	23,945,879	59,534,217
Operating Surplus (Deficit)	(406,235)	563,114
Loss on disposal	(17,456)	
Total Other Income	168,865	103,567
Surplus/(Deficit) for the year	(254,826)	666,681
Revaluation Reserve Amortisation	-	223,095
Surplus B/F	5,632,966	4,743,190
Retained Surplus/(Deficit)	5,378,140	5,632,966

13. Revaluation Reserve

	2013 M	2012 M
Balance at the beginning of the year	324,915	548,010
Increase during the year	206,484	-
Amortised during the year	(225,069)	(223,095)
Balance at the end of the year	306,330	324,915

Lesotho Electricity Authority
Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

14. Universal Access Fund (UAF) Projects for the Year Ended 31 March 2013

Villages Name/Projects	Name of Contractor	Approve Constructs	Bal b/f Mar 2011 M	Retention	Payments Project M	Retention Fee Paid M	Totals M	Savings	Balance M
Ha - Leteba	Lesehe	1,406,238	-	50,118	-	50,118	50,118	-	-
Koro Koro Ha Mofoka	Jimmy Electronics	3,889,813	-	194,917	-	186,368	186,368	8,549	-
Ha Belo	Moramo Civils	5,568,163	-	274,438	-	262,401	262,401	12,207	-
Ha Mojaki	LR Construction	2,156,383	-	106,053	-	106,053	-	-	-
Ha Rafolatsane	Lesehe Cons.	5,023,204	1,815,611	251,089	1,302,522	-	1,302,522	262,000	251,089
Hololo	Jimmy Electronics	4,552,225	-	227,395	-	227,395	-	-	-
TOTALS			1,815,611	1,104,010	1,302,522	832,335	2,134,857	282,586	251,089

Committed Funds

251,089

Lesotho Electricity Authority

Financial Statements for the year ended 31 March 2013

Notes to the Financial Statements for the year ended 31 March 2013

15. Detailed Statement of Comprehensive Income

	2013 M	2012 M
INCOME:		
Customers' Levy	15,545,466	13,763,675
Licence fees	3,301,552	2,914,130
GoL & World Bank Grants	4,190,271	2,846,929
Capital Grants Release	502,355	508,710
	23,539,644	20,033,444
Universal Access Fund	1,556,237	40,063,887
Other Income		
Finance Income	877,272	116,546
Gain/(Loss) Assets Sale	(17,456)	-
	859,816	116,546
Total Income	25,955,697	60,213,877
Less: Expenditure		
Directors' Expenses:		
Director's Fees	426,154	551,538
Other Costs – Board	134,243	284,764
Board Training	301,386	475,739
	861,783	1,312,041
Staff Costs:		
Staff Remuneration & Benefits	10,752,603	8,308,567
Staff Wellness Activities	5,872	-
Gratuity	2,792,022	2,321,982
Staff Training/Workshops	788,002	534,819
Health & Wellness allowance	20,465	20,168
Staff Uniform	26,404	45,000
	14,385,368	11,230,535
Operating Costs:		
Stationery	135,266	183,458
Advertising	58,320	96,558
Public Awareness	226,187	107,465
Publications	10,043	-
Advocacy	32,123	-
Stakeholders Consultation	6,494	24,610
Energy Planning W/shop	108,637	-
Expansion of Electricity Network	11,115	-
LEA Literature	40,179	-
International Technical Standards	28,493	5,580
Consumables assets below M1,500	4,148	19,609
Farewell Costs	-	31,959
ESAWAS subscription	62,735	-
Public Relations	-	2,095

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Notes to the Financial Statements for the year ended 31 March 2013

15. Detailed statement of comprehensive Income continued

	2013 M	2011 M
Office Expenses	172,270	153,426
Transport Costs	216,965	235,615
Bank Charges	39,242	33,797
Rent	661,325	615,325
Electricity	62,938	43,852
Telephone	135,477	176,093
Internet	72,000	72,000
Corporate Social Responsibility	95,532	67,421
Risk Consultant	42,200	89,875
Insurance	85,487	97,646
IT Expenses	101,275	95,971
RERA Subscription	251,539	216,148
RERA Meetings & W/shops	432,690	240,201
AFUR Meetings & W/shops	52,729	208,766
International Meetings & W/shops	553,998	485,062
AFUR Subscription	61,255	55,725
Development of bylaws	-	46,656
Human Resource Consultant	24,000	22,750
Annual Report	37,153	36,153
Inspection Costs	8,485	23,098
Promotional Items	166,574	104,057
Economic & Financial Regulatory Model	170,946	9,801
Increasing Access to Electricity	8,096	72,521
National Security of Supply	-	5,175
Public Hearing	60,010	17,586
Universal Access fund	1,556,237	40,063,887
Monitoring Compliance	-	20,650
Customer Education	28,814	12,515
Customer Workshops	7,423	9,643
African Peer Review	61,750	7,948
Water & Cleaning Services – Maseru West	54,901	57,574
Security	10,007	9,097
Water Regulation Expenses		
Board, Staff and Stakeholders Study tours	-	350,217
Water Regulatory Instruments Consultancy	3,071,954	1,436,467
Other Water Regulation Expenses	19,275	280,105
Other costs:		
Audit Fees	23,152	22,500
Depreciation	1,185,526	1,025,434
Finance costs	-	12,979
Operating & Other Costs	10,254,965	47,004,620
Total Expenses	25,502,116	59,547,196

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