

LESOTHO ELECTRICITY AND WATER AUTHORITY
ANNUAL REPORT
2017/18



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EXECUTIVE SUMMARY

THE LESOTHO ELECTRICITY AND WATER AUTHORITY (LEWA) was established through the Lesotho Electricity Authority (LEA) Act, No. 12 of 2002, as amended. The Authority operates in cognisance of the Government's Policy on electricity and water supply matters. LEWA is mandated to regulate the Electricity Supply Industry (ESI) and Urban Water and Sewerage Services (UWSS). The Authority further deals with matters such as electricity pricing and charges, handling of complaints and resolution of disputes, and supervision of the implementation of Quality of Supply and Service Standards (QOSSS) by the regulated entities. The Lesotho Electricity Company (LEC), Rural Electrification Unit (REU), 'Muela Hydropower Station (MHP) of the Lesotho Highlands Water Project (LHWP) and Water and Sewerage Company (WASCO) are currently the four (4) entities that are under the regulatory supervision of LEWA.

Section 28 of the LEA Act, as amended requires the Authority to prepare an Annual Report for submission to the appointing authorities (the Ministries of Energy and Meteorology and of Water). Annual Reports are posted on LEWA's website (www.lewa.org.ls) and the latest one is the 12th for 2016/17. The current one is the 13th Annual Report which covers the period from the 1st April 2017 to the 31st March 2018. It provides an account of the programme of the fourth year of LEWA's Five Year Strategic Plan (SP) for the period 2014/15 – 2018/19. The SP is executed through the Annual Business Plan (ABP) which is organised around the seven Strategic Objectives reflected in Section 3.0 of this Report. In addition, the ABP provides the annual planning cycle for the execution of the regulation of ESI and UWSS.

The Report covers progress on the strategic and operational issues for the 2017/18 reporting period. The Report deals with technical regulation of electricity and urban water and sewerage services where the main emphasis is on matters relating to the monitoring of Licensees' performance and compliance. The legal aspects of regulation such as the development of regulatory frameworks are also highlighted. Furthermore, the report deals with the stakeholder communication, customer complaints resolution, and management issues. The Report also gives an overview of human resources, financial and administrative matters.

A brief account of the decision which was taken is as follows:

As mentioned in the 2016/17 LEWA Annual Report, the Authority was in the final stages of determining electricity, urban water and sewerage services tariffs for 2017/18 Financial Year. A brief account of the decision which were taken is as follows:

- LEC was allowed a Revenue Requirement of M856.29 million (as opposed to M964.48 million requested by the Company) for the financial year 2017/18. Energy Charges (excluding levies) and Maximum Demand charges were adjusted by 3.6% for all customer categories. The charges for connection, wiring testing and re-testing, survey, re-survey, licensing for wiring, meter testing and house extension remained unchanged. The tariffs became effective from 10 April, 2017; and
- WASCO was allowed a Revenue Requirement of M198.25 million for distribution business (including water supply and treatment) and M34.61 million for sewerage services provision. The Standing Charge for Band A domestic customer category (those consuming between 0 - 5,000 litres per month) was abolished. The Standing Charges for all other customer categories (Bands B, C, D and other non-domestic) remained the same. Volumetric water tariffs were increased by 4.64%, while there was no increase in sewerage services. Other charges such as connection fees remained unchanged and the tariffs became effective from 10 April, 2017.

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In early 2018, LEC submitted an application of 23.2 % increase on Energy and Maximum Demand (MD) charges for the Financial Year 2018/19. Amongst various drivers cited in the Application was the electricity bulk supply purchases, depreciation, maintenance costs, expenditure and return on assets. The Authority was still considering the Application at the end of March 2018. At the end of March 2018, WASCO had not yet submitted a tariff review Application with LEWA for the year 2018/19.

The Authority undertook and completed the Electricity Cost of Service Study (CoSS) and the Design of Economic Electricity Cost Reflective Tariffs. The Study aimed at determining the long-term least cost generation, transmission, distribution and supply programs. The Study was designed to meet the forecasted electricity demand in over the medium to long term, price evolution from generation through to end-user level as well as the appropriate tariff structure and level of the life line tariff.

In order to ensure the security of supply for both electricity and water services, the Authority undertook, among other things, the following:

- Participation in the Energy Sector Coordination Forum (ESCF) and Electricity Subsector Committee (ESC) Meetings. Some of the highlights included the Lesotho Sustainable Energy Strategy, which amongst other things, sets targets for additional generation of 300 Megawatts (MW), and at least 75% of households to have access to electricity by 2022; and
- Deliberations with other stakeholders in the Water Sector Coordination meetings were held on Water Sector Legislative/Policy Review for Lesotho. The project comprises the Lesotho Water and Sanitation Policy 2007, review of the Water Act 2008 and the operationalisation of the Long-Term Strategy for Water and Sanitation 2016 and upscaling of the Maseru Sewerage and Sanitation Master Plan 2035 to a National level, to mention but a few.

LEWA engaged the regulated entities to improve regulatory performance as well as encourage adherence to licence conditions, the founding legislation and regulatory tools. As a result, there was a noticeable improvement in compliance.

The Authority developed and reviewed subsidiary legislation and regulatory tools for electricity and water. The outstanding activity of reviewing the principal law had not been achieved pending policy clearance from the parent Ministries. Electricity Supply Rules (ESRs) were developed and submitted to the Ministry of Energy and Meteorology (MEM) for consideration. As part of the engagement process, the Ministry had consulted other key stakeholders such as LEC on the ESRs. The Authority reviewed potential applications for licences from some interested entrants into the ESI.

In order to attain the objective of building and operating a sustainable organisation the Authority reviewed and implemented several administrative policies and procedures for its operational purposes. Some of these were the Wellness Policy, the Transport and Travel Policy. In addition, a Risk Management Framework for LEWA was prepared and a Risk Policy was being developed.


EXECUTIVE SUMMARY

The Authority implemented a communications programme that entailed the use of electronic and print media to reach out to stakeholders. District stakeholder communication forums were established in the ten districts of Lesotho in order to strengthen the relationship between LEWA and its stakeholders.

A summary of some of the major developments that took place in the regulated sectors is provided. In a nutshell:

- A total of 15,299 new electricity connections were made in the reporting period and 14,297 of them were domestic. The new connections increased the total LEC customer base to 234,781. The country's electricity demand was 166.91 MW while installed local generation remained at 74.46 MW. Consequently, the country continued importing electricity from the Mozambican and South African national utilities, EDM and ESKOM respectively; and
- A total of 4,541 new water connections were effected by WASCO in 2017/18. The new connections increased the total number of WASCO customers to 100,112. Of these, there are about 4,300 prepaid customers and about 4,400 communal pre-paid token holders. Regarding the sewerage services access, WASCO attained 176 new connections.

The Audited Financial Statements of the Authority for the reporting year are unqualified. This outcome is indicative of the probity with which LEWA expended financial resources in the fulfilment of its mandate. LEWA maintained and sustained participation at various structures of the Regional Electricity Regulators Association of Southern Africa (RERA), the Eastern and Southern Africa Water and Sanitation (ESAWAS) Regulators Association and the African Forum for Utility Regulators (AFUR). The purpose was to (1) to enhance information sharing and cooperation in capacity building in the electricity, water and sewerage services regulation in a manner that is consistent with the best practice situation; (2) foster and enhance the effectiveness of regulators in the region; and (3) to harmonise policies, legislation and regulations for cross-border trading.

LEWA was peer-reviewed on water services regulatory systems by ESAWAS. LEWA's regulatory performance, which was assessed in terms of three concepts, namely, regulatory governance, regulatory substance and the regulatory impact, was found to be satisfactory, but with a potential for improvement. LEWA further participated in the proceedings of the 7th World Forum on Energy Regulation (WFER) Conference in Cancun, Mexico. The conference was a showcase for modern technology and flagship designs that set the future for sustainable regulation 

OBJECTIVES OF THE 2017/18 LEWA ANNUAL REPORT

The 2017/18 Annual Report fulfils the following objectives:

- Conforming with the provisions of the LEA Act of 2002, that the Authority should make a report to the Ministry of Energy and Meteorology (MEMWA), and the Ministry of Water (MW);
- Informing the public on the Authority's performance in the regulation of electricity, urban water and sewerage services;
- Educating stakeholders of regulated sectors and the general public on regulatory matters; and
- Providing a source of information on the regulated sectors.

For any queries or questions please contact:

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFUR	African Forum for Utility Regulators
BADEA	Arab Bank for Economic Development in Africa
BOS	Bureau of Statistics
CF	Capacity Factor
CGHB	Corporate Governance Handbook
COD	Chemical Oxygen Demand
CoSS	Cost of Supply Study
CoW	Commissioner of Water
CSR	Corporate Social Responsibility
DoE	Department of Energy
EAF	Energy Availability Factor
EAPPs	Electricity Access Pilot Projects
EDM	Electricidade de Mozambique
EDSL	Electricity Distribution and Supply Licence
ESAWAS	East and Southern Africa Water and Sanitation Regulators Association
ESC	Electricity Subsector Committee
ESCF	Energy Sector Coordination Forum
ESI	Electricity Supply Industry
ESR	Electricity Supply Rules
ETL	Electricity Transmission Licence
GIS	Geographical Information System
GWh	Gigawatt hour
ICTs	Information Communication Technologies
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
JSMC	Joint Study Management Committee
Kl	Kilolitre
KPIs	Key Performance Indicators
LEC	Lesotho Electricity Company
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LF	Load Factor
M/kWh	Maloti per kiloWatt hour
MD	Maximum Demand
MDWSP	Metolong Dam and Water Supply Programme
MEM	Ministry of Energy and Meteorology
MI	Megalitres
MoW	Ministry of Water
MHP	'Muela Hydropower Plant
MVA	Mega Volt Ampere

ABBREVIATIONS AND ACRONYMS

MW	Megawatts
NRW	Non-Revenue Water
NUL	National University of Lesotho
OF	Operating Factor
O and M	Operations and Maintenance
OFID	OPEC Fund for International Development
OSS	Operating Security Standard
ORASECOM	Orange Senqu Commission
PMS	Performance Management System
SPPA	Standardised Power Purchase Agreement
SDGs	Sustainable Development Goals
PPAs	Power Purchase Agreements
PCLF	Planned Capability Loss Factor
PPE	Personal Protective Equipment
PPM	Pre-Payment Metering
PMS	Performance Management system
QoSSS	Quality of Supply and Service Standards
RAGs	Regulatory Accounting Guidelines
RE	Renewable Energy
REGL	Renewable Electricity Generation Licence
RERA	Regional Electricity Regulators Association of Southern Africa
SADC	Southern African Development Community
SFD	Saudi Fund for Development
STEM	Short Term Electricity Market
UAF	Universal Access Fund
UCF	Unit Capability Factor
UCLF	Unplanned Capability Loss Factor
USAID	United States Agency for International Development
UWSS	Urban Water and Sewerage Services
WASCO	Water and Sewerage Company
WB	World Bank
WSIP	Water Sector Improvement Project
WSTFSS	Water and Sewage Treatment Facilities Safety Standards
WUPI	Water Utilities Performance Index
WWTP	Waste Water Treatment Plant

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CORPORATE STATEMENTS

VISION

"To be a world class utilities' regulator that facilitates delivery of affordable, sustainable and quality services".

MISSION

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

CORE VALUES

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

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

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

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

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

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

REGULATORY PRINCIPLES

The Authority has adopted the following internationally accepted regulatory principles:

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

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

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

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

LEWA MOTTO

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

GENERAL DUTIES OF THE AUTHORITY

The general duties of the LEWA are set out in Section 21(1) of the Lesotho Electricity Authority Act, 2002 (LEWA Act) as amended. These are to:

- Promote the expansion of electricity, urban water and sewerage services supply in Lesotho, where this is economic and cost effective;
- Ensure the operation and development of a safe, efficient and economic electricity, urban water and sewerage services sectors Lesotho;
- Ensure the security of the supply of electricity, urban water and sewerage services in Lesotho;
- Protect the interests of all classes of consumers of electricity, urban water and sewerage services as to the terms and conditions and price of supply;
- Ensure the availability of health and safety guidance in relation to electricity, urban and sewerage services supply to the public;
- Ensure the financial viability of efficient regulated electricity undertakings;
- Ensure the collection, publication and dissemination of information relating to standards services sector in Lesotho for use by the regulated industry, consumers and prospective investors;
- Participate, in consultation with the Ministers, in regional and international matters relating to the regulation of electricity, urban and sewerage services in Lesotho; and
- Develop annual supply targets for the purpose of ensuring that such services are accessible to the widest number of electricity, urban and sewerage services users.

In exercising these duties, the LEWA, must have due regard to environmental considerations, the interests of persons whose lives may be endangered or affected negatively by the lack of electricity, urban water and sewerage services; and developments in respect of regional co-operation in the Southern African Development Community (SADC) countries.

LEWA functions include reviewing the provision of electricity, urban water and sewerage services supplies in Lesotho; issuing and enforcing licences; establishing technical standards, reviewing and monitoring safety standards; implementing customer care standards; and regulating prices charged to consumers of electricity, urban water and sewerage services.

LEWA MANDATE, REGULATED ACTIVITIES & FUNDING

OVERVIEW OF LEWA'S MANDATE

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

REGULATED ACTIVITIES & ENTITIES

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

- Lesotho Electricity Company (LEC), which has been issued the Composite Electricity Licence to conduct transmission, distribution and supply businesses;
- Lesotho Highlands Development Authority ('Muela Hydropower Plant-MHP), which was issued the Generation Licence; and
- Department of Energy's (DoE) which was issued the Licence Exemption to implement Electrification Access Pilot Projects (EAPPs) at Qholaqhoe, Ha Sekake and Dilli-Dilli/Sixondo.

Currently, the regulated utility in the UWSS is the Water and Sewerage Company (WASCO), which has been issued the Composite Water and Sewerage Services Licence and operates in the 16 designated urban centres.

In the UWSS regulated activities are the production, treatment, transmission, distribution by reticulation system and supply of water to premises in the urban areas. Water storage for the purposes of treatment, distribution for onwards supply and delivery to main pipelines or main pipelines where the water so delivered is not produced by another licensed operator, is also regulated. Furthermore, the Authority regulates the treatment of sewage and its safe disposal into the environment by sewerage systems in the urban areas.

FUNDING

The Funds of the Authority consist of the following: any fees prescribed for any service offered by the Authority; any appropriate levy on consumers; all investments acquired by or vested in the Authority and all monies earned or arising therefrom; and all monies that may, from time to time be donated, lent or granted to the Authority.

STRATEGIC OBJECTIVES

The 2014 -15 to 2018 -19 Strategic Plan has seven Strategic Objectives that provide a comprehensive action programme. The Strategic Objectives are as follows:

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

The Report covers the main activities undertaken by the LEWA's Departments in pursuance of the Authority's Strategic Objectives. Most LEWA functions are cross cutting, involving more than one Department. In the Report, activities carried out under a specific function are reported under the lead Department. The LEWA Departments are:

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

LEWA BOARD AND COMMITTEES

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



Dr. Leboli Thamae
Chairperson
Until 01.11.2017



Mr. R. Mosito
Chairperson
From 01.06.2018



Dr. 'Mampiti Matete
Member
Until 31.09.2017



Adv. Karabo Mohau
Member
Until 31.09.2017



Mr. Pashu Mochesane
Member



Mr. Thabo Nkhahle
Member
Until 12.02.2018



Mr. Seretse Mohlouoa
Member
Until 10.02.2017



Mr. Bokang Ramatsella
Member
Until ??02.2018



Mr. N. Maphathe
Member
From 01.06.2018



Mr. T. Hlasa
Member
From 01.06.2018



Mrs. M. Theoha
Member
From 01.06.2018



Mr. T. Molelekoa
Member
From 01.06.2018



Professor Lebohlang Moleko
Chief Executive

Disclosure of Interest

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

LEWA BOARD AND COMMITTEES

The Board is responsible for providing oversight and governance of the Authority and it is made up of a diverse body of individuals with varying backgrounds and skills sets. The Board is made up of seven (7) appointed Members and the Chief Executive who is an ex officio Member. The primary role of the Board is to provide strategic direction and oversight to the Authority. The Board ensures that the organisation meets its goals, and adheres to best practices in corporate governance.

The Board has established four Committees to assist with discharging its responsibilities, namely:

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

The Committees assist the Board in discharging its responsibilities.

Audit and Risk Committee (ARC)

The role of the Audit and Risk Committee is to assist the Board with discharging its responsibilities with regard to risk management and audit. The committee considers the risk strategy and policy. With respect to the audit function, the Committee assist the Board with developing and maintaining effective systems of internal controls.

The Human Resources, Finance and Administration Committee (HRFAC)

The role of the Human Resources, Finance and Administration Committee is to assist the Board with discharging its responsibilities as an employer and ensuring that the LEWA is managed in a financially sustainable manner.

Customer Services Committee (CSC)

The role of the Customer Services Committee is to assist the Board in the discharge of its responsibilities to ensure that proper quality standards are adhered to in the provision of services. The committee also monitors and enforces performance, resolve customer complaints and disputes makes recommendation to Board on unresolved complaints and disputes.

Pricing and Tariffs Committee (PTC)

The Pricing and Tariff Committee has been established for the purposes of evaluating and reviewing tariff adjustment submissions from the service providers and approving appropriate pricing and tariff regimes.



Professor. Lebohang Moleko

Chief Executive

"A total of 15,299 new electricity connections were realised in 2017/18. This figure was lower than 15,606 connections that were made in 2016/17 by 307 and it represented a 2% decline in new electricity connections."

CHIEF EXECUTIVE'S STATEMENT

ON BEHALF OF MANAGEMENT AND STAFF OF LEWA, it is my singular honour and pleasure to give an account of the accomplishments of the Authority in the implementation of its Annual Business Plan (ABP) for the period 2017/18. Due to the challenge of a non-quorate Board, the traditional Board Chairperson statement is not part of this Report. The Report, therefore, highlights the Authority's main milestones as well as the challenges the Authority had to deal with in 2017/18 at Management level.

Acceleration of Access to Electricity, Water and Sewerage Services

A total of 15,299 new electricity connections were realised in 2017/18. This figure was lower than 15,606 connections that were made in 2016/17 by 307 and it represented a 2% decline in new electricity connections. For water 4,541 new connections were made in the reporting period. This figure was lower than the 5,027 water connections made in 2016/17 by 486, representing a 10% decline. In comparison to 2017/18, WASCO realised 176 new sewerage connections in 2017/18. This figure was less than 298 connections which were made in 2016/17 and represented a 40% decline in new sewerage connections.

In implementing the Government's policy on the provision of electricity by the licensed service providers, the Authority had received about M 16.7 million, for the Universal Access Fund (UAF). In the reporting period, M 4.5 million was disbursed for electrification projects. In the UWSS, the Authority was a member of the Steering Committee that oversaw the implementation of Tertiary Lines Project as part of the Metolong Dam Conveyance System.

The Authority was also a member of the Energy Sector Coordination Forum (ESCF) and Electricity Subsector Committee (ESC). The Authority participated in meetings of the forums which, amongst other things, deliberated on the modalities for generation of additional 300 MW and connection of 75% households to electricity infrastructure by 2022. In the quest to realise the above, LEWA had developed a framework for conventional and Renewable Energy (RE) generation.

The Authority attended the 36th high-level Southern African Development Community (SADC)-Joint Workshop of Ministers responsible for Water and for Energy in Swaziland (now the Kingdom of Eswatini) in July, 2017. The objective of the workshop was to enable the region to re-strategise on SADC flagship projects to be considered for funding by SADC and its cooperating partners. For Lesotho, the 20MW generation solar PV plant proposed to be built at Ha Ramarothole and the Lesotho-South Africa-Botswana Water Transfer (LBWT) project were reported as relevant initiatives. The 20 MW project would address the country's quest for an increasing share of renewables in the energy mix. The LBWT project relates to regional resource sharing wherein water would be transferred from Lesotho to Botswana through South Africa. The high-level workshop also noted that the electricity Cost of Service Study (CoSS) undertaken by LEWA was underway. The objective of the electricity CoSS was to attain cost reflective tariffs in the SADC region by 2019 in line with Heads of State's directive.

LEWA and WASCO attended the 11th ESAWAS Conference and Annual General Meeting which was held in Livingstone, Zambia in November, 2017. The theme of the Conference was titled "*Water Integrity and SDG6—designing appropriate regulation*". WASCO on behalf of Lesotho made a presentation on its non-revenue water (NRW) reduction measures. ESAWAS had noted that WASCO had a relatively lower NRW in comparison with its counterparts in the southern African region.

CHIEF EXECUTIVE'S STATEMENT

Determination of Electricity, Water and Sewerage Services Tariffs

At the end of the last reporting period, LEWA initiated in the process of determining both LEC's and WASCO's tariffs review Applications for 2017/18. The final decisions on both Applications were made in early 2017/18.

In April 2017, the Authority allowed LEC a Revenue Requirement of M856.29 million for the Financial Year 2017/18. LEWA approved that energy Charges (excluding customer levy and rural electrification levy) and Maximum Demand charges for LEC be increased by 3.6% for all customer categories. LEWA further resolved that LEC's existing charges for connection, wiring testing, wiring re-testing, survey, re-survey, licensing for wiring, meter testing and house extension were to remain unchanged in the reporting period. Amongst other things, the Authority instructed the Licencee to procure power from cheaper sources such as ESKOM and the Southern African Power Pool (SAPP). A review of the contract between LEC and EDM was recommended. The new tariffs which became effective from 10 April, 2017 were as reflected in Section 7.3 below.

The Authority also approved an increase of 4.64% in WASCO's volumetric water services tariffs (excluding customer levy) in 2017/18. There was no increase in sewerage services tariffs and Standing Charges (for all customer categories) for the year under review. The Standing Charge for 'Band A' domestic customer category consuming between 0-5,000 litres per month remained abolished. WASCO was allowed a Revenue Requirement of M198.25 million for Water Production and Distribution businesses and M34.61 million for Sewerage business. The following WASCO's charges remained unchanged; connection/disconnection fees, meter test, unblocking sewage pipes, sewage disposal fee, quotations, delivery of clean water meter reinstallation. The Company was directed to develop and implement a leakage reduction. WASCO was urged to improve its economic efficiency performance, paying particular focus on the staff costs as a percentage of Operations and Maintenance (O&M) costs and comply with the Quality of Service and Supply Standards (QOSSS). The tariffs became effective from 10 April, 2017 and are as reflected under subsection 7.3 below.

For the Financial Year 2018/19, the Authority received an application for adjustment of tariffs and charges from LEC in January 2018, whereas WASCO's application was not received. The Company had applied for an average tariff increase of 23.2% on both Energy and Maximum Demand (MD) across all customer categories which translated into M 1.04 billion Revenue Requirement. LEC disclosed that, amongst other drivers, the costs of importing bulk electricity supply from EDM of Mozambique and ESKOM of South Africa and operational costs were expected to increase. In line with the LEA Act 2002, as amended, the Authority sensitised ESI stakeholders and the general public about receipt of the application and invited comments and inputs. At the end of the reporting period, the Authority was analysing LEC's application with a view to, amongst other things, verify its completeness and accuracy.

The Authority undertook the electricity Cost of Service Study (CoSS) for the ESI, with funding from the African Development Bank (AfDB). The Study aimed at determining the long-term least-cost generation, transmission, and distribution and supply programs. The Study was designed to meet the forecasted electricity demand in over the medium to long term, price evolution from generation through to end-user level as well as the appropriate tariff structure and level of the lifeline tariff. The study was completed in the reporting period. The findings revealed that cost reflective tariffs can be attained by phasing them in over a period of three years from 2018 to 2021. The Study further recommended 30 kWh as lifeline tariff.

CHIEF EXECUTIVE'S STATEMENT

Power procurement guidelines and a template model for the determination of Renewable Energy Feed-In Tariffs developed a few years ago to create an investment friendly environment in Renewable Energy were pending approval by the appropriate authority.

Monitoring Licencees' performance

LEWA conducted inspections on LEC's networks at scheduled times during the year. The findings thereof are as reflected under section 6.1. The Authority communicated the results of its findings to LEC so that the Licencee could address the recommended remedial measures as required by regulatory tools and instruments.

LEWA continued being a member of the Grid Code Review Panel for Lesotho. The Grid Code is a document approved by LEWA which was formulated to ensure efficient coordinated planning, operation and maintenance of the electricity Transmission Grid. The Grid Code also serves to level the playing field for new entrants into the regulated sector. The Panel comprises of LEWA, LEC, LHDA and Letšeng Diamonds Mine (LDM) and it oversees the governance and implementation of various codes that comprise the Code. There was no business to transact during the reporting period.

The performance of the EAPPs namely Dilli-Dilli/Sixondo, Qholaqhoe and Ha Sekake was characterised by high energy losses and backlogs of unconnected customers. As a result, the Authority has informed the REU to strategise on how the challenges could be addressed.

Monitoring of WASCO's performance was undertaken through inspections and audits of the utility's 16 urban service centres. Amongst the key areas for the inspections were water treatment plants (bulk water reservoirs), wastewater treatment plants, quality of supply survey and water quality testing. The audit of records and processes were also undertaken. Some of the findings were that in some centres, supply challenges still existed in relation to meeting the demand of eligible customers. WASCO was, however, found to have an accurate customer data base. The Authority assessed WASCO's performance based on the ten (10) Key Performance Indicators (KPIs) which focuses on three (3) performance areas namely (a) Economic Efficiencies, (b) Operational Sustainability and (c) Quality of Service. The findings are reflected in Table 1 on page 30.

The Authority implemented the customer complaints rules and procedures for the purpose of resolving customer complaints. The number of complaints received by the Authority in the reporting period was on the increase. LEWA resolved 65% of the received complaints. There was a considerable decrease in the number of complaints resolved within two weeks which is the standard, mainly due to LEC and WASCO not responding timeously to LEWA's requests for relevant information on complaints. These anomalies were to be addressed in the 2018/19 Financial Year. WASCO draft Customer Disconnection Policy had been reviewed and the Company urged to revise it.

On the EAPPs customer complaints overview, the REU resolved 90% of the complaints received in the EAPPs. The majority of the EAPPs customer complaints were on disconnections. This means that the performance of the EAPPs in terms of customer complaints resolution improved in the reporting period.

CHIEF EXECUTIVE'S STATEMENT

Regulatory Compliance by Licensees

The Authority assessed the Licensees' compliance with regulatory tools and instruments. The assessment revealed that there were many regulatory compliance issues that needed to be addressed. Contrary to its licence obligations WASCO had not provided the Authority with the Leakage Reduction Program for approval. Consequently, the monitoring of Non-Revenue Water (NRW) remained a challenge. The Company was once more urged to ring-fence the use of its depreciation funds in order to finance its capital maintenance programme.

LEC had not yet categorised its assets according to their financiers. Therefore, the Company had not yet established its Regulatory Asset Base (RAB) thus making it difficult to determine the Return on Assets (ROA) accurately.

Both LEC and WASCO faced challenges with regard to addressing issues flagged in LEWA inspections findings, tariff information filing, timely submission of Monthly Reporting Formats (MRFs) and the preparation and submission of Codes of Practice, to mention but a few. LEWA had only approved LEC's Code of Practice on Customer Complaints Handling. The two Licensees took more than the prescribed time in responding to LEWA on customer enquiries and complaints lodged with the Authority. LEC was yet to provide capacity statements to LEWA. LHDA's reporting was done in an irregular manner. To address the challenge of incomplete and inaccurate data submission by the utilities when they file for tariffs, the Authority will assess future tariff applications for WASCO based on the Key Performance Indicators (KPIs). KPIs developed for LEC in the Cost of Service Study are yet to be adopted.

The Authority would continue to engage all regulated entities, to ensure that they improved on their compliance with the provisions of the Act as amended, licences conditions and other regulatory tools.

Development and Implementation of Regulatory Frameworks

The Authority had developed the Electricity Supply Rules (ESRs) whose objectives, amongst other things, included setting a standard method for determining charges related to the transmission and distribution of electricity; setting out the technical requirements for the construction and connection of electricity networks. ESRs aim was to provide a governance structure to deal with future developments in relation to the distribution of electricity. The Rules would outline a mechanism for the settlement of disputes arising out of the transmission and distribution of electricity. A meeting to validate the ESRs had been held amongst LEWA, DoE, Office of Parliamentary Counsel and LEC.

Advocacy, Collaboration and Communication with Other Stakeholders

In line with the LEWA's adopted regulatory principles of transparency and accountability, LEWA engaged its stakeholders for policy direction, enhancing participatory regulation and information sharing.

The LEWA Chief Executive participated in meetings with senior officials of the Parent Ministries to discuss among other things, the UAF projects, governance issues and the Water Sector developments. At the operational level, LEWA Staff and their counterparts from regulated entities deliberated on regulatory matters and pertinent regulated sector developments. Communication programs were executed to promote participatory decision making in regulatory matters and information sharing. The Authority surveyed the public's awareness of LEWA and the exercise revealed

CHIEF EXECUTIVE'S STATEMENT

that the Authority must further enhance its outreach and communication programmes with the stakeholders. As a result, the Authority established ten (10) stakeholder forum groups, in each district. The stakeholder communication groups were intended to be watchdogs on quality of service delivery in the regulated sectors.

In August 2017, LEWA was peer-reviewed by its ESAWAS counterparts in Lesotho, to enhance regulatory substance, effectiveness and impact within member countries of ESAWAS. LEWA and other water sector bodies in Lesotho used the review to assess their performance and experiences and to use the same as a basis for sharing knowledge and as an instrument in the shaping of policy in the sector.

The Authority participated in the 11th ESAWAS Conference and AGM in Livingstone, Zambia, in November 2017 under the theme "*Water integrity and SDG 6– designing appropriate regulation*". LEWA participated in AFUR's 14th Annual Conference and General meeting themed "*Regulatory actions for accelerating sustainable utility services in Africa*", which was held in Kigali, Rwanda in November 2017. The Conference highlighted that the critical role played by regulators in promoting the better provision of utility services was an important development indicator for public governance in Africa. LEWA participated in RERA organised meetings that were held in Namibia, Tanzania and Mozambique at various times during 2017. The Authority was represented at the 14th RERA Annual Conference and General Meeting held in Livingstone, Zambia themed "*Regulating to enhance energy diversification for increased access and security of supply*". LEWA further participated in the proceedings of the 7th World Forum on Energy Regulation (WFER) conference in Cancun, Mexico under the theme, 'Regulating in a time of innovation'. The global conference was a showcase for modern technology and flagship designs that set the future for sustainable regulation.

Building a Sustainable Organisation

The Corporate Governance Handbook (CGHB) was being revised to align it with international and contemporary human resource practices. To address the challenges that the Authority experienced with transportation and travelling the Travel and Transport policy was developed. The Wellness Policy was developed in order to address staff welfare issue. The ICT policy was under review and the Risk Management Framework (ERFM) was being developed. During the Financial Year, the Authority trained staff at all levels in an important area of Enterprise Risk Management. The training was also extended to the Members of the Audit and Risk Committee. An implementation plan to bring into operation the Authority's Risk Management Plan was drawn. The Annual Financial Statements for 2016/17 were audited and an unqualified audit opinion was issued. The 2016/17 Annual Report and Financial Statements was published. LEWA was exploring mechanisms of building own office space and negotiations on the acquisition of a site had begun.

Challenges and the Way Forward

There were compliance related challenges experienced during the reporting period such as late submissions and incomplete reports from the Licencees. For example, all Licencees continued to submit data which was not complete. The provision of Codes of Practice by Licencees was another area where licensed utilities need to improve. As indicated at the beginning of this Statement, the Board was non-quorate and hence the approval of the Authority's budget was done by parent Ministries. LEWA would continue to engage with MEM to expedite the approval of the renewable energy framework documents.

CHIEF EXECUTIVE'S STATEMENT

In conclusion, I would like to convey my heartfelt gratitude to LEWA's cooperating partner, AfDB for its support in the carrying out of the electricity Cost of Service Study and the Design of Economic Electricity Cost Reflective Tariffs Study. In the same vein, I would like to acknowledge the Ministers of Energy and Meteorology and of Water for the guidance and support they provided to LEWA during the reporting period. All LEWA stakeholders especially Consumers, Licensees, potential investors, media, ESI and UWSS sectors' players demonstrated their steadfast support to the Authority. Last but not least, the Members of the Board, while it was operational, and LEWA's Staff are applauded for demonstrating commitment and competence in the execution of their duties during the year ☐



Lebohang K. Moleko (Professor)

Chief Executive

HIGHLIGHTS OF DEPARTMENTAL DEVELOPMENTS

This section of the Report covers some of the major events and activities undertaken by different Departments.

TECHNICAL REGULATION – ELECTRICITY

In pursuit of the attainment of the Strategic Objectives No. 2 and 4 that focus on ensuring security of supply and monitoring of licensees' performance, the Department undertook inspections on parts of LEC's network; made preparations for inspection of 'Muela Hydropower Plant (MHP); conducted power quality audits; prepared for and attended Astana Expo 2017; attended Energy Sector Coordination Forum (ESCF) and Electricity Subsector Committee (ESC) meetings and took part in the development of ESI Key Performance Indicators (KPIs).

Inspections on LEC's Network

The Authority conducted eight (8) inspections on parts of LEC's distribution networks. The aim of the endeavour was to fulfil the Authority's mandate of ensuring the operation and development of a safe, efficient and economic electricity sector as well as ensuring the security of supply of electricity in Lesotho. Some of the key findings of the inspections were that from some transformers oil was leaking and human settlements had encroached on to the electricity supply infrastructure. Some lightning arrestors were broken and low voltage (LV) cables were worn out. Pillar boxes were at ground level exposing them to damp conditions making them vulnerable to vandalism. Further, pillar boxes were unlocked, rendering them a safety hazard. There were un-serviced fire extinguishers and non-existence of bio-remedy absorbent. The inspection reports were communicated to LEC. The Company had responded with an action matrix showing how it would address the Authority's recommendations.

Preparations for Inspection of 'Muela Hydropower Plant

Following the attachment of the Electricity Inspector in the previous reporting period at the Energy Regulation Board of Zambia (ERB), the Authority prepared and agreed on an inspection sheet that would be used for undertaking inspections of the 'Muela Hydropower Plant (MHP). A date for the inspection of MHP was to be agreed between LEWA and LHDA.

Power Quality Audits

Two (2) Power Quality (PQ) compliance audits were carried out at Leloaleng and Mohale's Hoek substations during the period under review and the power quality parameters were found to be within the set standards except the voltage magnitude's minimum weekly value which was noncompliant for 67% of the time during the assessment period at Mohale's Hoek substation. Analysis showed that this could have been a result of planned power interruptions that were being carried at the upstream 132 kV network.

This sub-section of the Report outlines the development of KPIs for monitoring the operations of WASCO. Findings from the inspection of WASCO's service centres in the country are also outlined in this section below. These activities were undertaken to attain the Strategic Objective No. 4 of Monitoring Licensees' Performance.

TECHNICAL REGULATION – ELECTRICITY

Astana Expo 2017

Stakeholders from Government, regulatory bodies and private sector formed the Lesotho delegation which attended the Astana Expo 2017, which was coordinated by the Ministry of Trade and Industry. The Expo took place from June to September 2017 in Astana, Kazakhstan under the theme "Future Energy". The Expo aimed to create a global forum for debate between countries, non-governmental organisations, companies and the general public on the crucial question: "How do we ensure safe and sustainable access to energy for all while reducing carbon dioxide emissions?" LEWA was part of the local preparatory meetings for the Expo. The preparatory meetings amongst other things prepared a country profile on the energy sector. At the Expo, on energy issues, Lesotho made an exhibition of its energy-efficient cookstoves designed at the Department of Energy (DoE) and a solar energy system that acts as a solar water heater and lighting combo designed by the National University of Lesotho (NUL). The NUL initiative won the first prize at a parallel BIE-COSMOS Expo to the Astana Expo 2017.


Development of the Electricity KPIs

The Authority had in the past Financial Years wanted to develop KPIs for regulating the ESI entities, but could not due to lack of funding. The development of KPIs was part of the electricity CoSS that was undertaken and completed during the reporting period. Once approved and adopted the KPIs will be used to assess the performance of the ESI licensees. In addition, LEWA took part in the development of regional ESI KPIs under the auspices of RERA. The RERA KPIs, upon reaching maturity level are meant to serve as a benchmark for assessing the performance of utilities in the SADC region.

Security of Electricity Supply

In an endeavour to determine the security of supply options for electricity, LEWA continued participating in the Energy Sector Coordination Forum (ESCF) and Electricity Subsector Committee (ESC) meetings. Information that was shared/ provided during the meetings included the Lesotho Sustainable Energy Strategy, which, amongst other things, sets targets for additional generation of 300 MW to the Lesotho power system by 2022.

Implementation of Procurement of Power Guidelines

The following draft documents for Renewable Energy Projects: Tender Documents, Procedures for Tendering, Model Implementation Agreement and Procedures for Off-Grid Concessions had been submitted to MEM for consideration/ approval. The Authority will continue to engage the Ministry of Energy and Meteorology to facilitate timely approval process of the submitted documents 

TECHNICAL REGULATION – WATER

In order to realise the Strategic Objectives No. 2 and No. 4 that focus on ensuring the security of supply and monitoring licensees' performance, the Department undertook inspections at WASCO service centres in the country, assessed the historical performance of WASCO and acquired testing facilities and equipment.

Inspections of WASCO Centres

WASCO's performance monitoring was mainly undertaken through inspections which were carried out on the utility's 16 service centres in the country. Amongst the key areas of inspections included a water treatment plant (bulk water reservoirs) and wastewater treatment plants inspections, quality of supply surveys and water quality testing. Audit of records and processes was also made. Some of the audit findings were that in some centres, supply challenges still existed in relation to meeting the demand of eligible customers. WASCO was, however, found to have an accurate customer database.

Assessment of KPIs for WASCO

The Authority implemented the 10 KPIs for WASCO, which were set in 2016/17, to assess the utilities' performance. The performance of WASCO on the KPIs has been illustrated in Table 1 below.

Table 1: Assessment of Key Performance Indicators for WASCO							
NO.	INDICATOR			UNITS	TARGET	WEIGHT	2017/18 Performance
	QUALITY OF SERVICE					50	50
1.	Water Connections in Year			No.	6000	2	4,541
2.	Sewerage Connections in Year			No.	1000	8	176
3.	Quality Tests	Potable	Microbiological	%	99	5	93.7
			Residual Chlorine	%	95	5	80.8
			Turbidity	%	99	5	97
		Effluent	Suspended Solids (SS)	%	60	5	44.3
			Chemical Oxygen Demand (COD)	%	30	5	14.2
4.	Hours of supply			hrs.	20	15	18
	ECONOMIC EFFICIENCY					20	
5.	Operations and Maintenance Cost (O and M) Coverage by billing			Ratio	1	10	-
6.	Collection Efficiency			%	90	5	-
7.	Staff Costs as a percentage of Operations and Maintenance (O and M) costs			%	41	5	-
	OPERATIONAL SUSTAINABILITY					30	
8.	Staff Productivity			Ratio	5	8	-
9.	Non Revenue Water (NRW)			%	28	20	31.3
10.	Metering Ratio			%	100	2	100

TECHNICAL REGULATION – WATER

The economic efficiency KPI had not been assessed because audited financial data was not yet available.

Table 2 below illustrates the historical performance of WASCO prior to the implementation of 2017/18 KPIs.

Table 2: Performance Assessment of WASCO from 2013/14 to 2016/17									
NO.	INDICATOR			UNITS	TARGET	Performance Assessment Years			
	QUALITY OF SERVICE					2013/14	2014/15	2015/16	2016/17
1.	Water Connections in Year			No	6000	3804	6834	5413	5027
2.	Sewerage Connections in Year			No	1000	37	460	359	298
3.	Quality Tests	Potable	Microbiological	%	99	94	86	94	94
			Residual Chlorine	%	95	96	89	91	77
			Turbidity	%	95	96	98.2	94	97
		Effluent	Suspended Solids (SS)	%	60	30	42	36	38
			Chemical Oxygen Demand (COD)	%	30	5	17	18	23
4.	Hours of supply			Hrs.	20	18	18	18	18
	ECONOMIC EFFICIENCY								
5.	Operations and Maintenance Cost (O and M) Coverage by billing			Ratio	1	0.99	0.98	1.03	0.90
6.	Collection Efficiency			%	90	88	88	81	114
7.	Staff Costs as a percentage of Operations and Maintenance (O and M) costs			%	41	46.67	40.6	39	44.6
	OPERATIONAL SUSTAINABILITY								
8.	Staff Productivity			Ratio	5	6	5.83	5.56	5.85
9.	Non Revenue Water (NRW)			%	26	28	27.1	46.9	40.1
10.	Metering Ratio			%	100	100	100	100	100

Based on the above assessment, WASCO was to focus on improving its water and effluent quality, increasing its operation and maintenance coverage by billing and reducing its staff costs as a percentage of Operation & Maintenance costs.

The Authority, nevertheless, engaged WASCO to adhere to the submission of requisite reports in accordance with agreed timelines.

Determination of Security of Supply Options for Water

LEWA participated in the Water Sector Coordination meetings where the deliberations focused on the updates on ongoing and future projects. The first project was Water Sector Legislative/Policy Review for the Water Sector in Lesotho which comprised of four components; namely: the review of the Lesotho Water and Sanitation Policy 2007, review of the Water Act 2008, operationalisation of the Long-Term Strategy for Water and Sanitation 2016 and the replication of the Maseru Sewerage and Sanitation Master Plan 2035 to National level.

The second project was the Institutional Arrangements for Bulk Water infrastructure to be developed under the Lowlands Water Supply Project (LWSP), which is meant to manage the bulk water supply infrastructure in the country.


TECHNICAL REGULATION – WATER

Other projects included the Lowlands Water Supply –Review of 2008 Designs Project which was meant to update the 2008 designs in the Lowlands for the primary purpose of improving water supplies to settlements to meet 2045 Water Demand.

Increasing access to sewerage services

The abundant sewer capacity particularly in the Northern parts of Maseru remained underutilised hence the Authority's efforts to explore strategies for increasing access to sewer connections.

Acquisition of Testing Facilities and Equipment

The Authority had acquired additional equipment for testing water and effluent quality. The efforts of finding an accredited independent laboratory were continuing 

ECONOMIC REGULATION

Under this Department the Strategic Objective No.1 that focuses on determining tariffs and charges, the Department played lead role in the determination of electricity, urban water and sewerage services tariffs and charges for the 2017/18 Financial Year was attained. The Department also engaged a Consultant on the Electricity Cost of Service Study and the Design of Economic Electricity Cost Reflective Tariffs, and completed the Principles for Generation Tariffs and the Related Financial Model.

Determination of Tariffs for Electricity

The process to determine the 2017/18 electricity, urban water and sewerage services tariffs were initiated at the end of the 2016/17 Financial Year. On 09 January, 2017, LEWA received a tariff review Application from LEC requesting a tariff increase of 16.9 percent (16.9%) on both energy and Maximum Demand (MD) charges. LEC was requesting an approval of a Revenue Requirement of M964.4 million. Amongst the various drivers for the Application that LEC cited were, projected increases in imported electricity bulk purchases (from ESKOM, EDM and Muela) and operating expenditure for transmission and distribution businesses.

In terms of Section 24(6) of the LEA Act 2002 as amended, the Authority embarked on a public consultation process wherein, the public was notified of LEC's Application in the local newspapers, television, radio programs and, on the Authority's website (www.lewa.org.ls). Three (3) public hearings were held in Mohale's Hoek, Hlotse and Maseru and stakeholders were given an opportunity to present their views on the Application and LEC also made presentations and responded to public comments.

LEC was allowed a Revenue Requirement of M856.29 million (as opposed to M964.48 million requested by the Company). Based on that Revenue Requirement the Authority approved that the 2017/18 Energy Charges (excluding levies) and Maximum Demand charges be increased by, on average, 3.6% for all customer categories. The charges for connection, wiring testing and re-testing, survey, re-survey, licensing for wiring, meter testing and house extension were not changed. The tariffs became effective from 10 April 2017 and are reflected in Tables 3 and 4 below.

Customer Category	2016/17 Energy Charge (M/kWh)	Percentage change (%)	Energy Charges (M/kWh)	Adding Customer Levy @M0.0423M/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @ M0.035/kWh for others (M/kWh)	2016/17 Energy Charges including levies (M/kWh)	2017/18 Energy Charge (M/kWh)	Tariff Percentage increase (%)
Industrial HV	0.1796	3.6%	0.1861	0.2284	0.2484	0.2419	0.2484	2.7%
Industrial LV	0.1989	3.6%	0.2061	0.2484	0.2684	0.2612	0.2684	2.8%
Commercial HV	0.1796	3.6%	0.1861	0.2284	0.2484	0.2419	0.2484	2.7%
Commercial LV	0.1989	3.6%	0.2061	0.2484	0.2684	0.2612	0.2684	2.8%
General Purpose	1.4688	3.6%	1.5222	1.5645	1.5995	1.5461	1.5995	3.5%
Domestic	1.2994	3.6%	1.3467	1.3890	1.4240	1.3767	1.4240	3.4%
Street Lighting	0.7376	3.6%	0.7644	0.8067	0.8417	0.8149	0.8417	3.3%

ECONOMIC REGULATION

Table 4: LEC Maximum Demand Charges for 2017/18

Customer Category	2016-17 Maximum Demand Charge (M/kVA)	Percentage Change (%)	2017/18 Maximum Demand Charges (M/kVA)
Industrial HV	253.0338	3.6%	262.2392
Industrial LV	295.5498	3.6%	306.3019
Commercial HV	253.0338	3.6%	262.2392
Commercial LV	295.5498	3.6%	306.3019

The figures in the Tables exclude VAT.

Determination of Tariffs for Urban Water and Sewage Services

On 10 January 2017, the Authority received a Tariff Review Application from WASCO, requesting 10 percent (10%) tariff increase to the existing potable water volumetric charges in all customer bands (except Band A) as well as for Standing Charges. WASCO requested no increase in sewerage charges. WASCO mentioned that an increase would result in a revenue requirement of M257.3 million for the Financial Year 2017/18. Amongst the various tariff application drivers cited in the application, WASCO submitted that it had to undertake preventive maintenance of its key infrastructure, maintain Non-Revenue Water (NRW) to acceptable levels, take-over the Metolong dam water treatment facility and related infrastructure.

In terms of Section 24(6) of the LEA Act 2002 as amended, the Authority embarked on a public consultation process wherein, WASCO's application was published on radio, television, print media and, on the Authority's website (www.lewa.org.ls) to invite stakeholders' and public comments. Three (3) public hearings were held in Maseru, Hlotse and Maseru stakeholders were given an opportunity to present their views on the application and WASCO also made presentations and responded to public comments.

WASCO was allowed a Revenue Requirement of M198.25 million for Distribution Business (including water supply and treatment) as opposed to M 213.19 million proposed by the Company). On sewerage services, WASCO was allowed a Revenue Requirement of M34.61 million as opposed to M38.39 million that was proposed. Volumetric water tariffs were increased by 4.64% while there was no increase on sewerage services. The Standing Charge for Band A domestic customer category (consuming between 0-5,000 litres per month) remained abolished. Standing Charges for all other customer categories (Bands B, C, D and other non-domestic) remained unchanged in the reporting period. The charges for water and sewerage connection, reconnection, new application, meter test, security deposit and penalties were not changed. The tariffs became effective from 10 April 2017. The 2017/18 urban water and sewerage services tariffs are reflected in Tables 5 below.

ECONOMIC REGULATION


Table 5: Approved 2017/18 Water and Sewerage Services Tariff		
Customer Category	Unit Cost in Maloti per cubic meter (M/kl) ¹ including Customer Levy	Standing Charge in Maloti per month (M/month)
Domestic Customers (Water Tariffs and Charges)		
Band A (0 - 5kl)	5.12	0.0
Band B (>5 - 10kl)	8.69	40.90
Band C (>10 - 15kl)	15.26	40.90
Band D (>15kl)	21.04	40.90
Public stand pipes	6.94	0.0
Non-Domestic Customers (Water Tariffs and Charges)		
Business and Industry	13.89	393.39
Government	13.89	272.35
Schools	13.77	272.35
Religious institutions	13.77	196.70
Sewerage Services Tariffs		
Customer Category	2016-17 Unit charge (M/kl)	Unit Charge (M/kl)
Domestic: (both water borne 1 and non-water borne 2) & Non-Domestic: (Standard, Lesotho Brewing Company)	9.70	9.70
Likotsi & Qoaling Clinics	48.86	48.86
C and Y Sewer	1.01	1.01

¹ M/kl=Maloti per one kilolitre; 1 kl = 1,000 litre. Customer levy =M0.2311/ kl
The above figures did not include VAT.

Electricity Cost of Service Study

The Authority undertook and completed the Electricity Cost of Service Study (CoSS) and the Design of Economic Electricity Cost Reflective Tariffs. The Study aimed at determining the long-term least cost generation, transmission, distribution and supply programs. The Study was designed to meet the forecasted electricity demand in over the medium to long term, price evolution from generation through to end-user level as well as the appropriate tariff structure and level of the life line tariff. As at the end of March 2018 all the deliverables of the study had been completed. In addition, stakeholder and training workshops had been held as planned.

Principles for Generation Tariffs and the Related Financial Model

The Authority had developed the Principles for Generation Tariffs Determination and related Economic and Financial Model as well as the resultant Renewable Energy Feed-In Tariffs. The intention was to develop power procurement guidelines. The Authority would engage MEM for approval of the document 

LEGAL SERVICES

In pursuit of the Strategic Objectives No. 3, and 4 that focus on developing and implementing regulatory frameworks; monitoring licensees' performance and compliance the Department developed and implemented regulatory frameworks, developed and reviewed subsidiary legislation and regulatory tools for water and electricity. It also monitored LEC's and WASCO's performance and compliance.

Development and Implementation of Regulatory Frameworks

One of the goals of the Authority was to review the LEA Act, 2002, as amended. The review was intended to accommodate Lesotho Energy Policy 2015 – 2025, to address governance challenges, as well as incorporate best regulatory practices in the region and globally. In this regard, the Authority had requested policy clearance for the review of the Act from the parent Ministries. The Authority would enhance efforts to obtain policy clearance from the parent Ministries to review the Act.

The draft ESRs had been developed and submitted to the MEM for consideration. The ESRs provide for the manner in which the construction, installation, operation, maintenance and protection of the electricity supply infrastructure should be carried out. The Authority would continue engaging the MEM to expedite the publication of the Rules.

Develop and Review Subsidiary Legislation and Regulatory Tools for Water and Electricity

The Authority reviewed applications for licence from three applicants, namely, AfriSki Utilities, Jala and One Power. The AfriSki application was found to have inadequate information and thus did not meet the requirements of the applicable Rules. Later another potential licensee, Jala, applied for generation, distribution and supply licensee to AfriSki resort and to the LEC grid, but did not meet the licence requirements. With respect to One Power, the potential licence wanted to apply for off-grid, generation and distribution licence for the proposed 20MW Ramarothole station. Key stakeholders, namely MEM and the DoE had been engaged to clarify policy matters related to One Power application for generation.

Regulatory Compliance

The Authority assessed the Licensees' compliance with regulatory tools and instruments. The compliance audits revealed that there were many regulatory compliance issues that needed to be addressed. For instance, WASCO was not able to furnish the Authority with the Leakage Reduction Program. The program would address the problem of NRW. Contrary to Licences conditions the LEC and WASCO had not submitted all but one of the codes of practice for consideration and approval by the Authority Although the Company had been urged to ring-fence the use of its depreciation funds in order to ensure that they finance capital maintenance program of the Company, it had not yet done so. There was also inconsistency in periodic reporting.

In the ESI, LEC had not yet established the Regulatory Asset Base (RAB). The LEC's RAB is meant to provide the Authority with an inventory in which assets are categorised by their financiers in order for the Authority to determine LEC's appropriate return on investment (ROI). The aim is to eliminate cross subsidisation and promote efficiencies

LEGAL SERVICES

in various business aspects of LEC. LEWA had requested the design and planned transmission and interconnector capacity statements from LEC. The company had only submitted the design capacity statements and thus delayed the Authority's commencement of monitoring of compliance to the statements. The Authority was to continue engaging all regulated entities, especially at the strategic level (Board) to ensure that they improve compliance with provisions of the Act as amended, their Licences and other regulatory tools.

The Board and its Activities

The Board held scheduled meetings to consider strategic issues relating to the organisation, which included determining tariff applications from LEC and WASCO for 2017/18 Financial Year, 2017/18 LEWA budget, administrative policies and administration of Universal Access Fund (UAF).

During the period under review, the term of office two Board Members Dr. 'Mampiti Matete and Mr. Karabo Mohau expired after they had rendered service to the Authority for two consecutive terms of four (4) years each. In November 2017 the Chairperson Dr. Leboli Thamae and Board Member Mr. Seretse Mohlouoa resigned. This meant that the Board became non quorate and it so remained for the rest of the reporting period. Mr. Thabo Nkhahle also resigned from LEWA in February 2018.

Through attendance of RERA, ESAWAS and AFUR conferences Board Members engaged in information sharing on regulation. In an effort to enhance skills on regulatory issues, Board Members underwent training focusing on Enterprise Risk Management Framework (ERFM).

The Board held one (1) Ordinary meetings and four (4) Extra-Ordinary meetings. A total of 20 meetings were convened by the Board Committees. Table 6 below shows the Board Members' attendance of meetings, while Table 7 illustrates the attendance of Board Committee meetings up to October 2017.

Table 6: The Board Members' Attendance of Meetings		
Member	Meetings (attended/total held)	
	Ordinary meetings	Extra-ordinary meetings
Dr. Leboli Thamae	1/1	4/4
Dr. M'ampiti Matete	1/1	3/4
Mr. Karabo K. Mohau	1/1	4/4
Mr. Seretse Mohlouoa	1/1	4/4
Mr. Bokang Ramatšella	1/1	4/4
Mr. Pashu Mochesane	1/1	4/4
Mr. Thabo Nkhahle	1/1	4/4

LEGAL SERVICES

Table 7: The Committees Members' Attendance of the Meetings			
Committee	Member	Meetings (attended/total held)	
		Meetings	Extra-Ordinary Meetings
Audit and Risk	Mr. Seretse Mohlouoa	2/2	-
	Mr. Sebehela Selepe (external member)	2/2	-
	Mr. Bokang Ramatsella	2/2	-
	Mr. Thabo Nkhahle	2/2	-
Consumer Services	Mr. Karabo K. Mohau	1/1	-
	Mr. Bokang Ramatsella	1/1	-
	Mr. Pashu Mochesane	1/1	-
Human Resource, Finance and Administration	Dr. 'M'ampiti Matete	.5	-
	Mr. Pashu Mochesane	2/2	-
	Mr. Thabo Nkhahle	2/2	-
Pricing and Tariffs Committee	Dr. Leboli Thamae	-	-
	Dr. 'M'ampiti Matete	-	-
	Mr. Karabo. K. Mohau	-	-
* Left the Board during the year.			

CONSUMER AFFAIRS & COMMUNICATION

The Department pursued the attainment of Strategic Objectives No.4 and 6 that focus on monitoring licensees' performance and compliance and promoting the Department by resolving customer complaints of the ESI and UWSS, executing the Public Awareness and Outreach Programs and engaging in the Corporate Social Responsibility programs in collaboration with other institutions/organisations.

CUSTOMER COMPLAINTS HANDLING

Customer Complaints Resolutions

The Authority dealt with a total of 17 complaints under ESI and UWSS. This signifies that complaints brought for consideration to the Authority significantly increased in comparison with the previous Financial Year's number by 8 more complaints which translated to a 47% increase. A synopsis of customer complaints resolution is made in Table 8 below.

Table 8: ESI & UWSS Complaints Resolution Summary			
Total No. of Complaints	Resolved within two weeks	Resolved in over two weeks	No. of outstanding complaints
17 (100%)	4 (24%)	7 (41%)	6 (35%)

A breakdown of complaints and their categories by regulated sector is made below.

Electricity Supply Industry (ESI) Complaints Resolution

Six (6) ESI complaints were brought forward from the previous reporting period and four (4) complaints were received during the year under review bringing the total number of ESI complaints to ten (10). Out of the ten (10) complaints five (5) were resolved while five (5) were not yet finalised. No complaints were referred to the Board for final determination. The categories of the received complaints were wayleave (70%), billing (20%) and refund for "free-riding" (10%) categories.

Urban Water and Sewerage Services (UWSS) Complaints Resolution

Three (3) UWSS complaints were brought forward from the 2016/17 Financial Year and four (4) complaints were received during the reporting period. The total number of UWSS complaints under consideration was of seven (7). Of these Six (6) complaints were resolved, while one (1) complaint was yet to be finalised. In terms of customer complaints categories 42% of complaints were on billing, 29% on service connection and 29% on wayleave¹ issues.

Public Awareness Initiatives and Outreach Programs


The Authority implemented the Public Awareness Schedule and Outreach Programs at scheduled times throughout the year. These included educational workshops and meetings in the nine (9) districts of the country except Maseru.

CONSUMER AFFAIRS & COMMUNICATION

Media platforms (Print, radio, and television) and the Authority's website (www.lewa.org.ls) were engaged to publicise LEWA programs and interviews. The purpose of engaging in these endeavours was to maintain a constant civic education engagement between the Authority and its stakeholders. The Authority also promoted awareness on its mandate and, on clarifying issues relating to Quality of Service and Supply Standards (QoSSS), Complaints Handling Procedure and Conditions for Electricity, Urban Water Connection/Disconnection procedures, to mention but a few.

District Stakeholder Communication forums were established in all districts. The forums were meant to position LEWA in the minds of stakeholders based in the districts of the country. Public meetings and workshops were also held to sensitise stakeholders on all regulatory issues.

Corporate Social Responsibility (CSR)

The Authority gave awards of recognition to the National University of Lesotho's (NUL) three (3) best performing students in the fields of Economics, Physics and Chemistry during the University's graduation ceremony in 2017. Each of the three students received R7,000.00 and a Certificate of Recognition for academic excellence. The aim of the endeavour was to lend support and encouragement to deserving students in academic fields that are pertinent to ESI and UWSS regulation. The Authority donated to SOS Children Village, Maseru. The money was given as a contribution towards making a difference in the lives of vulnerable children. Lastly, the Authority sponsored the Crime Prevention Annual General Meeting for Village Crime Prevention Committees organised by the Lesotho Mounted Police Service (LMPS) Maseru Rural Post in Roma. The significance of the event was that the Authority used it as a platform to sensitise the stakeholders about the consequences of vandalism of electricity infrastructure on service delivery in the country 

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

In pursuit of Strategic Objective No.5 and 7 that focus on building and operating a sustainable organisation; and increasing access to electricity, water and sewerage services, the Department developed human resources, developed and implemented administrative policies and engaged in prudent financial management. The section also highlights the progress on the attainment of the LEWA Strategic Objective No.7 of increasing access to Electricity, Water and Sewerage Services.

HUMAN RESOURCES

Recruitment and Training

The Authority had two terminations during the financial year as a result of the retirement of the Administrative Secretary of Legal Services and the resignation of the Performance Analyst Water. The Authority promoted the then Receptionist to fill the position of Administrative Secretary Legal Services. To fill the vacancy left at the Reception, the Authority recruited one employee in August 2017. The preparations were on an advanced stage for the recruitment of the Performance Analyst Water. The Authority completed the recruitment of the Public Relations Officer who started in January 2018. At the end of the financial year, the Authority had a staff complement of 23 against the establishment of 24 positions.

To improve the employees' skills and knowledge, the Authority executed the 2017/18 Training Plan. Pieces of training were related to Finance, Human Resource Management, Procurement, Regulation and Management Development programmes. Training was intended to improve the employees' knowledge and skills on leadership, regulation, finance, management and the general operations of the Authority.

All staff members continued with the in-house training on risk management. The purpose of the training was to capacitate staff to identify, assess, mitigate and manage various types of risks that LEWA may be exposed to. Workshops were carried out on Enterprise Risk Management Framework (ERFM) for staff for managing risk within the organisation. The training was completed during the year. A Risk Universe for LEWA was prepared and the draft LEWA Risk Policy was developed. In 2017 the Authority was peer-reviewed by ESAWAS members. In summary, the Authority's performance was that LEWA has relatively good governance arrangements with some room for improvement. As a result of the exercise, the Authority would continue reviewing internal governance and reporting mechanisms.

Staff Wellness and Health Issues

The Authority completed the development of LEWA Wellness Policy, which was designed to provide a framework and guidelines for employee's welfare. The Policy was intended to enhance the employee wellbeing by providing a referral system for employees. It also aimed at providing a framework for the provision of sporting and recreational activities.

Personal Protective Equipment (PPE) was provided to protect employees who are at the risk of exposure to hazardous working environment. The Authority attended the High Level National AIDS Day in an endeavour to fight the spread of HIV and AIDS and stigma at the workplace.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

HUMAN RESOURCES

The Authority developed, reviewed and implemented several administrative policies. Key amongst was the Transport and Travel Policy, which was approved by the Board. The purpose of this Policy is to set a standard procedure for acquisition, use, control, maintenance and repair of LEWA vehicles. This further aims to clarify the responsibilities of various stakeholders regarding the Authority's vehicles and the usage and also sets a standard guideline for air travel procedure. The Personnel Orders were pending consideration by the Board. The intention was to ensure that the Personnel Orders address the emerging and changing global Human Capital trends. Key changes proposed on the review of Personnel Orders included an overhaul of the Recruitment, Selection and Appointment Section to include the recruitment of employees on a casual and temporary basis and to include head-hunting as a form of the recruitment process. Furthermore, to align with the trends in the market, a benchmarking exercise on the conditions of employment was undertaken and the Authority had recommended for revision of the appropriate section on terms of employment.

In addition, the Information and Communication Technology (ICT) Policy of 2007 was being reviewed to make it relevant to contemporary ICT developments.

LEWA's Performance Management System (PMS) was implemented during the year and eligible employees received requisite merit awards.

Develop and Implement Integrated and Statutory Reporting

The Authority also prepared Annual Financial Statements for the year ended 31 March, 2017 which were audited, and an unqualified opinion was issued. The Authority prepared and published the Annual Report for 2016/17.

FINANCE

The Authority's operations were funded from Customer Levies and Licence fees from licenced utilities. Levies from LEC customers constituted the largest portion of the total levies at 66% while WASCO's customer's contribution was 5%. Licence fees contribution from LEC, WASCO and LHDA stood at 15% of the total revenue. The Authority secured financing from the AfDB to finance the electricity Cost of Service Study and the Design of Economic Cost Reflective Tariffs Project.

The composition of the Authority's revenue for the year is illustrated in Table 7 below.

Table 9: Revenue Received in 2017/18	
ITEM	Maloti
Customers' Levy	35,389,995.00
License Fees	7,636,361.00
Other Income	883,750.00
Universal Access Fund	4,544,619.00
AfDB Grant	M1,566,023.00
Total	M50,020,748.00

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

The total expenditure for the Financial Year was M41,742,094.00. The contributing factor to the expenditure was the staff costs, which stood at 56%. The Operating costs, electrification projects and other costs constituted 41.6% of the total expenditure. The Board expenses were at 2 % of the total costs.

Although the income received from the Universal Access Fund appears on the Statement of Comprehensive Income, it was matched with the expenditure on electrification projects which were executed.

The Analysis of Major Financial Ratios for the Authority is outlined below:

Current Ratio

The Current Ratio is a liquidity ratio that measures whether or not an entity has enough resources to meet short term obligations. The Authority's ratio stood at 21.2. This was better than that of the previous financial year which was 15. The significant improvement in the Current Ratio was mainly due to increase in cash and cash equivalents. This indicated that the Authority's cash position was good and could have sufficiently met its short term obligations.

Debt Ratio

Debt ratio can be interpreted as the proportion of an entity's assets that are financed by debt. The Authority's Debt Ratio was 11%, showing a significant improvement in performance from the previous financial year which was 13%. This ratio indicates that the Authority was not financed through debt instead its assets stood at 89% relative to its debts.

Profitability Ratio

Profitability ratio refers to a class of financial metrics that are used to assess an entity's ability to generate earnings relative to its associated expenses. While the Financial Statements reflected a surplus of M8,278,654.00, in terms of Lesotho Electricity Authority (Licence Fees and Customer Levies) Regulations No. 135 of 2009, the surplus realised had already formed part of LEWA's 2018/19 Budget.

Budgetary Performance


Budgetary performance reflects the input of resources and the output of services for each unit of an entity. The actual operational performance against the budget shows favourable results of M8,278,654.00. This resulted from some of the budgeted activities, which were deferred. For example, the study on Regulatory Impact Assessment, Board expenses as well as funds from the Sinking Fund (capital expenditure) do not appear in the 2017/18 Statement of Comprehensive Income. They appear, however, as part of budgetary expenditure.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

Universal Access Fund (UAF)

The approved UAF budget for the reporting period was M16.7 million. MEM identified Ha Makopela village in the Leribe district for electrification and selected LEC as the implementing agency. The approved expenditure was M2,7 Million for the electrification of 203 households. A total of M4,5 Million had been disbursed for electrification projects from the Universal Access Fund by March 2018, including work in progress from the previous Financial Year.

Acquisition of LEWA Office

The costs of rented office space impacted heavily on the Authority's budget without adding value. As a result, LEWA had opted to construct own building. The process of acquisition was underway 

REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES

The LEA Act 2002, as amended, places an obligation on the Authority to report on the regional and international developments that LEWA took part in during the year. Reporting on participation in both regional and international activities is congruent with the Authority's Strategy Objective No. 7 of Promoting Stakeholder Awareness, Empowerment and Protection. LEWA is a member of the East and Southern Africa Water and Sanitation (ESAWAS) Regulators Association, Regional Electricity Regulators' Association of Southern Africa (RERA) and the African Forum for Utility Regulators (AFUR) and its activities in these Associations are outlined in this section.

Some of the objectives of RERA and ESAWAS are capacity building and information sharing through the enablement of information sharing, skills training at national, regional and international level, and increasing regional and regulatory cooperation. AFUR objectives are harmonisation of regulatory frameworks, promotion of independent regulation, and promotion of sound relationships with stakeholders, to mention but a few.

AFUR's mandate is to assist members in the development of effective utility regulation in Africa through facilitating and coordinating regulatory policies; exchanging of information and lessons of experience amongst regulators; and fostering capacity building in support of the socio-economic development of the African continent.

The highlights of LEWA's participation in each of the Associations is briefly overviewed below.

Regional Electricity Regulators' Association of Southern Africa (RERA)

The Authority took part in the 14th Annual Conference of the Regional Electricity Association of Southern Africa (RERA) themed, '*Regulating to enhance energy diversification for increased access and security of supply*' that was held in Livingstone, Zambia from 26th November to 01st December 2017.

The Conference focused on amongst other things, energy as a catalyst for regional economic transformation, energy security in the SADC region, evolving electricity markets and technological innovations. The Conference was a forum for all stakeholders in the SADC region and other parts of the world to network and exchange information on pertinent regional Electricity Supply Industry (ESI) issues.

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

The East and Southern Africa Water and Sanitation (ESAWAS) Regulators Association held its 11th Annual Conference from 01 to 02 November 2017, in Livingstone, Zambia. The Conference was held under the theme '*Water Integrity and SDG6- designing appropriate regulation*'.

The key note presentation was from Water Integrity Network (WIN) which is a grouping of organisations and individuals promoting water integrity to reduce corruption and improve water sector performance. WIN presentation provided an overview of the need for provision of water quality and related standards. Other issues from the Conference included the need for the establishment of water integrity teams/committees within institutions; change management to foster integrity; collaboration among regulators, utilities, consumer associations and other enforcement agencies such as anti-corruption and auditor general offices; and monitoring utilities through appropriate indicators for integrity and governance.

REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES

African Forum for Utility Regulators (AFUR)

From the 20th to 24th November 2017, the Authority attended the 14th African Forum for Utility Regulators (AFUR) Annual Conference and General Assembly in Kigali, Rwanda. The Conference which was hosted by Rwanda Utilities Regulatory Authority (RURA), was themed, *"Regulatory Actions for Accelerating Sustainable Utility Services in Africa"*.


The purpose of the Conference was to set a context for debates on how regulatory policy and actions can help meet public policy challenges. The event was intended to provide a forum for members to think beyond short-term regulatory plans by stressing the need for exercising relevant regulatory actions in support of growth and social welfare. The Conference thus highlighted that the emergence of regulators in promoting better provision of utility services was an important development indicator for public governance in Africa.

Matters Relating to Development and Cooperating Partners

The cooperating partner mentioned below had committed to the attainment of some specific regulatory objective. The highlights on funding received from AfDB have been made below.

African Development Bank (AfDB)

The Authority secured funding from the AfDB to finance the electricity Cost of Service Study and the Design of Economic Cost Reflective Tariffs Project. The purpose of the study has been explained under Section 8.3. The exercise was finalised in 2017/18.

In the UWSS, the AfDB had provided funding for the design and construction of tertiary lines to all the villages along the Metolong Dam and Water Supply Project (MDWSP) conveyance system 

REGULATED SECTORS' PERFORMANCE OVERVIEW

Section 21 (1) (i) of the LEA Act 2002, as amended, provides that the Authority guarantees the collection, publication and dissemination of information concerning the ESI and UWSS in Lesotho for use by the regulated sectors, consumers and prospective investors. It is on the basis of this requirement that the performance by regulated entities is reflected in this section, starting with highlights of ESI Licensees' performance.

ELECTRICITY SUPPLY INDUSTRY

The subsections that follow in this part of the Report give the detailed performances of each of the ESI Licensees.

Lesotho Electricity Company (LEC)

LEC holds a Composite Electricity Licence for Transmission, Distribution and Supply issued by LEWA in December 2006. Under LEC's performance the salient points are the annual electricity demand, energy purchases and sales, five-year Maximum Demand (MD) profile, electrification coverage, system availability, and inspections and power quality audits.

(a) Electricity Demand

The LEC's bulk energy purchases increased by 1 % from 882.12 GWh in 2016/17 to 892.17 GWh in the reporting period. The energy sales on the other hand decreased by 5% from 737.9 GWh in 2016/17 to 778.24 GWh in the reporting period. The LEC's total system peak demand was around 166.91 MW, an increase of 5.07 MW from the previous year's figure. The energy growth trend is as shown in Table 10, while Table 11 indicates the Maximum Demand (MD) profile.

Table 10: LEC Energy Purchases and Sales

Year	Energy Purchased (GWh)			Bulk Supply Cost (Million Maloti)	Energy sold (GWh)	Energy loss (%)
	Local	Imports (ESKOM and EDM)	Total Energy Purchased (GWh)			
2013/14	516.4	285	801.44	256.91	705	12
2014/15	515.2	271.2	786.36	265.996	680	16
2015/16	520.8	281.1	801.86	339.07	699	13
2016/17	512.05	373.56	855.61	434.87	743.31	16
2017/18	518.28	373.89	892.17	439.63	778.24	13

Table 11: Lesotho Maximum Demand Profile (MW) for Period 2012/13 to 2017/18

Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2012/13	147.63	74.7	72.93	49
2013/14	143	74.7	68.3	48
2014/15	149	74.7	74.3	50
2015/16	152.98	74.7	78.28	51
2016/17	161.84	74.7	87.14	54
2017/18	166.91	74.7	92.21	55

(b) Electrification

A total of 15,302 new connections were made in the reporting period and 14,297 of them were domestic. The new connections increased the total LEC customer base to 234,781².

Using the total number of households connected to electricity (220,882) this figure translates to 41% of Lesotho households connected to the main grid electricity.

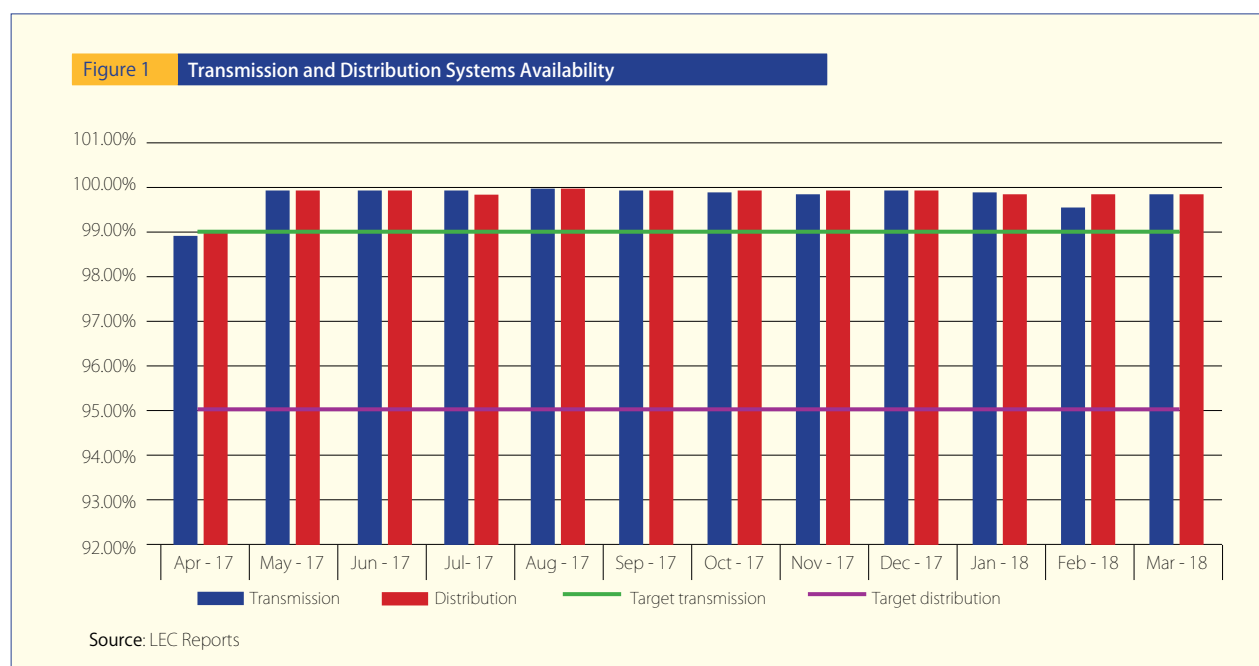
² The 2017 population was calculated by projecting 2016 population by 0.47% which is the projected growth between 2016 and 2017 as presented in the Population Projection summary Report of 2010.

ELECTRICITY SUPPLY INDUSTRY

(c) System Availability

The monthly system availability for both transmission and distribution systems is depicted graphically in Figure 1 below, against the respective LEC's target levels of 99.00% for transmission and 95.00% for distribution.

The average system availability for transmission during the year was 99.75% while the availability of the distribution system was 99.81%.



(d) Inspections and Power Quality Audits

The Authority undertook inspections on part of LEC infrastructure. The findings of the inspections are shown in Table 12 below. Of these inspections, 151 out of 331 pillar boxes, which is 46%, had no locks. This condition gives access to unauthorised persons to live electrical wires inside the box and this means public safety is highly compromised. A total of 133 out of 374 structures (such as mini substations, transformers and others), which is about 36%, were surrounded by bushes. The condition can lead to damage by wildfire. The inspections findings further showed a compromised security of supply situation due to the encroachment on the powerlines by buildings and trees, transformer leakages, vandalised structures and broken lightning arresters.

Lesotho Highlands Development Authority - 'Muela Hydropower Plant (MHP)

MHP'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. The indicators that have been selected and agreed on for the assessment of the performance of MHP are the following:

ELECTRICITY SUPPLY INDUSTRY

(a) Monthly Indicators

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

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

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

(b) Annual Indicators

The following 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.

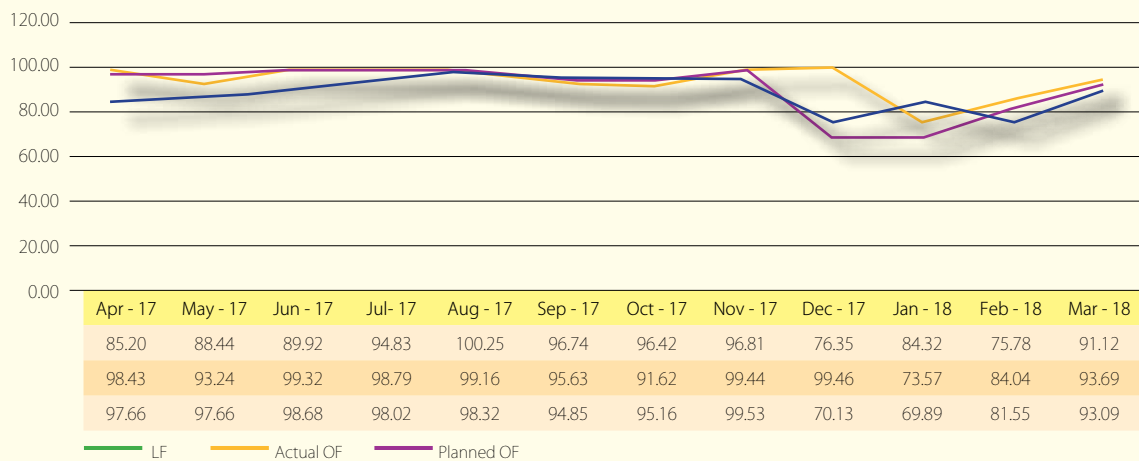
The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in figure and the tabulation of the annual indicators in Table 13. The indicators are expressed in percentages.

The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in Figure 2 and the tabulation of the annual indicators in Table 13. The indicators are expressed in percentages. Figure 2 shows that the plant operated above planned hours. The plant operated above 80% of its installed capacity during the reporting period, except for December 2017 and February 2018. This demonstrated that the plant was operating near its full installed capacity. In December 2017 the operating factor was being at its highest whilst, the load factor was at almost its lowest for the period shows that the demand was lowest in December. In August 2017 when the system peak was reached, the plant operated at full capacity for almost the highest number of operating hours.

ELECTRICITY SUPPLY INDUSTRY

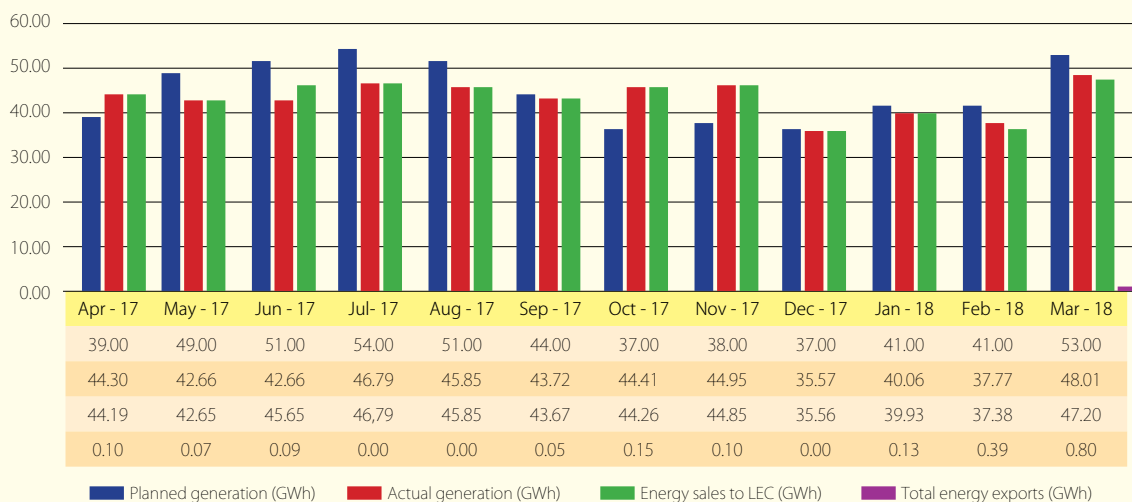
With reference to Table 13 it is observed that all the three units produced almost the same amount of energy as revealed by similar CF. Though their production was almost equal, it can be observed that unit 3 experienced the most planned energy losses as it recorded the highest PCLF. Nonetheless all the Units' capacity was available most of the time as depicted by relatively higher values for, EAF and UCF. Figure 3 illustrates the volumes of energy generated, sold to LEC and exported. Highest volumes were generated and sold to LEC in July 2017 while the least were generated and sold in December 2017.

Figure 2 'Muela Hydropower (MHP) Load and Operating Factors (Percentages)



Source: 'Muela Reports

Figure 3 MHP Energy Generation, Sales and Exports



Source: 'Muela Reports

ELECTRICITY SUPPLY INDUSTRY

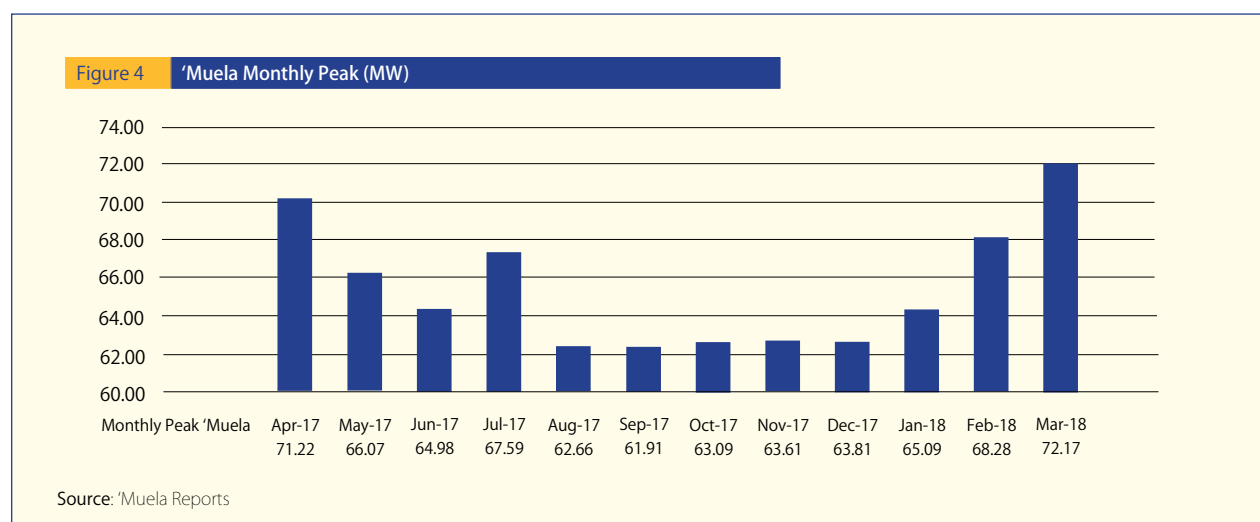


Table 12: Performance of MHP Units in Ratios Expressed in Percentages

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	82.4	98.7	99.0	0.2	0.77
Unit 2	82.1	97.4	98.1	0.7	1.14
Unit 3	82.5	87.6	93.5	0.5	6.05

Source: LHDA Reports

(c) Safety and Environmental Incidents

The relevant performance indicators that 'Muela uses for assessing the Plant's performance are: (i) Industrial Safety Accident rate per 200,000 man-hours, (ii) Number of Major Vehicle Accidents and (iii) Number of Undesired Environmental Incidents. In the reporting period there were two (2) Minor Vehicle Accidents and none for (i) and (iii).

Department of Energy (Rural Electrification Unit)

The REU has held a licence exemption for running three Electricity Access Pilot Projects (EAPPs) since October 2007. The exemption was further extended until September 30, 2018. REU had four commercial customers and these were (i) 2 Econet communication towers at Qholaqhoe and Ha Sekake, (ii) Tebellong Hospital and (iii) Dilli-Dilli/ Sixondo clinic. No new commercial customers were connected during the reporting period.

(a) Qholaqhoe, Dilli-Dilli/Sixondo and Ha Sekake EAPPs

The networks in the Qholaqhoe and Ha Sekake EAPPs were supplied from the LEC grid at 33 kV, while the network in the Dilli-Dilli/Sixondo EAPP was supplied from the ESKOM (Republic of South Africa) grid at 22 kV. As illustrated in Table 14 below, the EAPPs had a total of 2,446 customers and no new connections were made during the reporting period.


ELECTRICITY SUPPLY INDUSTRY

Table 13: Customer Base for the EAPPs						
EAPP	Number of requests for new connections	Number of consumers at the beginning of year	Number of new connections during the year	Total number of registered consumers at the end of year(*)	Backlog from previous year	Total backlog at end of year
DILLI DILLI/ Sixondo	59	235	0	235	388	447
QHOLAQHOE	94	284	0	284	402	496
SEKAKE	185	1927	0	1927	352	537
TOTAL	338	2446	0	2446	1142	1480
*Some consumers were disconnected and reconnected during the year.						
Source: REU Reports						

The global view of energy purchases and sales for the three EAPPs is reflected in Table 15 below.

Table 14: Energy Purchases and Sales for EAPPs					
EAPP	Bulk Energy Purchased (MWh)	Energy sold (MWh)	Max. Demand (MW)	Energy loss (MWh)	Energy loss (%)
DILLI DILLI/SIXONDO	151.98	133.56	32.24	18.42	12%
QHOLAQHOE	422.22	360.25	96.51	61.97	15%
SEKAKE	1,018.51	838.79	251.20	179.72	18%
Source: REU Reports					

(b) REU Customer Complaints Handling Synopsis

The total number of received complaints in the three EAPPs of Dilli-Dilli/Sixondo , Qholaqhoe and Ha Sekake was 179 which represented a 10.5 % decline in comparison with the 200 complaints received during 2016/17. Of these complaints, 170 (95%) were resolved while 9 (5%) were unresolved. The complaints were mostly on, disconnections followed by those on damaged property and customer service³ 

³ REU has not categorised resolved complaints into those resolved within two weeks and those resolved over two weeks as per QoSSS.

URBAN WATER & SEWERAGE SERVICES SUBSECTOR

This section of the Report looks at the performance of the sole Licensee - WASCO.

Water and Sewerage Company (WASCO)

WASCO holds a Composite Water and Sewerage Services Licence for treatment and production, transmission, distribution and supply of potable water. Furthermore, the Company is licenced to store water for the purpose of treatment and production, distribution for onward supply, and delivery of water to trunk main pipe lines. WASCO is also licenced to treat sewage and safely dispose it by the sewerage system. The Licence was issued by LEWA in May, 2013.

WASCO provides services in the following areas: the town of Maseru and its immediate surroundings, all the other nine District Towns, as well as Mazenod, Morija, Roma, Peka, Maputsoe, Mapoteng and Semonkong designated urban towns.

The section of the Report below covers some of the indicators showing the Company's performance in the period under review.

(a) Water connections

At the end of 2016/17, there was a total of 95,571 water connections in the WASCO service areas. In the reporting period 4,541 new water connections were made against the WASCO's set target of 6,000. This brought the total number of water connections to 100,112 at the end of 2017/18. Connections in Maseru were 2,353 which constituted 51.8% of all connections.

(b) Sewerage Connections

At the end of 2016/17, there was a total of 7,463 connections in the WASCO service areas. In the reporting period 176 new sewerage connections were made against the WASCO's set target of 1,000. Connections in Maseru were 157, which constituted 89% of all connections, and the other towns/areas made up the rest. This brought the total number of sewerage connections to 7,639 at the end of the year. Connections in Maseru constituted 90% of all connections.

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

The total volume of water produced in 2017/18 was 14,786,732 kilolitres (kl). Of these 9,424,139 kilolitres (kl) was billed, resulting in a NRW of 5,362,593 kilolitres (kl). This means NRW was at 36% as opposed to WASCO's set target of 28%.

(d) Potable Water Quality

In 2017/18 of the samples that were tested 93.7 % passed the microbiological test against WASCO's set target of 99%. On the chlorine test 80.8% passed against WASCO's set target of 95%. A two-year comparison shows an improvement in WASCO's microbiological performance and a decline in the chlorine content results as reflected in Table 16 below. This meant that in the event of contamination some consumers might have been adversely affected.

URBAN WATER & SEWERAGE SERVICES SUBSECTOR

Table 15: Potable Water Quality				
Quality Test	Percentage Passing in 2015/16	Percentage Passing in 2016/17	Percentage Passing in 2017/18	LEWA 2017/18 Target
Microbiological	94%	94.9%	93.7%	99%
Chlorine	91%	76.8%	80.8%	95%
Turbidity	N/A	N/A	97%	95%
Source: WASCO Reports				

(e) Treated Sewage Quality

Of the samples that were tested in the reporting period, 44.3% passed the Suspended Solids (ss) test against set target of 60%, while 14.14% passed the Chemical Oxygen Demand (COD) test against set target of 30%. There was a decline in performance with respect to COD, however, there was an improvement of 7.1 percentage points on Suspended Solids tests when compared to 2016/17 as illustrated in Table 17 below.

Table 16: Treated Sewage Quality				
Quality Test	Percentage Passing in 2015/16	Percentage Passing in 2016/17	Percentage Passing in 2017/18	LEWA 2017/18 Target
Suspended Solids (SS)	36 %	37.2%	44.3%	60%
Chemical Oxygen Demand (COD)	24 %	24.9%	14.24%	30%
Source: WASCO Reports				

OTHER ELECTRICITY & WATER SECTORS DEVELOPMENTS

This section of the Report gives an overview of other electricity and water sectors developments in line with the provisions of Section 21 (1) (i) of the LEA Act 2002, as amended. The progress on the implementation of some of the projects and studies is summarised below.

Electricity Sector

(a) Sustainable Energy for All (SE4All) Project

The Sustainable Energy for All project titled "*Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) Progress*" worth US\$ 3.5 million (M47.2 million) was secured from Global Environment Facility (GEF) of the United Nations. The objective of the project was to speed investments in renewable energy-based mini grids and Energy Centres. The aim was to reduce local greenhouse gases (GHG) emissions and contribute to the achievement of Lesotho's Vision 2020 and SE4All goals. The project was launched in November 2016 and LEWA was a member of the SE4ALL Project Steering Committee.

The project comprised four components namely:

- Development of cornerstone SE4All Policies and Strategies to facilitate investment in renewable energy-based mini-grids.
- Baseline energy data collection and monitoring for SE4All.
- Village-based energisation schemes.
- Outreach programme and dissemination of results.

The project would be implemented in five (5) mountainous districts of the country, namely, Mokhotlong, Thaba-Tseka, Qacha's Nek, Quthing and Mahale's Hoek. Some of the key outputs of the project by the end of its 5-year life would be operational mini-grids in 10 village communities and 10 Energy Centres in the 5 identified districts. The Energy Centres would complement mini-grids in the provision of energy and would provide energy products, including efficient cook stoves.

Progress on the implementation of the project under the first three project components by the end of March 2018 was as outlined below. There were no activities carried yet under component 4.

- **Development of cornerstone SE4All Policies and Strategies to facilitate investment in renewable energy-based mini-grids**
An International Consultant signed a contract with UNDP to develop SE4ALL Country Action Agenda (CAA) and Investment Prospectus (IP) for Lesotho.
- **Baseline energy data collection and monitoring for SE4All**
A household energy survey had been undertaken in July and November 2017. The survey provided baseline information for the project and would assist in tracking progress made towards the achievement of Sustainable Development Goal (SDG) No. 7 and SE4All objectives. The draft survey report was submitted in March 2018.

OTHER ELECTRICITY & WATER SECTORS DEVELOPMENTS

- **Village-based energisation schemes**

An International Consultant and a National Consulting Firm were engaged by the United Nations Development Program (UNDP) in March 2018 and would both undertake pre-feasibility studies in 20 villages. Contracts for the two parties were signed at the end of March 2018. The two parties would work together as a team producing deliverables as outlined in the TORs.

A Financial Support Scheme (FSS) operational structure had been established by the end of 2017 and validated by stakeholders. The structure consisted of the host (Management Agent) and the Project Steering Committee (PSC). According to this structure, the UNDP and MEM would oversee and monitor the FSS processes and receive reports from the host (Lesotho) on implementation progress.

Water Sector

(a) The Integrated Catchment Management (ICM) Project

The Integrated Catchment Management (ICM) Project was aimed at improving land and water resources management throughout the country. The project was to be implemented by the Department of Water Affairs (DWA). The activities due to be performed under the operationalisation umbrella were: Institutional Reforms, Legal Reforms and Development of ICM Plans for the six (6) ICM pilot catchments. The six pilot catchments were Likhetla, Maletsunyane, Hlotse, Senqunyane, Khubelu and Makhalaneng.

(b) Lesotho – Botswana Water Transfer Feasibility Study (Makhaleng Dam)

The aim of the project was to investigate the possibility of supplying Botswana with water from Lesotho. The Memorandum of Understanding (MoU) was signed between the three countries (Lesotho, Botswana and South Africa) in 2013. Subsequently, the Joint Study Management Committee (JSMC) was formed to undertake the Reconnaissance Study (Exploratory and/or Desk-top Study) component of the project. The Reconnaissance Study had been completed which indicated the Makhaleng River, near Malealea, was the possible dam site for the project.

The Memorandum of Agreement (MoA) between the member states (Lesotho, South Africa and Botswana) was subjected to the national processes for ratification by November 2017. The MoA would cover the Feasibility and Implementation Studies of the project. It had been agreed that the Feasibility Study should be undertaken by the Orange Senqu Commission (ORASECOM). Namibia being a member of ORASECOM was an observer.

(c) Lesotho Highlands Water Project Phase II (LHWP II) Article 7 Agreement implementation)

As part of implementing LHWP II, a consultancy had developed operating rules that were yet to be agreed upon by Lesotho and South Africa. The operating rules were intended to address modalities of water transfer from Lesotho to South Africa.

OTHER ELECTRICITY & WATER SECTORS DEVELOPMENTS

(d) Ecological Reserve and Classification of Rivers

The Final Report on Ecological Reserve and Classification of Rivers had been developed. As stipulated under Section 3 of the Water Act 2008, the classification of the water resources would be carried out and results published in a Government gazette. The purpose of the classification of the river system was to provide a national set of rules to guide decision making about water resources. A national classification of the river system would allow transparency, accountability and long-term goal setting to be incorporated into water resource management. Consequently, the key classification methodology (that is, the configuration of the ecological categories of the water resource within a catchment resulting in an overall water resource condition) was summarised as follows:

- Class I: Natural;
- Class II: Moderately Impacted;
- Class III: Heavily Impacted; and
- Class IV: Unacceptably Degraded.

In order to get a Management Class for a particular river, micro-invertebrates, fish, vegetation, water quality and its flow regime were assessed to come up with respective ecological class.

(e) Regulations for Water Quality Guidelines and Standards

Water Quality Guidelines and Standards that had been developed were being turned into Regulations for enforcement. These Regulations would be national standards to administer the quality of potable water.

(f) The Lowlands Water Supply Project – Update and review of 2008 designs

A consultancy had been engaged to review and update the 2008 designs of the Lowlands Water Supply Project, taking into account projects that had been planned or implemented since. Upon completion of the consultancy, the revised designs would be extended to cover a design horizon of from 2035 to 2045.

(g) Metolong Dam and Water Supply Programme (MDWSP)

All Metolong Dam and Water Supply Programme (MDWSP) works had been completed. The Defects and Notification Period (DNP) for the Dam and Abstraction Pumping System, Water Treatment Plant and Downstream Conveyance System (DCS) had expired. However, some outstanding problems (snags) on the two components were being attended to. With respect to DCS, its DNP had been extended to March 2018 to address recurring bursts of valves and leakages of Mpilo reservoirs.

The draft Infrastructure Requirements Report updating and reviewing the 2008 designs has been completed. The Report identifies the engineering solutions required for the Lowlands regions up to 2045 design horizon. The prioritisation criteria of the remaining Zones would also be developed.

OTHER ELECTRICITY & WATER SECTORS DEVELOPMENTS

(h) Technical Support for Utility (WASCO) Operations for Metolong Assets

The Technical Support for Utility (WASCO) Operations for Metolong Assets contract had been extended to 31st May 2018 in order to maximise on capacity building of WASCO and Water Commission. The project was aimed at providing institutional support and capacity development in the operation of the Metolong infrastructure.

(i) Metolong Dam and Water Supply Programme (MDWSP) Transition and Integration Plan

The implementation of the Metolong Dam and Water Supply Programme (MDWSP) Transition and Integration Plan had been completed. The assets of the MDWSP infrastructure and related functions were strategically handed over to the relevant institutions.

(j) Asset Management Agency (AMA)

The classification of assets (Asset Hierarchy) for all the Zones of the Lowlands Water Supply Project (LWSP) had been developed. The Metolong Authority (MA) would issue the list of assets in Zones 4 and 5 (Metolong Dam and Water Supply Programme) for ease of categorising assets that would be under the responsibility of CoW and WASCO respectively. Consequently, CoW and WASCO would enter into an operation and maintenance contract of the Metolong water supply system.

(k) Detail Design and Supervision of MDWSP Tertiary Pipelines and Reservoirs Consultancy

The villages to be served from the Metolong Conveyance System have been grouped under appropriate Demand Zones. The MDWSP Tertiary Pipelines and Reservoirs project comprised 26 Demand Zones of which 10 had already been designed and approved.


(l) Lowlands Water Supply & Sanitation (Construction of Tertiary Lines)

The construction in the four (4) Demand Zones was underway in the 10 approved design zones. The Four (4) Demand Zones areas under construction comprised the 2, 5, 17 and 19 village clusters.

(m) Five Towns Water Supply Project

The evaluation of Five Towns Water Supply Project tenders to construct the augmentation of Butha Buthe and Hlotse water supply systems of WASCO were concluded in March 2018 and the evaluation report had been submitted to the financiers for "No Objection". Butha Buthe and Hlotse WASCO service areas had been prioritised in relation to the Mafeteng, Mohales Hoek and Qacha's Nek WASCO service areas due to insufficient water supply.

(n) Cost of Service Study for WASCO

The Cost of Service Study for WASCO was being undertaken to improve the fairness in the allocation of its costs-of-service among customer classes and account for future investments needs. Following the awarding of the contract to the consultant the latter had since produced an inception report 

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Members of the Board are required by law to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the results of its operations and cash flows for that period. The annual financial statements set out on pages 45 to 62 are the responsibility of the Members of the Board.

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

The Members of the Board are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities. The Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2018 set out on pages 43 - 44, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Members of the Board also consider that all applicable International Financial Reporting Standards and risk management principles have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

The auditors' responsibilities are stated in their report on page 43 - 44.

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

The Members of the Board have reviewed the Authority's cash flows forecast for the year ended 31 March 2018 and, in light of the review and current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

Against this background, the financial statements set out on pages 43 - 62 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 23 October 2018 by the Members of the Board and signed on its behalf by:



CHAIRPERSON



CHIEF EXECUTIVE OFFICER

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018
BOARD MEMBERS' REPORT

Directors

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

Dr. L.Thamae (Chairperson) (Until 01 November 2017)
Mr. K. Mohau (Until 31 September 2017)
Dr. M. Matete (Until 31 September 2017)
Mr. P. Mochesane
Mr. T. Nkhahle (Until 12 February 2018)
Mr. S. Mohlouoa (Until 10 November 2017)
Mr. B. Ramatšella (Until February 2018)
Mr. R. Mosito (Chairperson) (1 June 2018)
Mr. N. Maphathe (1 June 2018)
Mr. T. Hlasa (1 June 2018)
Mrs. M. Theoha (1 June 2018)
Mr. T. Molelekoa (1 June 2018)
Prof. L. K. Moleko (Chief Executive)

Disclosure of Interest

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

Auditors' Appointment

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



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

**REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LESOTHO ELECTRICITY AND WATER AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2018**

Opinion

I have audited the financial statement of Lesotho Electricity and Water Authority set out on pages 45 - 62, which comprise the statement of financial position as at 31 March 2018 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Lesotho Electricity Authority Act 2002 (as amended).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matter are those matters that, in my professional judgment, were of most significance in my audit of the financial statement of the current period. There were no key audit matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, which whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

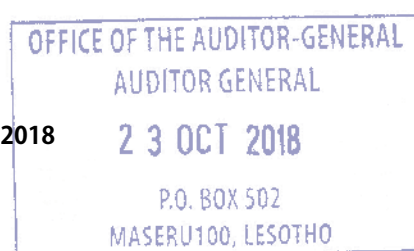
From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because these adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Lucy. L. Liphafa (Mrs)

Auditor General

23 OCTOBER 2018



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

ASSETS	Notes	2018 M	2017 M
Non - Current Assets			
Property, Plant & Equipment	8	4,913,273	4,231,048
Current Assets			
Cash & Bank	9	65,380,359	36,830,382
Trade & Other Receivables	5 & 11.2	7,452,735	7,759,807
		72,833,094	44,590,189
Total Assets		77,746,367	48,821,237
FUNDS & LIABILITIES			
Funds and Reserves			
Retained Surplus/(Deficit)	13	22,058,420	12,904,140
Revaluation Reserve	14	2,213,937	2,625,117
Universal Access Fund Balance	11	44,885,514	27,012,567
		69,157,871	42,541,824
Non-Current Liabilities			
Gratuity	6.1	6,347,974	4,104,947
Current Liabilities			
Bank Overdraft	9-10	729,474	597,683
Gratuity	6	1,299,108	789,761
Trade & Other Payables	6	211,940	787,022
		2,240,523	2,174,466
Total Funds and Liabilities		77,746,367	48,821,237

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 M	2017 M
INCOME			
Customers' Levy	4	35,501,282	34,103,255
License Fees	3	7,636,361	6,756,688
AfDB Grant	2	1,566,023	-
Universal Access Fund	11 & 15	4,581,252	17,100,326
		49,284,918	57,960,269
EXPENDITURE			
Staff Costs	16	23,713,208	21,180,572
Depreciation	8	1,812,805	1,300,941
Directors Expenses	16	987,888	1,900,281
Audit Fee		47,000	38,000
Universal Access Fund	11 & 15	4,581,252	17,100,326
Operating Costs	16	10,938,131	9,813,373
		42,080,284	51,333,493
Surplus /(Deficit) From Operations		7,204,634	6,626,776
Gain/(Loss) Assets Sale		(61,112)	(5,514)
Finance Income	12	864,450	529,286
Finance Costs		-	-
Sundry Income		39,341	49,104
Total Other Income		842,679	572,876
Surplus/(Deficit) for the year		8,047,313	7,199,652
COMPREHENSIVE INCOME			
Revaluation Reserve	14	1,106,968	1,332,389
Total Comprehensive Income/(Loss) for the Year		9,154,281	8,532,041

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 MARCH 2018

	Revaluations Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
Balance at 31/03/2016	1,732,369	-	23,491,809	4,372,099	29,596,277
Amortisation for the year	(1,332,389)	-	-	1,332,389	-
Grant	-	-	-	-	-
Revaluation Reserve	2,225,137	-	-	-	2,225,137
Universal Access Fund	-	-	3,520,758	-	3,520,758
Surplus/(Deficit) for the year	-	-	-	7,199,652	7,199,652
Balance at 31/03/2017	2,625,117	-	27,012,567	12,904,140	42,541,824
Amortisation for the year	(1,106,968)	-	-	1,106,968	-
Increase During the Year	695,788	-	-	-	695,788
Surplus/(Deficit) for the year	-	-	-	8,047,313	8,047,313
Universal Access Fund	-	-	17,872,947	-	17,872,947
Balance at 31/03/2018	2,213,937	-	44,885,514	22,058,420	69,157,872

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 M	2017 M
Surplus/(Deficit) for the Year Adjustment for:		8,047,313	7,199,652
(Increase)/Decrease in Receivables		307,072	(296,481)
Increase/(Decrease) in Payables		(65,736)	(7,723,386)
Depreciation		1,812,805	1,300,941
Gain /Loss on Disposal of Fixed Assets		61,112	5,514
Net Cash from Operating Activities		10,162,566	486,240
Investing Activities:			
Purchase of Fixed Assets	8	(1,991,550)	(209,439)
Disposal Proceeds		131,195	150,572
Net Cash Used in Investing Activities		(1,860,355)	(58,867)
Financing Activities			
Gratuity		2,243,027	2,087,037
Universal Access Fund		17,872,947	3,520,758
Net Cash Used in Financing Activities		20,115,974	5,607,795
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		28,418,185	6,035,168
Cash and Cash Equivalents at the Beginning of the Year		36,232,700	30,197,532
Cash and Cash Equivalents at the end of the year		64,650,886	36,232,700

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. ACCOUNTING POLICIES

Basis of Accounting

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

1.1 Property, Plant and Equipment

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

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

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

1.2 Foreign Currency Translation

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

1.3 Cash and Cash Equivalents

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

1.4 Taxation

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

1.5 Revenue Recognition

1.5.1 Revenue

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

1.5.2 Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1.5.3 Revenue Grants

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

1.6 Leases

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

1.7 Trade and Other Receivables

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

1.8 Trade and other payables

Trade and other payables are stated at their fair values.

1.9 Previous Year's Figures

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

1.10 Financial Instruments

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

Financial Assets

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

Financial Liabilities

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

Interest Rate Risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Credit Risk

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

1.11 Fair values

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

1.12 Gratuity

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

1.13 Impairment of Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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 2018

	2018 M	2017 M
2. AfDB Grants	1,566,023	-
3. Licence Fees		
LEC	5,196,787	4,631,927
LHDA	1,117,326	950,541
WASCO	1,322,248	1,113,612
	7,636,361	6,756,688
4. Customer Levies		
LEC	32,919,722	31,168,495
WASCO	2,581,560	2,934,760
	35,501,282	34,103,255
5. Trade & Other Receivables		
LEC & WASCO – Customers' & Electrification Levies	3,958,273	6,831,164
Trade & Other Receivables	1,057,494	928,643
	5,015,767	7,759,807
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	1,299,108	789,761
Trade & Other Payables	941,415	787,022
	2,240,523	1,576,783
6.1 Falling due after 1 year		
Gratuity	6,347,974	4,104,947
	8,594,872	5,681,730

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 M	2017 M
7. Operating Lease obligation		
Minimum lease payments due:		
-Within 1year	2,556,450	3,614,140
-In four years	12,441,222	-
Present Value of minimum lease payments	14,997,672	3,614,140

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 8% per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

8. Property, Plant and Equipment

	Office Furniture		Office Equipment		IT Equipment		Office Fittings		Motor Vehicles		Freehold Refurbishment		Totals	
	M		M		M		M		M		M		M	
Cost/Revaluation														
At April 1, 2016	497,102		72,203		2,564,410		33,330		819,249		558,908		4,545,202	
Additions	42,480		6,310		190,701		-		1,752,059		-		1,991,550	
Disposal/Adjustments	-		-		-		(22,465)		(833,306)		(367,054)		(1,222,825)	
Revaluation	-		-		-		7,072		482,492		206,224		695,788	
At March 31, 2018	539,582		78,513		2,755,111		17,937		2,220,494		398,078		6,009,715	
DEPRECIATION														
At April 1, 2016	99,165	20%	17,075	25%	-	33.33%	17,160	20%	-	33.33%	180,754	33.33%	314,154	
Charge for the year	106,926		18,483		854,795		5,303		640,999		186,300		1,812,806	
Adjustments	-		-		-		(22,463)		(640,999)		(367,054)		(1,030,516)	
At March 31, 2018	206,091		35,558		854,795		-		-		-		1,106,444	
CARRYING VALUE														
At March 31, 2018	333,491		42,955		1,900,316		17,937		2,220,494		398,078		4,913,272	
At March 31, 2017	397,937		55,128		2,564,410		16,170		819,249		378,154		4,231,048	

All assets were revalued on the 31 March 2018 in compliance with IAS 16 to reflect their fair values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9. Cash & Cash Equivalents	2018	2017
	M	M
Cash and cash equivalents are measured at fair price and consists of:		
Petty Cash	7,500	2,500
Short-Term Deposits – (NedBank)	2,217,685	4,544,788
Short-Term Deposits – (StanLib)	20,646,271	7,443,550
Central Bank of Lesotho	1,563	2,032
	22,873,019	11,992,870
Current Accounts – UAF (Standard Lesotho Bank)	6,035,586	3,973,018
Short-Term Deposits – UAF (StanLib)	36,471,754	20,864,494
	65,380,359	36,830,382
Bank Overdraft – (NedBank)	(729,474)	(597,683)
Total	64,650,885	36,232,699

10. Bank Overdraft

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

11. Universal Access Fund (UAF) - Receipts & Payments	2018	2017
	M	M
Receipts		
Levies Collection	20,767,418	19,282,375
Finance Income (i)	1,686,781	1,338,707
TOTAL	22,454,199	20,621,084
Expenditure		
Electrification Projects	4,504,619	16,978,030
Bank Charges/Other Costs	76,633	122,296
TOTAL	4,581,252	17,100,326
Movement in UAF – For the year	17,872,947	3,520,758
Universal Access Fund –B/F	27,012,567	23,491,809
Universal Access Fund Balance (ii)	44,885,514	27,012,567

11.1 UNIVERSAL ACCESS FUND

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

11.2 UAF Receivables	2018	2017
	M	M
LEC / STANLIB	2,436,968	1,431,698
Electrification Levy due from LEC and accrued investment interest that form part of Universal Access Fund balance.		

11.3 Receipts

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

(ii) Universal Access Fund Balance – A budget of M35, 9 million had been approved for electrification projects for the next financial year, while M7.0million is committed to approve projects which are still in progress.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Investment Income	2018	2017
	M	M
	864,450	529,286
Interest received on short term investment with STANLIB Lesotho (Pty) Ltd & NedBank Lesotho Call Account.		
13. Retained Surplus / (Deficit)	2018	2017
	M	M
Income	44,703,666	40,859,943
Expenditure	37,499,032	34,233,167
Operating Surplus/(Deficit)	7,204,634	6,627,776
Disposal Gain/(Loss)	(61,112)	(5,514)
Total Other Income	903,791	578,390
Surplus/(Deficit) for the year	8,047,313	7,199,652
Revaluation Reserve Amortisation	1,106,968	1,332,389
Surplus B/F	12,904,140	4,372,099
Retained Surplus/(Deficit)	22,058,420	12,904,140
14. Revaluation Reserve	2018	2017
	M	M
Balance at the beginning of the year	2,625,117	1,732,369
Increase during the year	695,788	2,225,137
Amortised during the year	(1,106,968)	(1,332,389)
Balance at the end of the year	2,213,937	2,625,117

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Universal Access Fund (UAF) Projects				
Villages Name/Projects	Name of Contractor	Approved Contracts	Payments Project	Balance
Sebaki	B & G Electrical	5,122	-	5,122
Popa Ha-Moruti	LR Construction	1,859	-	1,859
Makeneng Ha-Palama	Lesehe Constr.	134,879	122,498	12,381
Ha Fusi	Lesehe Constr.	195,076	-	195,076
Ha Mothamane	Electro Techno	137,763	137,763	-
Popa Ha Moruti	Ultimate	125,967	125,967	-
Liqhooeng	B & G Electrical	131,550	-	131,550
Mosaqane	Moramo Civils	3,900,280	2,466,118	1,434,162
Masitenek (Rothe)	Lesehe Constr.	463,036	-	463,036
Melikane	-	2,700,000	-	2,700,00
Ha Nyatso	Moleko Electr.	1,018,028	676,537	341,491
Makopela	Escon	2,713,832	975,736	1,738,096
TOTALS		11,527,392	4,504,619	7,022,773
Committed Funds				7,022,773

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Detailed Statement of Comprehensive Income	2018	2017
	M	M
INCOME:		
Customers' Levy	35,501,282	34,103,255
Licence fees	7,636,361	6,756,688
World Bank & AFDB Grants	1,566,023	-
	44,703,666	40,859,943
Universal Access Fund	4,581,252	17,100,326
Other Income		
Finance Income	864,450	529,286
Other Income	39,341	49,104
Gain/(Loss) Assets Sale	(61,112)	(5,514)
	842,679	572,873
Total Income	50,127,597	58,533,145
Less: Expenditure		
Directors' Expenses:		
Director's Fees	472,093	931,929
Other Costs – Board	117,941	269,669
Board Training	397,854	698,683
	987,888	1,900,281
Staff Costs:		
Staff Remuneration & Benefits	17,511,679	15,931,941
Staff Wellness Activities	-	20,732
Gratuity	4,296,619	3,972,962
Staff Training/Workshops	1,858,565	1,176,518
Health & Wellness allowance	27,883	69,767
Staff Uniform	18,462	8,652
	23,713,208	21,180,572
Operating Costs:		
Stationery	153,643	299,930
Advertising	136,884	189,966
Cust./Stakeholder Empower.	363,800	349,729
Publications	3,312	-
Advocacy	-	-
LEWA Literature	21,934	7,406
International Technical Standards	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

16. Detailed Statement of Comprehensive Income (continued)	2018	2017
	M	M
Consumables assets below M1,500	-	3,580
RERA,ESAWAS & AFUR subscriptions		698,764
Staff Wellness Activities	3,738	-
Office Expenses	259,053	199,798
Transport Costs	197,519	410,750
Bank Charges	47,082	60,683
Rent	3,614,213	3,285,708
Electricity	197,950	225,393
Telephone	106,615	134,910
Internet	71,000	48,000
Corporate Social Responsibility	72,074	84,460
Insurance	122,501	101,066
IT Expenses	227,666	181,554
RERA Meetings and Workshops	914,481	734,694
AFUR Meetings and Workshops	188,308	235,004
International Meetings and Workshops	440,351	254,766
Risk Consultant	138,239	-
ESAWAS Meeting and Workshops	254,285	405,811
LEWA House - Consultants	-	-
Annual Report	46,987	46,987
Inspection Costs	22,917	41,714
Promotional Items	298,459	197,330
Regulatory Impact Assessment	41,437	-
Increasing Access to Electricity	-	-
National Security of Supply	-	-
Public Hearing	5,672	231,890
Universal Access fund (Elect. Projects)	4,581,252	17,100,326
Casual Labourers	15,543	25,002
African Peer Review	79,026	40,070
Complaints Resolution	-	-
RERA Conference	-	962,683

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

16. Detailed Statement of Comprehensive Income (continued)	2018	2017
	M	M
Security	5,865	6,409
Strategic Plan / Wellness Consultants	-	-
Web-site Support	-	-
Cost of Supply Study	24,214	95,404
Cost of Service Study	1,842,777	118,084
ICT Consultant	-	77,683
Workman's Compensation	64,080	47,700
Water Regulation Expenses		
Water Regulatory Instruments Consultancy	-	10,445
Water Regulation Tools	-	-
Other costs:		
Audit Fees	47,000	38,000
Depreciation	1,812,805	1,300,941
Operating & Other Expenses	17,379,188	28,252,640
Total Expenses	42,080,284	51,333,493
Surplus/ (deficit) for the year	8,047,313	7,199,652

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