

2013/14 Annual Report

A partner to all for sustainable services
Re seikaneng sa moshoelella



Lesotho Electricity and Water Authority



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Abbreviations and Acronyms
Lesotho Electricity and Water Authority

AFUR:	African Forum for Utility Regulators	LTEA:	Lesotho Textile Exporters Association
AMA:	Asset Management Agency	LTSWSS:	Long Term Strategy for Water and Sanitation Sector
BADEA:	Arab Bank for Economic Development	MCA:	Millennium Challenge Account
CGHB:	Corporate Governance Handbook	MHP:	‘Muela Hydropower Plant
CCJP:	Catholic Commission for Justice and Peace	MDWSP:	Metolong Dam and Water Supply Programme
COD:	Chemical Oxygen Demand	MEMWA:	Ministry of Energy Meteorology and Water Affairs
CPA:	Consumer Protection Association	MoLG:	Ministry of Local Government and Chieftainship Affairs
CSR:	Corporate Social Responsibility	MoPWT:	Ministry of Public Works and Transport
DCS:	Downstream Conveyance System	NDGs:	National Development Goals
DoE:	Department of Energy	NGOs:	Non-Governmental Organisations
EAF:	Energy Availability Factor	NRW:	Non-Revenue Water
EAPPs:	Electricity Access Pilot Projects	NUL:	National University of Lesotho.
ECCGs:	Electricity Connection Charging Guidelines	OF:	Operating Factor
EDM:	Electricidade de Mozambique	OFID:	OPEC Fund for International Development
ESAWAS:	Eastern and Southern Africa Water and Sanitation Regulators Association	PT:	Performance Targets
ESI:	Electricity Supply Industry	PCLF:	Planned Capability Loss Factor
FEPI:	Forum for Electrical Practitioners’ Industry	QOSSS:	Quality of Supply and Service Standards
IFRS:	International Financial Reporting Standards	RE:	Renewable Energy
IPP:	Independent Power Producers	RERA:	Regional Electricity Regulators Association of Southern Africa
ISA:	International Standards on Auditing	SADC:	Southern African Development Community
JTC:	Juvenile Training Centre	SAPP:	Southern African Power Pool
KPIs:	Key Performance Indicators	SFD:	Saudi Fund for Development
LCCI:	Lesotho Chamber of Commerce and Industry	SS:	Suspended Solids
LDM:	Letšeng Diamonds Mine	SWWR:	State of the Water Resources Report
LEC:	Lesotho Electricity Company	UAF:	Universal Access Fund
LHDA:	Lesotho Highlands Development Authority	UCF:	Unit Capability Factor
LF:	Load Factor	UCLF:	Unplanned Capability Loss Factor
LP:	Lerotholi Polytechnic	UWSS:	Water and Sewerage Sub-Sector
LREBRE:	Lesotho Renewable Energy Based Rural Electrification	WASCO:	Water and Sewerage Company

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Lesotho Electricity and Water Authority

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Strategic/Corporate Statements & Regulatory Principles

Lesotho Electricity and Water Authority

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.”

VALUE STATEMENTS

The value statements reflect what the Authority stands for and how it is going to conduct itself. In its quest to comply with the LEA Act 2002 as amended, and good corporate governance practices, the Authority 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’s adherence to sound regulatory principles is important to deliver on its mandate and achieve its objectives. In this regard, 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 obtaining in similar regulatory settings.
- **Transparency:** The Authority ensures, at all times, that the entire regulatory 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.

LEWA MOTTO

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

Overview of LEWA Mandate

Lesotho Electricity and Water Authority

The Lesotho Electricity and Water Authority (LEWA) currently regulates the services of Lesotho Electricity Company (LEC), Water and Sewerage Company (WASCO) and Lesotho Highlands Development Authority (‘Muela Hydropower Plant) through licences issued by it. The Department of Energy (DoE) is regulated through a licence exemption framework to implement rural electrification projects. In discharging its regulatory functions, LEWA, amongst others determines: electricity, urban water and sewerage services tariffs; sets quality of service and supply standards (QOSSS) for electricity, urban water and sewerage services, monitors licencees’ compliance to QOSSS and other regulatory instruments and resolves disputes between licence holders, and licence holders and their customers.

REGULATED ACTIVITIES

In terms of section 41 of the Act, as amended, LEWA regulates the following activities:

Electricity Sector Regulated Activities

- The Authority regulates generation, transmission, distribution, supply to premises, import and export of electricity.

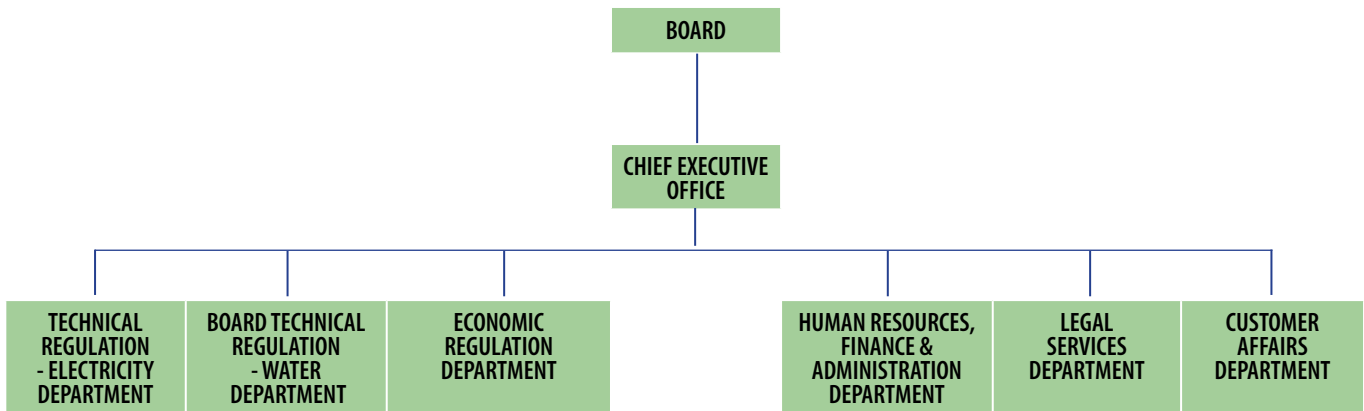
Urban Water and Sewerage Services Regulated Activities

- The Authority regulates the treatment and production, transmission, distribution by reticulation system and supply of water to premises in the urban areas. Furthermore, LEWA regulates 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. Last but not least, the Authority regulates the treatment of sewage and its disposal into the environment by sewerage systems in the urban areas.

FUNDING

The funds of the Authority consist of any fees prescribed for the services offered by it. These include appropriate levies on consumers of electricity and 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 Organisational Structure
Lesotho Electricity and Water Authority



Board of Directors & Board Committees
Lesotho Electricity and Water Authority

Francina Moloi
Chairperson

Retšelisitsoe Motlojoa
Board Member

'Maboiketlo Maliehe
Board Member

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.

The Board is responsible for the Authority's corporate governance and provides leadership based on good governance and ethical foundations. In this regard, the Board is responsible for providing the strategic direction for the Authority. The Board has four committees, which are: the Audit, the Pricing and Tariffs, the Customer Services and the Human Resources, Finance and Administration Committees. The Committees assist the Board in discharging its mandate.

Audit Committee

The Audit Committee is responsible for developing and monitoring effective systems of internal controls and reviewing annual financial statements and audit reports.

Human Resources, Finance and Administration Committee

The Human Resources, Finance and Administration Committee is responsible for the development of human resources, financial statements in line with best practices.

Customer Services Committee

The Customer Services Committee deals with matters that pertain to the quality of service and supply in the provision of electricity, urban water and sewerage services.

Pricing and Tariffs Committee

The Pricing and Tariff Committee evaluates and reviews tariffs adjustments submissions from the service providers, and approves appropriate pricing and tariff regimes.

Chairperson's Statement
Lesotho Electricity & Water Authority

“Through improvement in efficiency of internal processes, the Authority, amongst others, resolved customer complaints, developed a licensing framework, determined electricity tariffs and monitored Licencees’ regulatory compliance. The decisions of the Authority in executing all these were based on clear regulatory principles, rationale and bases.”



Francina Moloi Chairperson

CHAIRPERSON'S STATEMENT
TARIFFS AND CHARGES
SECURITY AND SUPPLY
DEVELOP AND IMPLEMENT REGULATORY FRAMEWORK
MONITOR LICENCEES' COMPLIANCE
SUSTAINABLE ORGANISATION
STAKEHOLDER AWARENESS
ACCESS TO WATER, ELECTRICITY AND SEWERAGE SERVICES

Chairperson's Statement
Lesotho Electricity and Water Authority

On behalf of the Board, it is with a sincere sense of pleasure that I present, the Lesotho Electricity and Water Authority's (LEWA) 2013/14 Annual Report, including the Audited Financial Statements, which reflect the activities, undertaken by the Authority, successes and challenges during the year.

Regulation of electricity, urban water and sewerage services was being implemented in Lesotho, amongst others, to: protect customers, support profitable development, allow cost effective competition and delivery, and most importantly advance access to services. To realise this objective, the Authority has assumed the responsibility to regulate urban water and sewerage services. In this regard, regulatory instruments were finalised and a composite licence was issued to Water and Sewerage Company (WASCO) on 01 May, 2013.

Several key strategic objectives of the Board were implemented so as to realise the mandate of the Authority as envisaged under the Lesotho Electricity Authority Act, 2002 as amended.

Through improvement in efficiency of internal processes, the Authority, amongst others, resolved customer complaints, developed a licensing framework, determined electricity tariffs and monitored Licencees' regulatory compliance. The decisions of the Authority in executing all these were based on clear regulatory principles, rationale and bases.

The Authority received a tariff review application from Lesotho Electricity Company (LEC) requesting an annual tariffs increase of 36% on energy and maximum demand charges for a revenue requirement of M 714.7 million. Following holding public consultations and an in-depth analysis of the application by LEWA, the Authority

approved LEC's revenue requirement of M572.4 million in 2013/14 resulting in an average tariffs increase of 12.9%. There was also a concerted effort by LEWA to monitor and encourage improved Licencees' compliance on regulatory obligations. It should be acknowledged that LEC made some progress towards embracing regulation of the ESI, as evidenced by enhanced interaction and cooperation with the Authority and the former's improved regulatory reporting. Lesotho Highlands Development Authority (LHDA) – 'Muela hydropower Plan complied with most of its regulatory requirements. The Department of Energy (DoE) though the Rural Electrification Unit (REU) commenced reporting on Electricity Access Pilot Projects (EAPPs) in line with the formats agreed on between it and the Authority. A phased approach was followed to ensure that WASCO came to terms with regulation in its first year of being regulated.

Sustainable public empowerment on electricity and water regulatory issues was undertaken. In this regard, the Authority embarked on planned communication interventions at the strategic and operational levels so as to reach out to stakeholders. For instance, LEWA continued to meet and interact with stakeholders such as District Administrators, District and Local Councils, non-governmental organisations, academia, industries, consumer associations, the commercial sector, and electricity customers in various platforms such as workshops, tariff review consultations, training programmes and others.

As part of the Authority's advocacy goals, initiatives geared towards the enhancement of networking and collaboration with major stakeholders were undertaken. Board Members participated in various key events such as Eastern and Southern Africa Water and Sanitation Regulators' Association (ESAWAS) Conference and

Chairperson's Statement
Lesotho Electricity and Water Authority

Annual General Meetings (AGM). Such initiatives proved to be beneficial to LEWA in terms of capacity building and peer reviewing.

LEWA was also involved in efforts geared towards realising the security of supply for Lesotho. Such efforts entailed participating at various forums aimed at exploring options for ensuring security of supply. The Authority continued engaging other role players to ensure that grading and certification processes for electrical contractors would be put under regulatory oversight in the future.

Coming to the regulatory decisions that have an impact on increasing access to electricity, it must be mentioned that M30,280,000.00 from electrification levy was approved as a total Universal Access Fund (UAF) budget for the year. The Board has also noted the fact that access to electricity services rose to 35% of households by the end of the reporting period. This milestone was reached before the Government set target date of 2015.

In anticipation of dynamic developments in the regulatory environment, the Board approved the LEWA Strategic Plan for 2014/15-2018/19 and the LEWA Business Plan for 2014/15. The 2014/15-2018/19 Strategic Plan has seven objectives, which are:

- To determine tariffs and charges;
- To ensure security of supply;
- To develop and implement regulatory frameworks;
- To monitor Licencees' compliance;
- To build and operate a sustainable organisation;
- To promote stakeholder awareness, empowerment and protection; and
- To increase access to electricity, water and sewerage services.

At the end of the reporting period, several initiatives had been undertaken to ensure that in the next reporting year, the Authority would be in a position to attain these objectives. These included making some changes in the organisational structure and renaming of some Departments within the Authority.

Having briefly presented highlights of the achievements made in relation to attainment of our strategic objectives, it is also proper to reflect on the challenges encountered during the reporting period.


Regarding regulatory compliance, Board noted that although LEC's compliance to its licence conditions and other regulatory requirements had improved, it was not yet optimal. In the water and sewerage services sub-sector, it is anticipated that in 2014/15, WASCO would make significant progress towards meeting majority of its regulatory obligations. Amongst others, LHDA was yet to ring fence MHP accounts and the Department of Energy (DoE) was not reporting as regularly as required. In this regard, LEWA will continue engaging the licencees so that they may fulfil their regulatory obligations.

Lesotho's generation capacity has remained the same but the demand continues to grow thus widening the supply demand gap. The significance of this development is that regulation becomes a very delicate task because of the need to balance cost of electricity imports and consumer protection. It will be imperative to consider implementation of measures such as programmes on electricity efficiency, introduction of time-of-use tariffs and encourage investment in electricity generation. Increased cooperation between Electricity Supply Industry (ESI) stakeholders in the region could also be required.

Chairperson's Statement
Lesotho Electricity and Water Authority

I wish to conclude these remarks by expressing our gratitude to the Honourable Minister of MEMWA Mr. Tšeliso Mokhosi and his predecessor Dr. Timothy Thahane for their exceptional leadership, vision and enduring support to the Authority.

We also acknowledge the help that cooperating partners, such as the World Bank (WB) and United States Agency for International Development (USAID) have rendered to LEWA during the year. Members of the LEWA Board have consistently displayed a resolute dedication and devotion in the execution of their fiduciary duties for the Authority, and for that they are also commended.

The Authority would not have achieved its objectives had it not been as a result of support from the Government and all the ESI and Urban Water and Sewerage Services sub-sector (UWSS) stakeholders. Their fruitful collaboration ensures that regulation benefits all in the country 



Francina L. Moloi (Prof.)
Chairperson

Chief Executive's Report
Lesotho Electricity & Water Authority

“At the strategic level, the Authority continued to discuss regulatory and other energy sector issues with both DoE and LHDA. Meetings were held with LEC to discuss, amongst others, regulatory compliance whilst the utility’s Board was being constituted.”



Ntoi Rapapa Chief executive

CHIEF EXECUTIVE'S STATEMENT
TARIFFS AND CHARGES
SECURITY AND SUPPLY
DEVELOP AND IMPLEMENT REGULATORY FRAMEWORK
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Chief Executive's Report
Lesotho Electricity and Water Authority

I am greatly humbled to report, on behalf of the Management and Staff of Lesotho Electricity and Water Authority (LEWA), on the activities that the Authority carried out during the period April 2013 to March 2014. This was done in support and quest of achieving the Authority's strategic objectives. During the year, Lesotho Electricity Authority (LEA) was transformed into a multi sector regulator and consequently named Lesotho Electricity and Water Authority (LEWA). The 2008–2014 LEA Strategic Plan also entered its final year of implementation. As noted in the Chairperson's remarks, the LEWA 2014/15-2018/19 Strategic Plan was, therefore, subsequently developed although it would be implemented in 2014/15.

The transformation of the Authority has resulted in changes in the Authority's logo and corporate colours. The new LEWA logo has a black colour (symbolising LEWA stakeholders), a blue one (symbolising the UWSS), and a green one (symbolising the -ESI). All these colours are set on a white background (symbolising Government Policy), which provides the overall framework within which regulation of ESI and UWSS is done.

This Report in summary deals with the following focus areas of the 2008–2014 LEA Strategic Plan: (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. Challenges encountered during the period and way forward are also discussed.

The internal processes of the Authority have to be continually enriched and developed so as to attain improved service delivery targets, and the ever changing demands of the ESI and UWSS regulatory landscape in the country. The activities undertaken to enhance the

regulatory processes included the implementation of the licensing and regulatory framework for urban water and sewerage services, and improvement of service delivery processes and systems within the Authority. Following the issuance of a composite licence to WASCO on 01 May, 2013, the Authority implemented LEWA Urban Water QOSSS. As part of the phased regulatory compliance, WASCO developed a compliance implementation schedule in August 2013, indicating how it intended to comply fully with the regulatory requirements.

Improvement in service delivery was also underscored by resolution of both electricity and water related complaints. Almost all water related complaints that were received had been resolved. To expedite the Licencees' development of own complaints handling mechanisms, LEWA engaged the former at various platforms though Licencees were yet to submit the same for approval.

The Authority continued to meet and interact with various stakeholders groups in different places in the country, in the quest for attaining the strategic objective of public awareness, education and branding. The Authority continued to host regular electronic media programs and publicised advertorials in the print media. The Authority also held a workshop and press conference for the media. These initiatives were aimed at appraising the media on the role of the Authority in the regulation of electricity, urban water and sewerage services. Regulatory decisions such as tariffs' public consultation processes and the approved 2013/14 electricity prices were publicised through both electronic and print media.

Regarding corporate social responsibility (CSR) initiatives, the Authority executed specific programmes at Juvenile Training Centre (JTC), Lerotoli Polytechnic (LP) and National University of Lesotho (NUL). For JTC,

Chief Executive's Report
Lesotho Electricity and Water Authority

the Authority provided, amongst others, educational material, operational equipment and personal hygiene items. Books were purchased for NUL and LP, and deserving graduates in identified educational fields were given awards. The Authority endeavoured to attain an improved public image, networking and collaboration with key stakeholders by building healthy and cordial relationship between LEWA and regulated utilities, especially, LEC, DoE, LHDA and WASCO. The Authority also attended a retreat organised by the WASCO Board, wherein it presented on regulatory matters and perspectives and solicited the latter's appreciation on regulation of urban water and sewerages services. At the strategic level, the Authority continued to discuss regulatory and other energy sector issues with both DoE and LHDA. Meetings were held with LEC to discuss, amongst others, regulatory compliance whilst the utility's Board was being constituted.

The Authority further held a public lecture on infrastructure regulation at NUL to enhance information dissemination on the regulation of ESI and UWSS. Furthermore, to collaborate with other role players in the ESI, the Authority participated at stakeholders' forums organised by Government Ministries such as Trade, Environment, Science and Technology and Public Service.

The official launch of the transformed LEWA was conducted by MEMWA in October 2013. The event was attended by all key stakeholder groups and visiting ESAWAS delegates. During the launch new corporate symbols of identity were used to brand the Authority.

LEWA continued affiliating with international bodies by amongst others, participating in RERA, AFUR and ESAWAS activities. The Authority took part in RERA Sub-



The official launching of the Lesotho Electricity and Water Authority in October 2013.

TARIFFS AND CHARGES
SECURITY AND SUPPLY
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Chief Executive's Report
Lesotho Electricity and Water Authority

Committees and Committee meetings where by various technical, economic, legal and capacity building issues affecting member regulators were discussed. At the 2013 African Forum for Utility Regulators (AFUR) Conference and AGM, issues such as members' capacity building and membership fees were discussed. As a member of ESAWAS, the Authority hosted the Association's 7th Conference and AGM in Maseru so as to share experiences with fellow regulators on best practices in water and sewerage services regulation. Moreover, the Authority participated in electricity and water supply regulators' peer review exercises.

Coming to the issue of security of supply, LEWA continued to participate in ministerial (MEMWA) activities to determine electricity generation options for the country. Some of these activities were making inputs on the Kobong pumped storage feasibility study report, and attending meetings, workshops on Lesotho wind power project and pre-feasibility study report for Monontša pumped storage scheme.

The other objective was to encourage distributed/ embedded generation using RE resources. In this regard, the last module of training on energy planning for ESI stakeholders was held in May 2013. Participants in the training included LEC, LHDA, Forum for Electrical Practitioners' Industry (FEPI), independent contractors and MEMWA. The purpose of the course was to capacitate local stakeholders on RE technologies deployment so that the country could develop, amongst others, RE regulation guidelines. Another purpose of the course was to capacitate the Authority's staff on RE regulation.

The determination of water production options was one of the major activities undertaken during the period. That included participation in Ministerial activities geared towards attaining the same. LEWA, amongst

others, participated in the development of the LTSWSS—an exercise which ended in September 2013. The project was being managed by the office of the CoW.

Steps were initiated to collect water supply and sewerage services data to develop performance assessment tools for WASCO. In this regard, financial assistance from WB had been obtained and the implementation of the project was underway. In the same vein, RFs had been finalised by LEWA and WASCO. The Licencee would be expected to submit reports highlighting areas such as status of its infrastructure, customer complaints resolution, access to water and sewerage services and quality of potable water.

The Authority continued implementing the Performance Management system (PMS) at all levels of staff. The impact of this has been an upward trend in staff performance and commitment to work at all levels. Moreover, the system has also helped management to diagnose skills areas that needed to be improved. Identified skills shortages were being attended through appropriate training strategies.

It will be recalled again that since the formation of the Authority, Annual Financial Statements had been issued unqualified. This has been a measure of the extent to which the Authority has employed prudent financial management practices in line with its regulatory principles and values reflected in this report.

There were some challenges which were encountered during the reporting period. The Authority's endeavours to develop regulations for the certification of electricians and grading of electrical contractors were not finalised. The Authority will consult MEMWA and other stakeholders on how to proceed on this matter.

Chief Executive's Report
Lesotho Electricity and Water Authority

Networking and holding of seminars on regulation for Licencees was not realised as originally envisaged at the beginning of the year. This was so because the regulated utilities had made proposals in respect of meeting some regulatory requirements, prior to the holding of the envisaged seminars. It is anticipated that the seminars are to be held in the future. Another area that LEWA has to improve on is the promotion of civic education on regulation.

During the year, few awareness raising meetings with stakeholders were held and the Authority will refine the quality of its communication interventions and increase awareness initiatives in the coming year to supplement existing ones. Equally important is that LEWA will encourage efficient use of potable water by developing water use guidelines to be followed by all categories of consumers.

Although Electricity Connection Charges Guidelines (ECCGs) had been approved, their implementation by LEC had proved to be a major challenge. As a way forward, the Authority is considering options that would make the implementation of fair pricing obligatory in the ESI, so that both consumers and LEC are not prejudiced in the process of effecting new electricity connections.

Reflecting on the way forward, the Authority has to finalise studying WASCO's pricing mechanism in preparation for eventual review of the company's tariff structure and levels upon the latter's tariff review application submissions.

On the electricity side, the Authority intends to initiate steps to develop PPA and IPP frameworks. These frameworks are going to be very useful in promoting private sector participation in electricity generation 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.

Measures have already been undertaken to expand the cooperation framework to engage all other Competent Authorities such as Government Ministries and Non-Governmental Organisations (NGOs) on regulatory issues. The aim will be to establish synergies with them. Equally important will be to enhance and refine mechanisms of participation by stakeholders in all regulatory processes.

Let me reiterate on behalf of the Management and Staff of the Authority, my deepest gratitude and indebtedness to all LEWA stakeholders, Government, Licencees, cooperating partners and customers for their assistance, enthusiasm and guidance to the Authority in its endeavours. The LEWA Board has continued providing strategic leadership to Management, and that is highly appreciated. LEWA's Staff is applauded for dedication and meticulousness in performance of their duties



N. Rapapa (Assoc. Prof.)
Chief Executive

Technical Regulation - Electricity
Lesotho Electricity and Water Authority

“One of the general duties of the Authority is to ensure that the operation and development of the electricity sector is undertaken in a safe manner.”

Development of Transmission Grid Code

The objective of the Transmission Grid Code is to promote sound planning, operational and connection standards in a bid to provide for reliable, secure, economic and coordinated operation of the transmission grid including open access to the grid. It will specify, amongst others, minimum operational standards, technical requirements, information requirements and procedures and obligations for LEC and other system users.

The Lesotho Transmission Grid Code had been developed by LEC with the assistance of a Grid Code Review Panel comprising key stakeholders in the ESI. It was subsequently submitted to LEWA for approval as required. The Authority was in the process of reviewing the Code.

Regulations for the Certification of Electricians and Grading of Electrical Contractors

Concurrence to continue with the development of the Rules had been sought from MEMWA. The development

of the regulations would be considered in the light of efforts undertaken by the Ministry of Public Works and Transport (MoPWT) to establish a Construction Industry Authority, which would oversee the regulation of electricians and contractors.

Technical Audits of LEC Systems

One of the general duties of the Authority is to ensure that the operation and development of the electricity sector is undertaken in a safe manner. As a result, inspections and power quality monitoring exercises were carried out on parts of LEC distribution networks and reports were made. In line with the Authority's values of transparency and teamwork, findings from this exercise would be discussed with LEC. The reports indicated that some of the distribution transformers and pillar boxes were not well maintained and the Authority would engage the utility on the same. The power quality, on the other hand, was found to be compliant with the set standards.

Ensuring Security of Supply

LEC, like most Members of SAPP continued to face the power supply-demand imbalance. During the reporting period, the system demand peaked at 143 MW. Muela power plant with the installed capacity of 72 MW produced a maximum of 80 MW. Thus a deficit of 63 MW had to be imported from ESKOM and EDM. The Authority continued to participate in meetings for the development of Kobong pumped storage scheme, as well as other initiatives like Monontša pumped storage scheme which are meant to address security of supply challenges in the future

Technical Regulation - Water
Lesotho Electricity and Water Authority

“LEWA developed KPIs and integrated data base of technical, financial and tariff determination indicators to assess WASCO’s performance.”

Quality of Service and Supply Standards (QOSSS) and Reporting Formats for WASCO

The QOSSS are standards within which WASCO is expected to carry out their operations as agreed with the Authority. RFs are mechanisms used for collection of data used to measure WASCO’s performance against the QOSSS and data used in the tariff determination. These mechanisms had been finalised between LEWA and WASCO, with data collection to commence in 2014/15.

Key Performance Indicatorsfor WASCO

The Authority was also developing Key Performance Indicators (KPIs) together with an integrated data base of technical, financial and tariff determination indicators to assess WASCO’s performance. The performance assessment ofWASCO for the years 2011/12 and 2012/13 which the Authority was undertaking would be used as a benchmark to assess future performance.

Security of Supply

As part of contribution towards ensuring that security of supply, the Authority was in the process of developing water use efficiency guidelines to discourage wasteful water practices and therefore promote the long term goal of water conservation



Economic Regulation Department
Lesotho Electricity and Water Authority

“Authority approved LEC’s revenue requirement of M572.4 million for 2013/14, which resulted in approved end-user tariffs increases.”

Electricity Pricing

LEC filed an application with the Authority for a tariff increase of 36% across all customer categories which would generate a revenue requirement of M 714.7 million for the 2013/14 financial year. The Licensee cited mainly operating expenses, cost of sales (Bulk Supply Purchases), return on assets (investment), labour costs and depreciation as a basis for its application.

As required by the law, a public notice was issued for stakeholders to make comments and inputs. Comments were received from Lesotho Textile Exporters Association (LTEA), Consumer Protection Association (CPA), Letšeng Diamond Mine (LDM), Catholic Commission for Justice and Peace (CCJP), Department of Economics-NUL and individual domestic customers. Three public hearings were held at Moyeni (Quthing), Hlotse (Leribe) and Maseru respectively. LEC and representatives from stakeholders, CCJP LTEA, CPA, LDM, and Department of Economics - NUL made presentations before the Pricing and Tariffs Committee of the Authority.

Following the analysis of all submissions and the application itself, the Authority approved LEC’s revenue requirement of M572.4 million for 2013/14, which resulted in approved end-user tariffs increases shown in tables 1 and 2 below.

Table 1: Approved Energy Charges for 2013/14							
Customer Categories	Current Energy Charge (M/kWh)	Approved Energy Charges (M/kWh)	Adding Customer Levy @M0.0254/kWh (M/kWh)	Adding Rural Electrification Levy @M0.02/kWh large customers and @M0.035/kWh for others (M/kWh)	Final Approved Energy Charge (M/kWh)	Current Energy Charges including levies (M/kWh)	Final Tariff Percentage increase
Industrial HV	0.1169	0.1347	0.1601	0.1801	0.1801	0.1599	13%
Industrial LV	0.1294	0.1491	0.1745	0.1945	0.1945	0.1724	13%
Commercial HV	0.1169	0.1347	0.1601	0.1801	0.1801	0.1599	13%
Commercial LV	0.1294	0.1491	0.1745	0.1945	0.1945	0.1724	13%
General Purpose	0.9555	1.1011	1.1265	1.1615	1.1615	1.0135	15%
Domestic	0.8453	0.9741	0.9995	1.0345	1.0345	0.9033	15%
Street Lighting	0.4799	0.5530	0.5784	0.6134	0.6134	0.5379	14%

Economic Regulation Department
Lesotho Electricity and Water Authority

Table 2: Approved Maximum Demand Charges for 2013/14			
Customer Categories	Current Maximum Demand Charge (M/kVA)	Approved Percentage Change	Approved Maximum Demand Charges (M/kVA)
Industrial HV	164.6143	15.2%	189.6973
Industrial LV	192.2747	15.2%	221.5725
Commercial HV	164.6143	15.2%	189.6973
Commercial LV	192.2747	15.2%	221.5725

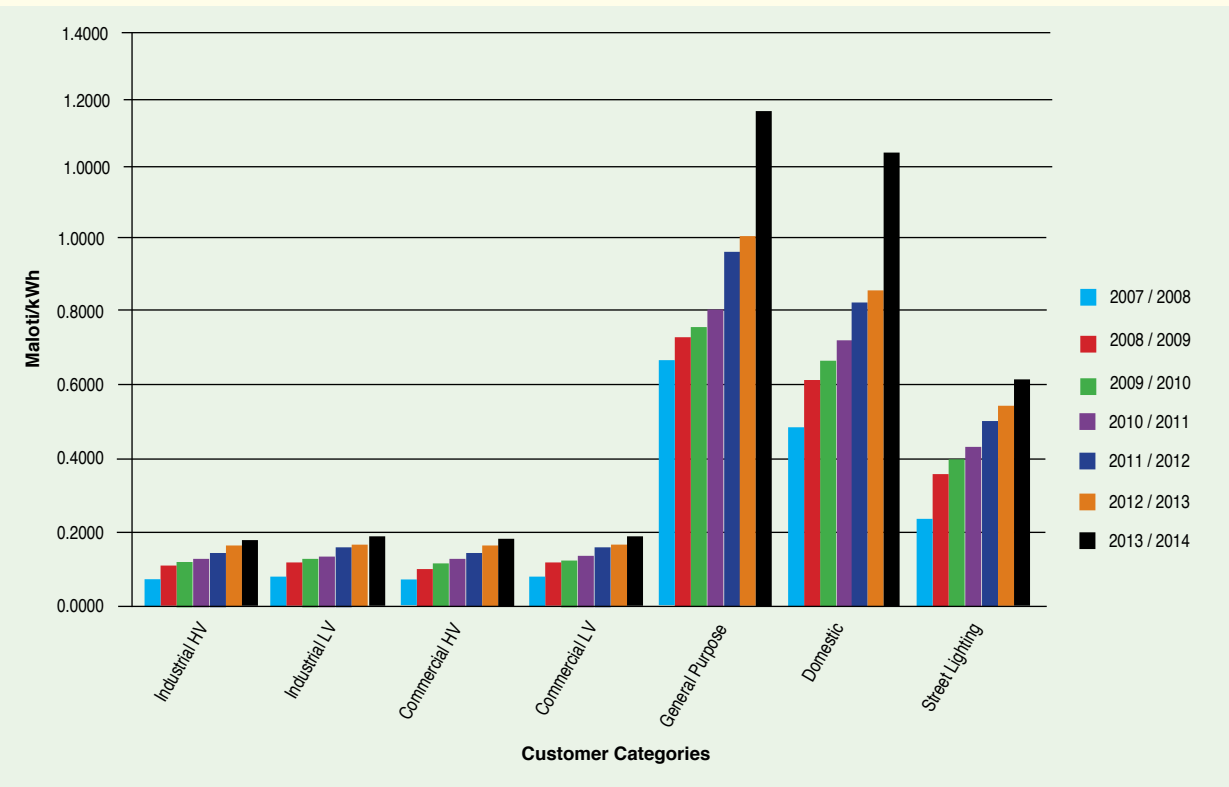
Figures in the two tables above exclude a 5% VAT.

The Authority also decided that charges for new electricity connection, wiring testing, wiring re-testing, survey, re-survey, licensing for wiring, meter testing and

house extension should remain the same.

Figures 1 and 2 below illustrates the annual electricity tariff increases from 2007/08 to 2013/14.

Figure 1 Annual Energy Charges



Economic Regulation Department
Lesotho Electricity and Water Authority

Figure 2 Annual Maximum Demand Charges

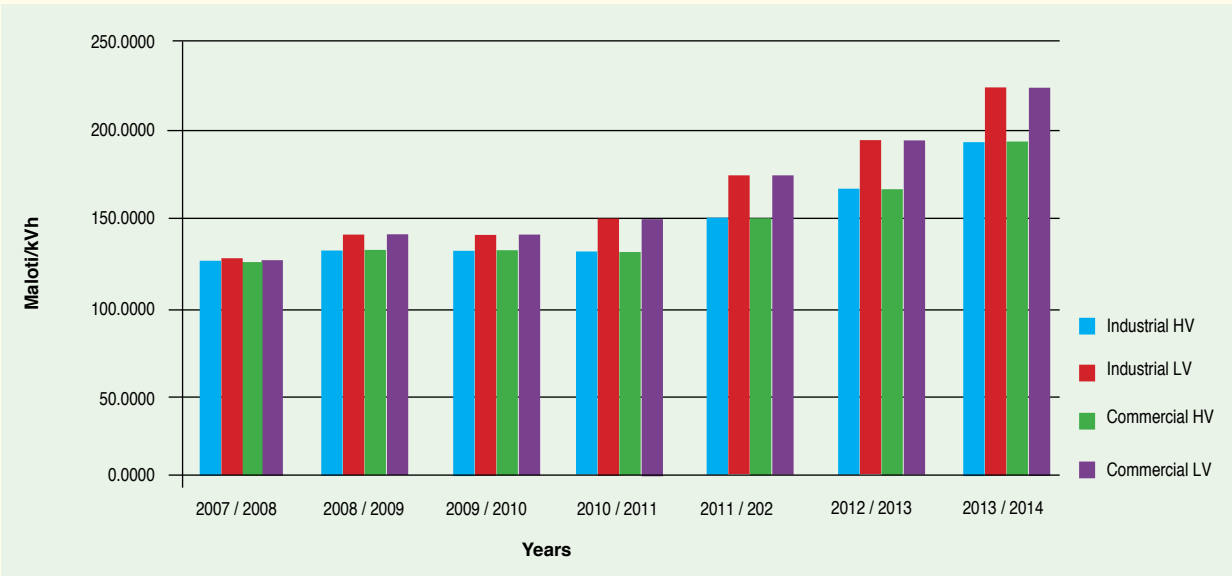


Figure 1 above, depicts that energy tariffs increased from M0.0740/kWh to M0.1801/kWh and from M0.0819/kWh to M0.1945/kWh for high voltage (HV) and Low voltage customer categories respectively from 2007/08 to 2013/14. Including the levies, General Purpose and Domestic customer categories' tariffs increased to M1.1615/kWh and M1.0345/kWh respectively compared to M1.0135/kWh and M0.9033/kWh in

comparison to 2012/13, while energy tariffs for street lighting increased from M0.5379/kWh to M0.6134/kWh.

Figure 2 above shows that maximum demand charges for high voltage and low voltage customer categories increased from M164.6143/kWh to M189.6973/kWh, and from M192.2747/kWh to M221.5725/kWh respectively in 2013/14

Legal Services Department
Lesotho Electricity and Water Authority

Subsidiary Legislation for Water and Sewerage Services

The provisions of Lesotho Electricity Authority (Amendment) Act of 2011 were implemented from 1 May, 2013 when WASCO was issued a composite licence, authorising the Licencee to carry out the specified regulated activities under LEWA's regulation.

The issuance of a licence to WASCO marked the implementation of a Government policy initiative of separating regulation from service provision in the UWSS. Subsidiary legislation which had been developed to implement provisions of the principal law was finalised and published as reflected below:

- The Lesotho Electricity and Water Authority (Resolution of Complaints for Water and Sewerage Services) Rules, 2013 whose purpose is to provide guidance for handling customer complaints within the Authority's operations; and
- The Lesotho Electricity and Water Authority (Licence Fees and Customer Levies for Water and Sewerage Services) Regulations, 2013, which are intended to provide guidance on the calculation and payment of the licence fees and levies by the Licencees to the Authority.

Regulatory Compliance

Regulatory compliance continued to pose a challenge to both the regulator and the regulated entities. In general, LEC seems to be challenged with complying with its obligations as prescribed by the Composite Licence. For instance, LEC is yet to submit Codes of Practice for connections, disconnections, customer complaints and others as required by the licence to the Authority for consideration and approval.

Timely provision of information in a prescribed manner also needs to be improved. Failure to conform to the prescripts of regulation can and has affected LEC during tariff review processes. In the same vein, where information was incomplete, inaccurate, unreliable or unverifiable, the Authority found it difficult to make informed decisions. Notwithstanding the above, LEC made commendable efforts to scale-up its regulatory reporting and compliance.

WASCO was issued a Composite Licence in May 2013, and its Licence conditions, included, amongst others, submission of a Code of Practice for customer complaints within three months from the date of issue. WASCO has not submitted the Code during the reporting period.

During the reporting period, LHDA was fully compliant to its regulatory obligations. Data and information required by the Authority was submitted timeously. As part of continued interaction with LHDA, scheduled quarterly sessions had been planned to discuss regulation in general.

DoE provided progress reports on the EAPPs as part of its obligations under the licence exemption. The frequency and quality of the reports also need to be improved.

Licensing

During the reporting period, no applications for licences were received. However, consultations between a potential licensee, Powernet (Pty) Ltd and LEWA were continuing as the former intended to conduct an electricity generation business as an IPP.

Legal Services Department
Lesotho Electricity and Water Authority

Board Activities

As a means to contain the cost of regulation, the Board has consistently convened to consider strategic

issues such as tariff application for LEC for 2013/14, WASCO Composite licence, UAF Budget and customer complaints. The tables below reflect the Board Members attendance of Meetings during 2013/14

Table 3: The Board Members attendance of the Meetings during 2013/14		
Members	Meetings (attended/total held)	
	Ordinary meetings	Extra-ordinary meetings
Prof. F. L. Moloi (Chairperson)	4/4	3/3
Dr. M. Kotelo-'Molaoa	4/4	2/3
Mr. R. Motlojoa	4/4	3/3
Mrs. M. Maliehe	4/4	3/3
Dr. M. Matete	2/4	2/3
Adv. K. Mohau	4/4	3/3
Dr. L. Thamae	4/4	3/3
Assoc. Prof. N. Rapapa (Chief Executive)	4/4	3/3

Table 4: The Committees' Members attendance of the Meetings during 2013/14		
Members	Members	Meetings
Audit	Mrs. M. Maliehe (Chairperson)	2/2
	Mr. R. Motlojoa	2/2
	Dr. L. Thamae	2/2
	Mr. M. Taole (External Member)	2/2
Customer Services	Prof. F. L. Moloi (Chairperson)	1/1
	Dr. M. Kotelo-'Molaoa	1/1
	Adv. K. Mohau	1/1
Human Resource, Finance and Administration	Mr. R. Motlojoa (Chairperson)	4/4
	Dr. M. Matete	1/4
	Adv. K. Mohau	4/4
Pricing and Tariffs Committee	Dr. M. Matete (Chairperson)	2/2
	Mrs. M. Maliehe	2/2
	Dr. M. Kotelo-'Molaoa	2/2
	Dr. L. Thamae	2/2

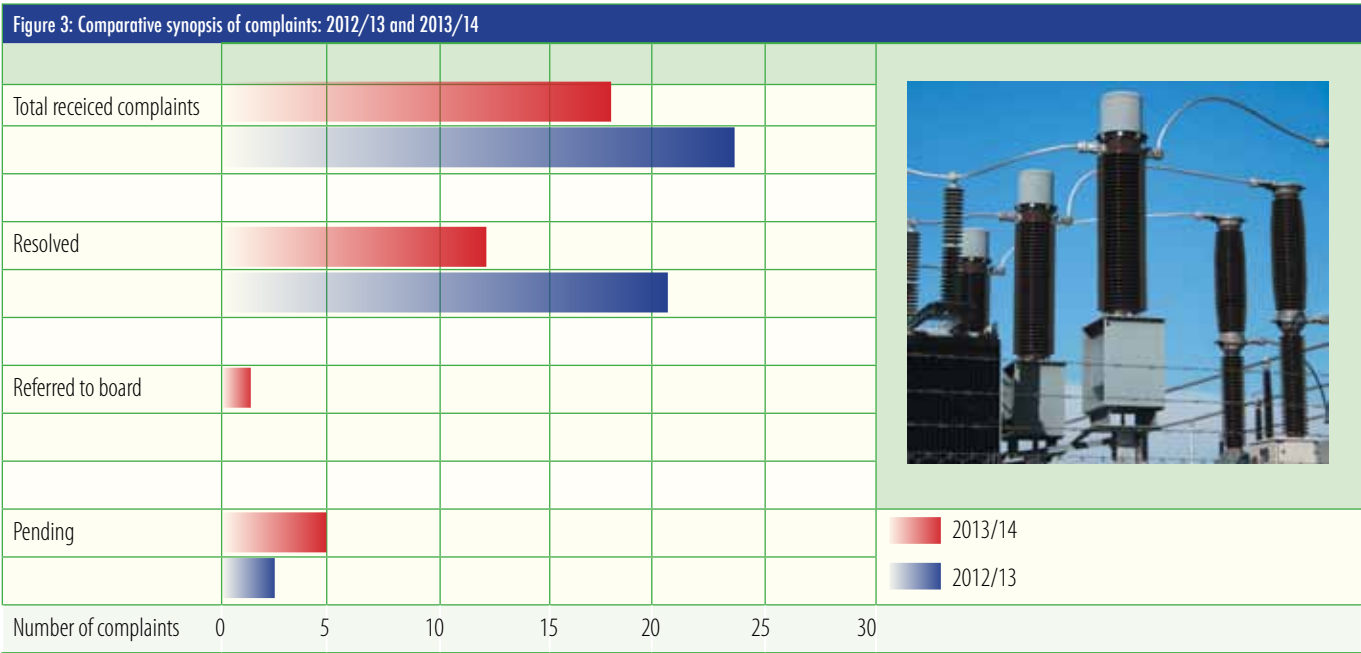


Customer Affairs Department
Lesotho Electricity and Water Authority

“Customer and stakeholder education was further undertaken where LEWA information was made available or displayed to them and where notices were posted on the District Administrators Offices’ notice boards.”

Customers Complaints Resolution

In the reporting period, a total of 18 complaints were under consideration by the Authority. This figure represents nearly a 25 % decrease in comparison to last year’s figure of 24. A breakdown of the complaints



shows that 13 were on electricity related issues and 5 were water related complaints.

Categories of complaints that were received and considered during the reporting period in both the ESI and UWSS are reflected in Table 5 below.

A total of 12 complaints had been resolved while (6) were at an advanced stage of being resolved.

Below is a detailed breakdown of the complaints according to both ESI and UWSS categories.

Electricity Supply Industry (ESI) Complaints

Complaints brought forward from previous reporting period were three (3). A further ten (10) complaints were received during the reporting period. The total number of resolved complaints was nine (9) while four (4) were pending and none had been referred to the Board.

Customer Affairs Department
Lesotho Electricity and Water Authority

Table 5: Categories of Received Complaints Per Regulated Sectors			
UWSS Complaints Categories	Numbers Received	ESI Complaints Categories	Numbers Received
New connection	1	High Quote	3
Poor service	1	Billing	2
Compensation*	1	Connection fee	2
Re-connection	1	Re-connection	1
Billing	1	Wayleave	5
Totals	5		13

Urban Water and Sewerage Services
(UWSS) Sub-Sector Complaints

No complaints were brought forward from the previous reporting period. Five (5) complaints were received during the period. The total number of resolved complaints was three (3) and one (1) was pending.

Customer enquiries were received and the customers were advised on correct LEWA procedures and general electricity and urban water and sewerages services issues. These were the complaints that had not been resolved by Licencees and were thus referred to the Authority.

The Authority received less number of electricity complaints in 2013/14 than in the 2012/13 largely because LEC resolved complaints that had been referred back to it to the satisfaction of customers who had approached LEWA for assistance.

The Authority also made frequent follow- ups to ensure that water and sewerage services complaints were resolved. Although the number of complaints related to water and sewerage services was relatively small, these were resolved.

Mediation as a Complaints Resolution Mechanism

The Authority has used mediation to resolve several customer complaints. During mediation, both Licencee and the complainant were assisted by the Authority to agree on an amicable solution to a complaint. The venue for holding mediation meetings between Licencees and customers was the LEWA offices. However, in case of complaints that require mediation and which come from customers who were not resident in the Maseru area, the Authority arranged with the offices of DAs to hold mediation meetings in the latter’s offices in the nine districts of the country.

Education and Information Dissemination

Radio programs, advertorials and notices were run in the media to reach various target groups. In addition, the Authority has held various public meetings and gatherings where in face-to-face communication at interpersonal, group and public levels has been undertaken to discuss regulatory issues. Workshops have also been held to target specific target groups such as civil servants, local and district councils, DA offices, business people and customer representatives.

Customer and stakeholder education was further undertaken. LEWA information was made available or displayed to stakeholders and where notices were posted on the DA Offices’ notice boards. The new LEWA website had been populated with contents such as notices, primary and subsidiary legislations, regulatory instruments, and policies for ESI and UWSS to make these accessible to stakeholders.

The Annual report for 2012/13 and newsletter covering January-June and July-September 2013 were published and distributed to stakeholders. The 2013 approved tariffs were announced to the public in a press conference, and through print and electronic media

Human Resources, Finance & Administration Department

Lesotho Electricity and Water Authority

“Business Plan together with the Budget for 2014/15 were prepared and approved.”

FINANCE

Financial Statements and Management

Operating Budget

The Authority’s operating budget 2013/14 was financed by licence fees, customer levies and contribution from WB. The WB’s contribution continued to finance part of capacity building activities for water regulation, staff costs and the costs for the finalisation of the legal and regulatory instruments for water regulation.

The financial statements for the year ended 2013/14 were audited and an unqualified audit opinion was issued. Compliance with internal controls and CGHB were the main guiding tools in the management of finances. In addition, management accounts were prepared on an ongoing basis for information, control and decision making purposes.

The approved budget for the customer levy was not fully attained from levies and therefore not sufficient to cover all the Authority’s expenditure requirements. That was due to the fact that the forecasted electricity consumption was higher than the actual consumption and new levies became effected from 01 June 2013 as approved to 01 April, 2014. This resulted in a deficit of M2,308,134.00. The current ratio stands at 49:1 and that

indicates that the Authority is in a better position to meet its short term liabilities.

The LEWA Business Plan together with the Budget for 2014/15 were prepared and approved. The Budget for 2014/15 is to be financed mainly by the customer levies and licence fees.

Universal Access Fund (UAF)

The purpose of the fund is to fund projects identified by the Ministry. The approved budget for UAF for electrification was M30,280,000.00 for the reporting period.

HUMAN RESOURCES

Staff Appointments and Training

The Authority endeavoured to sustain improved employee productivity and performance at the work place by ensuring that recruitment procedures were properly carried out to recruit and retain competent, qualified and experienced staff. In this regard, two appointments were made and the preferred candidates accepted LEWA job offers.

The training plan focused on areas in which the Authority wanted to improve on and focused on capacitating employees on regulatory issues. The Authority’s staff, amongst others, attended the following training courses: corporate governance conference, lightning protection forum, electrical safety and safety auditing, commercial mediation, managing power sector reforms, Renewable Energy (RE) workshop, energy, water and sewerage

Human Resources, Finance & Administration Department

Lesotho Electricity and Water Authority

services pricing, and company secretary master class courses.

Performance Management System (PMS)

The Authority continued implementing the PMS to assess work performance of staff. In the first year of being rolled out to all staff, the system had, in general, enhanced employees’ productivity, whilst rewarding good performance and desired behaviour and attitude towards work.

The overall performance of employees was 95%, indicating that most employees had performed beyond the expected minimum standards set by the Authority.

Staff Wellness, Safety Issues and Health

In order to continue with promoting healthy lifestyles, decreasing the risk of disease spread, reducing workplace accidents, enhancing the quality of employees’ outputs, complying with the law, promoting welfare and morale of its employees, the Authority implemented a wellness program that covered health and safety educational programs, HIV and AIDS awareness, voluntary HIV counseling and testing, health screening programs and general wellness aspects of employees

Cooperation with Regional and International Bodies
Lesotho Electricity and Water Authority

As a regulatory best practice and in fulfilment of its mandate, the Authority kept interacting with its external stakeholders at various forums at the regional and international levels. Some of those are mentioned below.

African Forum for Utility Regulators (AFUR)

The Authority took part in AFUR’s Conference and AGM which was held in Arusha, Tanzania, in April 2013. The theme of the Conference was ‘Challenges of Transparency: Relationship between Regulators and Stakeholders’. AFUR focuses on issues related to the regulation of energy, telecommunications, transport, and water and sanitation industries, with a particular emphasis on issues that are common across sectors. AFUR has 35 members regulators throughout Africa. The Authority has gained immensely on areas of regulatory information sharing with other AFUR members.

International Water Association (IWA)

The Authority attended the 3rd IWA Development Congress and Exhibitions in October 2013 in Nairobi, Kenya. The Congress, whose theme was “Catalysing Urban Water Transitions”, provided opportunities for best practices, applied researches and enabling policies to meet modern water and sanitation challenges of in an increasingly urbanising world.

The overarching goal of the Congress was to identify, showcase and debate practical experiences and

examples of water and sanitation service provision in developing countries that critically work at large scale. As a result, the Authority gained knowledge on practical solutions against challenges and problems associated with rapid urbanisation.

Eastern and Southern African Water Association (ESAWAS)

LEWA hosted the 7th ESAWAS AGM and Conference in October 2013 in Maseru - an event that coincided with the launching of the Authority as a multi sector regulator. The ESAWAS Conference theme was ‘*regulation through Innovation*’ which was meant to highlight the need for ESAWAS Member Regulators to explore ways of being innovative in regulating the water supply and sanitation sectors in respective member states. The Authority further participated in water regulators’ peer review in Tanzania organized by ESAWAS.

Regional Electricity Regulators Association of Southern Africa (RERA)

The Authority played an active role at various meetings and consultations of portfolio committees and sub-committees of RERA which were held in the reporting period. The Authority attended the Association’s 11th Annual General Meeting and Conference in Maputo, Moçambique. In May 2013, RERA members convened in Maseru for a mini grids workshop. The Authority participated in RERA members’ peer review in Zimbabwe to review individual members’ progress on amongst others, regulatory impact and substance, tariff setting and customer complaints handling mechanisms

Eletricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

Licensees’ Performance

Section 21 (1) (i) of the LEA Act dictates that the Authority must ensure the collection, publication and dissemination of information relating to standards of performance by licenced operators and on the Lesotho ESI for use by the industry, consumers and prospective investors. It is on the basis of this, that the performance of LEWA’s licencees is reported here. Mindful of its reporting requirements as outlined in the Act, LEWA prepared and agreed on reporting formats with its licencees LEC, REU, LHDA- (‘Muela) and WASCO. The licencees are thus expected to report as per the agreed formats. Provision of complete data and at regular intervals has proven to be a challenge for Licencees, but following a series of meetings between the Authority and Licensees, there was a marked improvement in reporting by the latter. WASCO, having been licenced in May 2013 presented a time schedule to comply with some of the regulatory requirements during the year. It is anticipated that with

effect from 2014/15, WASCO reports would be analysed and reports made thereof. The next section deals with sector developments that highlight the performance of Licencees.

1. Lesotho Electricity Company (LEC)

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

(a) Demand Growth

LEC energy sales grew by 20GWh (3%), from 685 GWh in 2012/13 to 705 GWh in the reporting period. The LEC total system peak demand was 143 MW, a drop of 4.63 MW from the previous year’s figure. The energy growth trend is shown in Table 6, while Table 7 shows the maximum demand profile.

Table 6: LEC Energy Purchases and Sales					
Year	Meetings (attended/total held)		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	12.1

Table 7: Lesotho Maximum Demand Profile (MW) for Period 2006/7- 2013/14				
Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2006/07	108.2	72	36.2	33
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

Eletricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

(b) Electrification

A total of 14,550 new connections were made in 2013/14. The new connections increased the LEC customer base to 175,406. Of the 14, 550 connections, 14,010 were domestic. Using household statistics from the national census and household survey of 2006, this translates to about 35% of Lesotho households connected to main grid electricity. Thus the Government’s target of 35% households connected to electricity by 2015 has been achieved a year earlier and only through connections made by LEC.

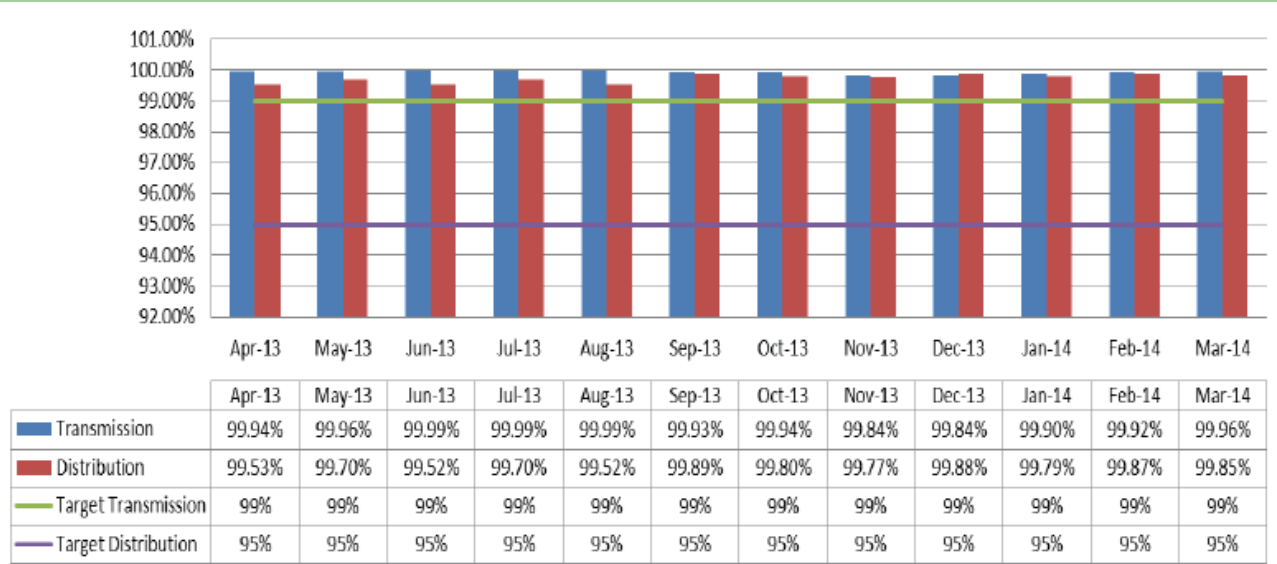
(c) System Availability

The monthly system availability for both transmission and distribution systems are depicted graphically in 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 99.78% against an average target of 95.00% per annum.

Figure 4: Transmission & Distribution Systems Availability



Source: LEC Reports

Eletricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

2. Lesotho Highlands Development Authority
(‘Muela Hydropower Plant- MHP)

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

(a) Electricity Sales

MHP produced a total energy of 516.44 GWh in comparison to the planned generation of 498 GWh. This total energy was up from 461GWh in 2012/13. Unlike in 2012/13, there were no planned outages for the Plant. Of this produced energy, 515.12 GWh was sold to LEC yielding ‘Muela total revenue of M56.68 million an increase from M50.55 million in 2012/13. The average electricity selling price to LEC stood at M0.11/kWh which was similar to that of 2012/13. The remaining 1.71GWh was exported to Eskom (South Africa) at an average price of M0.21/kWh. A peak power demand of 80.43 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 ones 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) – 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 annual indicators have been selected to measure the performance of the individual units.

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.

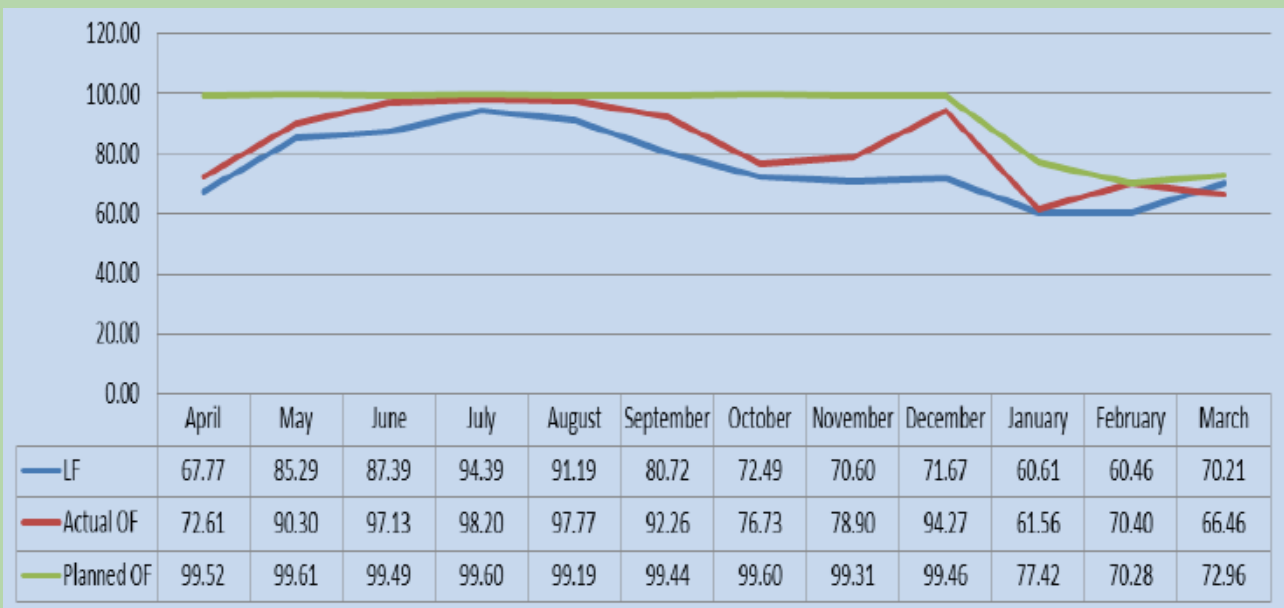
Unplanned Capability Loss Factor (UCLF) – refers to the ratio of unplanned energy losses, (under plant management control), to the reference energy.

Electricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in Figure 5 and the tabulation of the annual indicators in Table 8. The indicators are expressed in percentages. Figure 5 shows that the pattern of the two indicators is almost identical from April to October. In particular during June to August, the OF was almost constant at around 100% while LF averaged around 90%. This goes to explain that the plant operated with almost no interruption for the

reporting period at its available peak capacity. From Table 8 illustrates that performance of the three units is similar with the exception that unit 3's CF is about 20 percentage points lower than those of the two. All the three units were available most of the time as depicted by relatively higher values for, EAF and UCF and a correspondingly relatively lower value for PCLF and UCLF. This is so because of the low number of both planned and unplanned outages reported.

Figure 5: MHP Load and Operating Factors (Percentages) for 2013/14



Source: LHDA Reports

Electricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

Table 8: Performance of MHP Units in 2013/14 - 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	82	81.6	93.7	0.4	5.89
Unit 2	81.3	84.8	97.6	0.2	2.16
Unit 3	63.1	80.4	98.7	0.7	0.55

Source: LHDA Reports

(c) 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, Number of Minor Vehicle Accidents and Number of Undesired Environmental Incidents. In the reporting period they recorded one (1) Minor Vehicle Accident and zero (0) in the rest of the performance indicators.

3. Department of Energy (Rural Electrification Unit)

The DoE has held a licence exemption for running three EAPPs since October 2007. The exemption, which expired in September 2012, had been further extended until September 30, 2014. The Department had further been issued an exemption that would expire in 2014, for the 33 kV Ha Mpiti – Ha Sekake line and the associated distribution and supply networks, which was essentially the replacement of the initial distribution networks supplied by diesel-powered generator sets.

(a) Electrification Access Pilot projects (EAPPs)

i. Qholaqhoe, Dilli-Dilli and Ha Sekake EAPPs

The Qholaqhoe and Ha Sekake EAPPs are connected to the LEC network, while the Dilli-Dilli EAPP is connected to the ESKOM (Republic of South Africa) network. A total of 2,444 customers were recorded during the reporting year and this includes 22 newly connected customers. This is all depicted in Table 9 below.

Both the Ha Sekake and Qholaqhoe EAPPs records show that their financial performance was not good. Revenues from electricity sales in both EAPPs were lower than the costs of purchases. The Dilli-Dilli/ Sixondo EAPP had recorded higher revenue from electricity sales than costs of purchases.

The energy losses for the three EAPPs ranged from 12 % - 14% and these losses were mainly due to technical losses and illegal connections.

Table 9: Customer Base for the EAPPs					
EAPP	Number of requests for new connections	Number of registered consumers at the beginning of year	Number of new connections during the year	Total number of registered consumers at the end of year	Total Backlog at end of year
Dilli-Dilli	36	279	5	284	31
Qholaqhoe	115	253	2	255	113
Ha Sekake	44	1890	15	1905	29
Total	195	2422	22	2444	173

Source: REU Reports

Electricity Supply Industry Sector Developments
Lesotho Electricity and Water Authority

Table 10: Energy Purchases and Sales for EAPPs					
EAPP	Bulk Energy Purchased (kWh)	Energy sold (kWh)	Max. Demand (kW)	Energy losses (kWh)	Energy losses (%)
Dilli-Dilli	133,302.00	117,465.67	28.89	15,836.33	12%
Qholahoe	155,308.00	134,377.49	48.35	20,930.51	13%
Ha Sekake	576,485.00	498,033.34	377.28	78,451.66	14%
Source: REU Reports					

(b) Lesotho Renewable Energy Based Rural Electrification

Although the Lesotho Renewable Energy Based Rural Electrification (LREBRE) project closed down on 31 March 2013, the street lighting project that was financed by a M5 million grant from the Chinese Government, commenced in January 2013 and was commissioned in the reporting period. The villages covered were Mount Moorosi (Quthing), Ha Ntsi (Maseru) and Pitseng (Leribe).

(c) Generation

A prefeasibility study report for Monontša pumped storage scheme indicates that the project is feasible technically, environmentally and socially while on the other hand the project is not feasible economically and financially. It is forecasted that around the year 2025, the project will be economically and financially feasible when the envisaged production capacity will be needed in the SADC region. A feasibility study on Kobong

Pumped Storage Scheme has been completed and indicates that the project is technically feasible. There is a need to supplement it by market and transmission studies which would provide information on its financial and economic viability, hence its bankability.

(d) Design of Regulatory Frameworks
for Renewable Energy resources

In an effort to attract investment in electricity generation from RE sources, mechanisms to this effect were being pursued.

One such mechanism was the design of regulatory frameworks for RE resources. Expressions of interest had been invited internationally to bid for the assignment which included amongst others, development of standard PPAs for small generators and guidelines for IPPs. The project was being donor-funded

Urban Water and Sewerage Sub-Sector Developments
Lesotho Electricity and Water Authority

1. Water and Sewerage Company (WASCO)

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 pursuant to the provisions of the Lesotho Electricity Authority Act 2002 as amended.

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

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

(a) Service Coverage

- Water Connections:

At the beginning of the year there were 74, 532 customers in WASCO system. A total of 7,267 new water connections were made in 2013/14 against a WASCO set target of 6,000; of which 4, 506 were made in Maseru while 2,761 were made in other urban centres.

- Sewer Connections:

A total of 150 new sewer connections were made in 2013/14 against a WASCO set target of 500. This increased the number of customers for sewerage services from 3,546 to 3,696.

(b) Non-Revenue Water (NRW)

According to WASCO's Annual Performance Report,

Non-Revenue Water (NRW) for 2013/14 was recorded at 28% against a WASCO set target of 28%. NRW in Maseru was recorded at 25% while in other urban centres it ranged from 36.9% to 39.1%.

(c) Water and Sewage Quality

- Potable Water Quality

In order to determine whether or not the quality of water is acceptable, water samples must pass (among others) Microbiological and Chlorine tests. Of the samples that were tested in 2013/14, 95% passed the microbiological test against a WASCO set target of 95%, while a range of 94% to 97% passed the chlorine tests against a WASCO set target of 95%.

With regards to Microbiological and Chlorine tests, the potable water quality compliance was within acceptable limits.

- Treated Sewage Quality

In order to determine whether or not the quality of treated sewage is acceptable, sample of treated sewage must pass Suspended Solids (SS) tests and Chemical Oxygen Demand (COD) tests. Of the samples that were tested in 2013/14, 30% passed the SS tests against a WASCO set target of 75%, while 4% passed the COD tests against a WASCO set target of 75%.

The performance of WASCO in relation to water quality was on average within set targets while for treated sewage quality was below target.

(d) WASCO Financial Performance

Amongst others, debt management and collection is one of the key indicators when determining financial performance of an entity. According to WASCO reports,

Urban Water and Sewerage Sub-Sector Developments
Lesotho Electricity and Water Authority

in 2013/14, the Operation and Maintenance Cost Recovery Ratio was 122% while the Billing Collection Ratio was 106%.

(e) 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 reservoirs and construction of pumping stations. The project covered the following areas: Package 1- (Maseru and Mazenod), Package 2- (Semonkong), Package 3- (Mafeteng, Mochale's Hoek, Quthing and Qacha's Nek), Package 4- (Leribe, Butha-Buthe, and Mokhotlong) and Package 5- (Mapoteng).

By the end of the reporting period, all works were completed except for Packages 3 and 4.

(f) Five Towns Water Supply Project

The objectives 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, Mochale's Hoek and Qacha's Nek.

The Government secured funding from Arab Bank for Economic Development (BADEA), Organisation of Petroleum Exporting Countries (OPEC) and Saudi Fund for Development (SFD) for the project. It is anticipated that the construction would commence in the next financial year.

2. Commissioner of Water (CoW)

The office of CoW has been set up by Government to, amongst others; develop long-term strategies for the water and sanitation sector and to report on the state

of water resources in the country. The CoW has further been mandated to establish an Asset Management Agency (AMA) for Metolong Dam Water Supply Project (MDWSP).

The report below gives a summary of developments undertaken by CoW that are related to projects or endeavours that include the vision, strategies and augmentation of water and sanitation services in the reporting period.

3. Long Term Water and Sanitation Sector (LTSWSS) Report

The objectives of LTSWSS are to provide direction and guidance to the water and sanitation sector activities in the period April 2014 to March 2020, and also to provide an outline programme for the period 2020 to 2030. The resulting strategic direction has been made into the Water Sector Programme which is structured according to Key Focus Areas and Strategic Aims; namely,

- **Key Focus Area I:** Establishment of Catchment Management;
- **Key Focus Area II:** Climate Change, Water Resources and Environmental Management;
- **Key Focus Area III:** Water, Sanitation and Hygiene;
- **Key Focus Area IV:** Regulated Water and Sewerage Services;
- **Key Focus Area V:** Water Resources Development; and
- **Key Focus Area VI:** Sector Planning, Coordination and Monitoring and Evaluation.

The first Draft Long-term Strategy for Water and Sanitation Sector was developed in August 2013 with the following summary of the recommendations:

- The major changes in the institutional responsibilities until 2020 are expected to happen in DWA in relation to operationalising catchment management as well as substantial capacity development in the Local

Urban Water and Sewerage Sub-Sector Developments
Lesotho Electricity and Water Authority

Councils for both catchment management and water services.

- The past institutional development in DRWS, WASCO and LEWA are envisaged to continue with formalising of the functioning of the presently decentralised Department of Rural Water Supply (DRWS) and District Offices as part of the District Councils, continued efforts to improve the operating efficiencies in WASCO and development of the regulatory framework by LEWA.
- A major development in the sector financing would be the change from the different Government budgets and various development partner funding modalities to a common funding mechanism for local council investments in water, sanitation and catchment management.

4. April 2011 – March 2013 State of the Water Resources Report (SWRR)

The objectives of the SWRR are to position the importance of water in the national development context, inform policy development and direction, assist in articulating work plans to integrate activities across the sector and to reflect progress relating to the strategies put in place in pursuit of the national development goals.

The second Draft SWRR was developed in March 2014, covering the two (2) financial years of April 2011 to March 2013.

The findings of the report are as follows:

- Higher rainfalls were experienced in 2012/13 than in 2011/12;

- Lower value of surface runoff, aquifer water tables and spring yields were observed in 2012/13 than during the previous year;
- Senqu catchment shows higher natural flow;
- The combined consumption of water in Lesotho is high in 2012/13 compared to 2011/12;
- Water transfer from the Lesotho Highlands Water Project to the Republic of South Africa was lower in 2012/13 compared to 2011/12.
- The report also highlights the difficulties in data collection, dissemination and availability which make it challenging to draw meaningful conclusions. Particular attention is drawn towards the need to install new hydrometric stations and application of Geographic Information Systems (GIS).

5. Asset Management Agency (AMA)

The objective of the AMA is to ensure that the rate of return on the investment and replacement of assets of the MDWSP would not adversely affect future WASCO tariffs but would be absorbed by AMA. The CoW was in the process of establishing a framework for setting up of the agency and a working relationship between the agency and WASCO with regards to operating the MDSWP.

6. Metolong Dam Water Supply Project (MDWSP)

The objective of the programme is to supply additional potable water to Maseru, Teyateyaneng, Roma and Morija. The programme consists of construction of a dam and raw water pumping station, 75-90 M/ℓ day water treatment works and a 65-120 mm steel pipes Downstream Conveyance System. All works are expected to be completed in the next reporting period.

Board Approval and Statement of Responsibility

for the year ended 31 March 2014

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 40 to 59 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 40 to 59, 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 (IFRS) have been followed and confirm that the financial statements have been prepared on a going concern basis.

The focus of the 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 infrastructure controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The auditors' responsibilities are stated in their report on page 39.

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.

The members of the Board have reviewed the Authority's cash flows forecast for the year ended 31 March 2014 and, in the 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 40 to 59 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 29 September 2014 by Members of the Board and signed on its behalf by:



Chairperson



Member

Report of the Auditor General

for the year ended 31 March 2014

I have audited the accompanying financial statements of Lesotho Electricity and Water Authority which comprise the statement of financial position as at 31 March 2014, 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 59.

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.

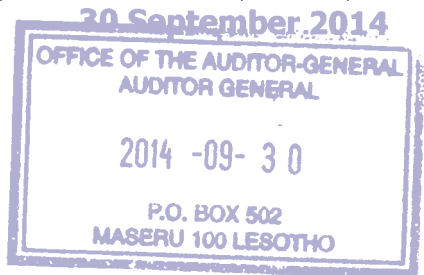
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority at 31 March 2014, 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



Statement of Financial Position
for the year ended 31 March 2014

	Notes	2014 M	2013 M
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	8	3,387,269	2,481,567
Current Assets			
Cash & Bank	10	53,640,814	32,000,229
Trade & Other Receivables	4	5,698,775	6,721,727
Assets Held for Sale	5	73,776	220,000
		59,413,365	38,941,948
Total Assets		62,800,634	41,423,523
FUNDS & LIABILITIES			
Funds and Reserves			
Capital Grant	9	-	502,365
Retained Surplus/(Deficit)	13	3,070,006	5,378,140
Revaluation Reserve	14	1,676,391	306,330
Universal Access Fund Balance	12	50,109,874	29,232,780
		54,856,271	35,419,615
Non-Current Liabilities			
Gratuity	6	6,848,341	4,114,710
Current Liabilities			
Bank Overdraft	10-11	823,588	525,503
Gratuity		-	707,969
Trade & Other Payables	6	272,434	655,726
		1,096,024	1,889,198
Total Funds and Liabilities		62,800,634	41,423,523

Statement of Comprehensive Income
for the year ended 31 March 2014

	Notes	2014 M	2013 M
INCOME			
Customers' Levy		17,624,711	15,545,466
License Fees	3	3,862,969	3,301,552
GoL & World Bank Grants	2	2,452,405	4,190,271
Capital Grant Release	9	502,365	502,355
Universal Access Fund	12	1,994	1,556,237
		24,444,444	25,095,881
EXPENDITURE			
Staff Costs	16	15,800,266	14,385,367
Depreciation	8	1,240,929	1,185,526
Directors Expenses	16	1,282,615	861,783
Audit Fee		25,467	23,152
Universal Access Fund	12	1,994	1,556,237
Operating Costs	16	8,562,898	7,490,051
		26,914,169	25,502,116
Surplus /(Deficit) From Operations		(2,469,725)	(406,235)
Gain/(Loss) Assets Sale		(36,971)	(17,456)
Finance Income		198,562	168,865
Finance Costs		-	-
Total Other Income		161,591	151,409
Surplus/(Deficit) for the year		(2,308,134)	(254,826)
COMPREHENSIVE INCOME			
Property Revaluation		1,421,485	206,484
Total Comprehensive Income/(Loss) for the Year		(886,649)	(48,342)

Statement of Changes in Funds
for the year ended 31 March 2014

	Revaluation Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
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)
Grant	-	-	-	-	-
Revaluation Reserve	(18,585)	-	-	-	(18,585)
Universal Access Fund	-	-	17,880,708	-	17,880,708
Surplus/(Deficit) for the year	-	-	-	(254,826)	(254,826)
Balance at 31/03/2013	306,330	502,365	29,232,780	5,378,140	35,419,615
Amortisation for the year	-	(502,365)	-	-	(502,365)
Grants	-	-	-	-	-
Revaluation Reserve	1,370,061	-	-	-	1,370,061
Surplus/(Deficit) for the year	-	-	-	(2,308,134)	(2,308,134)
Universal Access Fund	-	-	20,877,094	-	20,877,094
Balance at 31/03/2014	1,676,391	-	50,109,874	3,070,006	54,856,271

Statement of Cash Flow
for the year ended 31 March 2014

	Notes	2014 M	2013 M
Surplus/(Deficit) for the Year Adjustment for:		(2,308,134)	(254,826)
(Increase)/Decrease in Receivables		1,022,952	(892,790)
Increase/(Decrease) in Payables		(1,091,261)	(165,093)
Depreciation		1,240,929	1,185,526
Capital Grant Amortisation		(502,365)	(502,355)
Gain /Loss on Disposal of Fixed Assets		36,971	17,456
Net Cash from Operating Activities Investing Activities		(1,600,908)	(612,082)
Investing Activities:			
Purchase of Fixed Assets	8	(858,234)	(1,310,911)
Disposal Proceeds		190,917	20,000
Net Cash Used in Investing Activities		(667,317)	(1,290,911)
Financing Activities			
Gratuity		2,733,631	2,003,123
Universal Access Fund		20,877,094	17,880,708
Net Cash Used in Financing Activities		23,610,725	19,883,831
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		21,342,500	17,980,838
Cash and Cash Equivalents at the Beginning of the Year		31,474,726	13,493,888
Cash and Cash Equivalents at the end of the year		52,817,226	31,474,726

Notes to the Financial Statements
for the year ended 31 March 2014

ACCOUNTING POLICIES	
1. 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:
	<ul style="list-style-type: none">Office Fittings 5 YearsOffice Furniture 5 YearsOffice Equipment 4 YearsIT Equipment 3 YearsMotor Vehicles 4 YearsFreehold 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.

Notes to the Financial Statements
for the year ended 31 March 2014

ACCOUNTING POLICIES (continued)	
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 Intrest 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.
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.

Notes to the Financial Statements
for the year ended 31 March 2014

ACCOUNTING POLICIES (continued)	
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.

Notes to the Financial Statements
for the year ended 31 March 2014

ACCOUNTING POLICIES (continued)	
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 2carrying 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 2014

ACCOUNTING POLICIES (continued)	
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 2014

	2014 M	2013 M
2. World Bank /GoL Revenue Grant	2,452,405	4,190,271
3. Licence Fees		
LEC	3,221,408	2,706,938
LHDA	641,561	594,614
	3,862,969	3,301,552
4. Trade & Other Receivables		
LEC – Customers’ & Electrification Levies	5,130,745	4,554,162
Trade & Other Receivables	568,030	2,167,565
	5,698,775	6,721,727
5. Assets Held for Sale – Motor Vehicle		
Motor Vehicle due for disposal	73,776	220,000
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	-	707,969
Retention Fee - Universal Access Fund	-	251,089
Trade & Other Payables	272,434	404,637
	272,434	665,726
Falling due after 1 year		
Gratuity	6,848,341	4,114,710
	7,120,775	5,478,405

Notes to the Financial Statements
for the year ended 31 March 2014

	2014 M	2013 M
7. Operating Lease obligation		
Minimum lease payments due:		
- Within 1 year	2,715,408	-
- In third to fifth year inclusive	9,886,800	-
Present Value of minimum lease payments	12,602,208	-
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.

Notes to the Financial Statements
for the year ended 31 March 2014

8. 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, 2013	358,939	64,525	2,200,778	-	1,068,140	214,943	3,907,325
Additions	121,980	44,698	86,672	19,642	214,219	371,023	858,234
Disposal/Adjustments	(1)	(548)	(57,174)	-	(125,200)	-	(182,923)
Revaluation		144,655	1,276,830	-	-	-	1,421,485
At March 31, 2014	625,573	108,675	3,507,106	19,642	1,157,159	585,966	6,004,121
DEPRECIATION							
	20%	25%	33.33%	20%	25%	33.33%	
At April 1, 2013	137,113	-	1,288,645	-	-	-	1,425,758
Charge for the year	77,300	22,513	741,637	1,264	249,124	149,091	1,240,929
Adjustments	-	-	(49,835)	-	-	-	(49,835)
At March 31, 2014	214,413	22,513	1,980,447	1,264	249,124	149,091	2,616,852
CARRYING VALUE							
At April 1, 2013	221,826	64,525	910,280	-	1,068,140	214,943	2,481,567
At March 31, 2014	411,160	86,161	1,526,659	18,379	908,035	436,875	3,387,269
All assets were revalued on the 31 March 2014 in compliance with IAS 16 to reflect their fair values.							

Notes to the Financial Statements
for the year ended 31 March 2014

9. Capital Grants		2014	2013
		M	M
	Balance at the beginning of the year	502,365	1,004,720
	Increase during the year	-	-
	Amortised during the year	502,365	(502,355)
Balance at the end of the year		-	502,365

10. Cash & Cash Equivalents		2014	2013
		M	M
	Cash and cash equivalents are measured at fair price and consists of:		
	Petty Cash	2,500	2,500
	Short-Term Deposits – (NedBank)	893,440	2,159,422
	Short-Term Deposits – (Standard Lesotho Bank)	5,742,262	2,572,514
		6,638,202	4,734,436
	Current Accounts – UAF (Standard Lesotho Bank)	1,428,817	53,169
	Short-Term Deposits – UAF (Standard Lesotho Bank)	45,573,795	27,212,624
		53,640,814	32,000,229
	Bank Overdraft – (NedBank)	(823,588)	(525,503)
Total		52,817,226	31,474,726
11. 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.		

Notes to the Financial Statements
for the year ended 31 March 2014

12. Universal Access Fund (UAF) - Receipts & Payments		2014	2013
		M	M
	Receipts		
	Levies Collection	19,340,782	18,728,538
	Finance Income (i)	1,538,306	708,407
	TOTAL	20,879,088	19,436,945
	Expenditure		
	Electrification Projects	-	1,553,611
	Bank Charges	1,994	2,626
	TOTAL	1,994	1,556,237
	Movement in UAF – For the year	20,877,094	17,880,708
	Universal Access Fund –B/F	29,232,780	11,352,072
	Universal Access Fund Balance (ii)	50,109,874	29,232,780
12.1 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.			

Notes to the Financial Statements
for the year ended 31 March 2014

12.2 UAF Receivables		2014	2013
		M	M
	LEC – Electrification Levies	3,107,260	2,228,048
	Electrification Levy due from LEC and accrued investment interest form part of Universal Access Fund balance		
12.3 Receipts			
(i) Finance income – Represents interest realized on investment account.			
(ii) Universal Access Fund Balance – A budget of M51,872,000 had been approved for electrification projects for the next financial year.			

Notes to the Financial Statements
for the year ended 31 March 2014

13. Retained Surplus / (Deficit)		2014	2013
		M	M
	Income	24,444,444	23,539,644
	Expenditure	26,914,169	23,945,879
	Operating Surplus/(Deficit)	(2,469,725)	(406,235)
	Loss on disposal	(36,971)	(17,456)
	Total Other Income	198,562	168,865
	Surplus/(Deficit) for the year	(2,308,134)	(254,826)
	Revaluation Reserve Amortisation		-
	Surplus B/F	5,378,140	5,632,966
	Retained Surplus/(Deficit)	3,070,006	5,378,140

14. Revaluation Reserve		2014	2013
		M	M
	Balance at the beginning of the year	306,330	324,915
	Increase during the year	1,421,485	206,484
	Amortised during the year	(51,424)	(225,069)
	Balance at the end of the year	1,676,391	306,330

Notes to the Financial Statements
for the year ended 31 March 2014

15. Universal Access Fund (UAF) Projects									
Villages Name/Projects	Name of Contractor	Approved Contract	Bal b/f March 2013	Retention	Payments Project	Retention Fee Paid	Totals	Savings	Balance
Ha Rafoletsane	Leshele Cons.	5,023,204	251,089	251,089	-	251,089	251,089	-	-
TOTALS			251,089	251,089	-	251,089	251,089	-	-
Non Committed Funds									

Notes to the Financial Statements
for the year ended 31 March 2014

16. Detailed Statement of Comprehensive Income	2014 M	2013 M
INCOME:		
Customers' Levy	17,624,711	15,545,466
Licence fees	3,862,969	3,301,552
GoL & World Bank Grants	2,452,405	4,190,271
Capital Grants Release	502,355	502,355
	24,442,450	23,539,644
Universal Access Fund	1,994	1,556,237
Other Income		
Finance Income	198,562	168,865*
Gain/(Loss) Assets Sale	(36,971)	(17,456)
	161,591	151,409
Total Income	24,606,035	25,247,290
Less: Expenditure		
Directors' Expenses:		
Director's Fees	731,666	426,154
Other Costs – Board	135,709	134,243
Board Training	415,240	301,386
	1,282,615	861,783
Staff Costs:		
Staff Remuneration & Benefits	11,757,496	10,752,603
Staff Wellness Activities	31,233	5,872
Gratuity	3,100,058	2,792,022
Staff Training/Workshops	857,378	788,002
Health & Wellness allowance	54,101	20,465
Staff Uniform	-	26,404
	15,800,266	14,385,368
Operating Costs:		
Stationery	219,100	135,266
Advertising	87,827	58,320
Public Awareness	97,891	226,187
Publications	11,882	10,043
Advocacy	9,841	32,123
Stakeholders Consultation	-	6,494

Notes to the Financial Statements
for the year ended 31 March 2014

16. Detailed Statement of Comprehensive Income (continued)		2014	2013
		M	M
	Energy Planning W/shop	-	108,637
	Expansion of Electricity Network	-	11,115
	LEA Literature	17,258	40,179
	International Technical Standards	-	28,493
	Consumables assets below M1,500	42,689	4,148
	RERA,ESAWAS & AFUR subscriptions	413,768	375,529
	Public Relations	14,248	-
	Office Expenses	242,473	172,270
	Transport Costs	247,793	216,965
	Bank Charges	62,502	39,242
	Rent	2,455,572	661,325
	Electricity	67,012	62,938
	Telephone	142,537	135,477
	Internet	52,500	72,000
	Corporate Social Responsibility	68,652	95,532
	Risk Consultant	-	42,200
	Insurance	113,046	85,487
	IT Expenses	109,958	101,275
	RERA Meetings and Workshops	471,993	432,690
	AFUR Meetings and Workshops	209,503	52,729
	International Meetings and Workshops	328,189	553,998
	ESAWAS Meeting and Workshops	90,090	-
	Human Resource Consultant	22,000	24,000
	Annual Report	37,153	37,153
	Inspection Costs	14,524	8,485
	Promotional Items	148,032	166,574
	Economic & Financial Regulatory Model	-	170,946
	Increasing Access to Electricity	22,149	8,096
	National Security of Supply	66,551	-
	Public Hearing	401,554	60,010
	Universal Access fund	1,994	1,556,237
	Monitoring Compliance	10,044	-
	Customer Education	5,079	28,814

Notes to the Financial Statements
for the year ended 31 March 2014

16. Detailed Statement of Comprehensive Income (continued)		2014	2013
		M	M
	African Peer Review	210,080	61,750
	Complaints Resolution	2,250	-
	Radio Programs	58,843	-
	Water & Cleaning Services – Maseru West	4,543	54,901
	Security	17,540	10,007
	Strategic Plan Consultants	154,559	-
	Web-site Support	28,044	-
	LEWA Launch	88,540	-
	Water Regulation Expenses		
	Water Regulatory Instruments Consultancy	1,606,694	3,071,954
	Other Water Regulation Expenses	1,000	19,275
	Other costs:		
	Audit Fees	25,467	23,152
	Depreciation	1,240,929	1,185,526
	Operating & Other Costs	9,831,288	10,254,965
	Total Expenses	26,914,169	25,502,116
	Surplus/ (deficit) for the year	(2,308,134)	(254,826)

Notes
Lesotho Electricity and Water Authority

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Lesotho Electricity and Water Authority
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