




LESOTHO ELECTRICITY AND WATER AUTHORITY
ANNUAL REPORT
2018/19



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CORPORATE STATEMENTS

ABOUT LEWA

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 line with Government Policy on electricity and water supply matters. LEWA is mandated to regulate the Electricity Supply Industry (ESI) and Urban Water and Sewerage Services (UWSS) where these services are not supplied on a competitive basis. The Authority further deals with matters such as electricity pricing and charges, complaints handling and disputes resolution, and supervision of the implementation of Quality of Supply and Service Standards (QOSSS) by the regulated entities.

VISION

"To be a world class utilities' regulator that facilitates the 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 teamwork, 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 high quality, continuously improving and self-aware institution.

CORPORATE STATEMENTS

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."

OBJECTIVES OF THE 2018/19 ANNUAL REPORT

They are to:

- Inform the public on the Authority's performance in the regulation of the ESI and UWSS) industry; and
- Comply with Section 28 the LEA Act 2002, as amended.

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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). Some of the Authority's major functions outlined in the Act are issuing licences, determining electricity and urban water pricing and charges, handling of complaints and resolution of disputes, and establishing and maintaining technical and performance standards for the regulated sectors, and monitoring and enforcing compliance with such standards. The Lesotho Electricity Company (LEC), Lesotho Highlands Development Authority (LHDA) for the operation of its 'Muela Hydropower Station (MHP) and Water and Sewerage Company (WASCO) are currently the three (3) entities licensed by LEWA. The Department of Energy (DoE) has been issued a licence exemption for operation of the Electricity Access Pilot Projects by its Rural Electrification Unit (REU).

This Annual Report covers the period from 01 April 2018 to 31 March 2019, which is the fifth year of LEWA's Five Year Strategic Plan (SP) for the period 2014/15 – 2018/19. The SP is executed through the Annual Business Plans (ABP) which is organised around the seven Strategic Objectives (SOs) in formulating annual planning cycles for the execution of regulation initiatives of the ESI and UWSS. Implementation of the 2018/19 ABP is as reflected under the Chief Executive report.

In the reporting period, LEC submitted a 23.2 % tariff increase Application on 23 January 2018, which the Company later revised to 22.1%. The Application requested a Revenue Requirement of M 1.03 billion. In the final determination, the Authority allowed LEC a Revenue Requirement of M 918.85 million for the Financial Year 2018/19. Energy Charges (including levies) were increased between 3.0 % to 3.8% for the various customer categories. The Maximum Demand Charges were increased by 4% for all customer categories.

In May 2018, the Authority received WASCO's tariff adjustment Application of 12% on both Domestic Volumetric and Standing Charges. WASCO further requested a 15% adjustment for Non-Domestic Volumetric and Standing Charges. The Application proposed that Volumetric and Standing Charges for public standpipes and Band A customers should remain at 2017/18 levels. The Authority approved that volumetric water tariffs should increase by 5.19% for all water consumers while there was a 0% increase in sewerage services tariffs. The Standing Charge for all consumer categories was increased by 5.2% except for Band A consumers, who paid no standing charge.

As part of the efforts at ensuring security of supply, LEWA participated in the Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) Project meant to promote universal access to modern energy services, double the rate of improvement in energy efficiency and increase the share of renewable energy in the local energy mix. The Authority monitored the Bulk Supply Cost Tracking Account (BSCTA) which tracks the cost of purchasing bulk electricity through different entry points. The Authority participated in the designs and appraisals of water sector projects such as Lowlands Water Supply and Sanitation (construction of the Tertiary Lines), which are aimed at ensuring security of supply for water.

EXECUTIVE SUMMARY


The Authority initiated the procedures of transforming Electricity Connection Charges Guidelines (ECCGs) into rules in order to ensure that there is equity in electricity connection charges. Aware of the country's potential for increased electricity generation using renewable energy, the Authority considered developing a licencing framework for small scale generators. In addition, the EAPPs licence exemption was extended.

In monitoring the performance of licensees, Electricity Access Pilots Project inspections were carried out on LEC, Muela Hydropower Plant (MHP), EAPPs and WASCO infrastructure. The LEC inspection findings showed a compromised availability of supply situation due to the encroachment on the powerlines by buildings and trees, transformer leakages, vandalised structures and broken lightning arresters, to mention only a few. The LEWA inspection reports were submitted to the concerned Licensee for remedial action. LEC had responded showing how it would address the Authority's recommendations. The EAPPs had not met the set regulatory minimum standard of 90% on customer complaints resolution. Inspected MHP infrastructure was found to be satisfactory except for a crane whose maintenance was overdue and an eye wash facility that was not functioning properly.

In relation to WASCO inspections, most of the irregularities identified were related to either deficiencies on the infrastructure or inefficient operation thereof. It was reflected that the Company complied with the set standard for free residual chlorine for potable water, did not comply with the potable water microbiology standard; while meeting set standard for effluent quality remained a challenge. It was also noted overflowing reservoirs and delayed response time to bursts and leakages contributed to the rising Non-Revenue Water (NRW). Quality of supply survey revealed that the consumers experienced recurrence of coloured water, especially after intermittent water supply incidences which could be either due to pipeline maintenance or water rationing. There was also an outcry due to severe water scarcity at some parts of Butha-Buthe, Maputsoe and Mohale's Hoek.

Some of the major developments that took place in the regulated sectors are provided briefly below.

- A total of 15,498 new electricity connections were made in the reporting period and 14,507 of them were domestic. The new connections increased the total LEC customer base to 250,279. The country's electricity peak demand was 177.31 MW while installed local generation remained at 74.7MW. Consequently, LEC continued to import electricity from the Mozambican and South African national utilities, EDM and ESKOM respectively; and
- A total of 4,452 new water connections were effected by WASCO in 2018/19 and this increased the number of customers to 104,564. There were 319 new sewer connections which brought the total number of WASCO sewer customers to 7,958.

LEWA continued implementing stakeholder outreach and sensitisation activities in the country through electronic and print media, public meetings and workshops. The Authority participated in the activities organised by regional regulators associations, namely Regional Electricity Regulators' Association (RERA) and East and Southern Africa Water Regulators' Association (ESAWAS) and the continental association AFUR. The participation was meant to enhance capacity building, information sharing and enhance regional and continental cooperation 

ABBREVIATIONS & ACRONYMS

AfDB	African Development Bank
AFUR	African Forum for Utility Regulators
ARC	Audit and Risk Committee Association
BERA	Botswana Energy Regulatory Authority
BSCTA	Bulk Supply Cost Tracking Account
CF	Capacity Factor
COD	Chemical Oxygen Demand
CoSS	Cost of Service Study
CoW	Commissioner of Water
CSC	Customer Services Committee
CSR	Corporate Social Responsibility
DoE	Department of Energy
EAF	Energy Availability Factor
EAPPs	Electricity Access Pilot Projects
ECB	Electricity Control Board
ECCGs	Electricity Connection Charges Guidelines
EDM	Electricidade de Mozambique
EIB	European Investment Bank
ESAWAS	Eastern and Southern Africa Water and Sanitation Regulators
ESI	Electricity Supply Industry
GWh	Gigawatt hour
HRFAC	Human Resources, Finance and Administration Committee
IPP	Independent Power Producer
ISA	International Standards on Auditing
kl	Kilolitre
KPIs	Key Performance Indicators
LBWTS	Lesotho-Botswana Water Transfer Scheme
LEC	Lesotho Electricity Company
LF	Load Factor
LHDA	Lesotho Highlands Development Authority
LHWP	Lesotho Highlands Water Project
LLWDP	Lesotho Lowlands Water Development Project
LP	Lerotholi Polytechnic
LWSIP II	Lesotho Water Sector Improvement Project – Phase II

ABBREVIATIONS & ACRONYMS

M/kWh	Maloti per kiloWatt hour
MD	Maximum Demand
MDWSP	Metolong Dam and Water Supply Programme
MEM	Ministry of Energy and Meteorology
MERA	Malawi Energy Regulatory Authority
MHP	'Muela Hydropower Plant
MI	Megalitres
MoW	Ministry of Water
MW	Megawatts
NRW	Non-Revenue Water
NUL	National University of Lesotho.
O & M	Operations and Maintenance
OF	Operating Factor
OSS	Operating Security Standard
PCLF	Planned Capability Loss Factor
PTC	Pricing and Tariffs Committee
QOSSS	Quality of Supply and Service Standards
RE	Renewable Energy
RERA	Regional Electricity Regulators Association of Southern Africa
RIA	Regulatory Impact Assessment
RURA	Rwanda Utilities Regulatory Authority
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SS	Suspended Solids
UAF	Universal Access Fund
UCF	Unit Capability Factor
UCLF	Unplanned Capability Loss Factor
URTEP	Urban Power Distribution and Transmission Expansion Project
UWSS	Urban Water and Sewerage Services
WASCO	Water and Sewerage Company
WEFSN	Water-Energy-Food Security Nexus
WWTP	Waste Water Treatment Plant

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LEWA GOVERNANCE STRUCTURE

BOARD AND COMMITTEES

The Board is comprised of members who collectively have multidisciplinary skills sets required in regulation. In terms of the law, the Board is composed of eight members, including the Chief Executive (who is an ex officio Member). The Board provides oversight and governance on the activities of the Authority to ensure 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 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 effectiveness and adequacy of systems of internal control, internal and external audit services, review of annual financial statements and audit report. The Committee ensures that LEWA conducts its business in an ethical and professional manner.

The Human Resources, Finance and Administration Committee (HRFAC): The Human Resources, Finance and Administration Committee assists 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 Customer Services Committee assists the Board in the discharge of its responsibilities of ensuring 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 a recommendation to Board on unresolved complaints and disputes.

Pricing and Tariffs Committee (PTC): The Pricing and Tariff Committee assists the Board with evaluating and reviewing of tariff adjustment submissions from the service providers, and approving appropriate pricing and tariff regimes.

LEWA GOVERNANCE STRUCTURE

LEWA DEPARTMENTS

The Authority has six departments, namely,

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

The functions of the Departments are outlined below:

Technical Regulation – Electricity: The Department plays a leading role in the technical regulation of the electricity sector, with particular emphasis on safety, security and quality of supply, as well as development and implementation of technical rules, codes and standards.

Technical Regulation – Water: The Department takes a lead in the technical regulation of the urban water and sewerage services sub-sector, with particular emphasis on safety, security and quality of supply, and development and implementation of technical rules, codes and standards.

Economic Regulation: The Department's primary responsibility is to regulate electricity, urban water and sewerage services tariffs and charges. The Department also plays a key role in developing pricing and regulatory instruments that are essential in determining how prices are set in these sectors.

Legal Services: The Department is charged with the responsibility of ensuring that there exists a fully developed and adequate Regulatory Framework as constituted by a suite of rules, regulations and procedures, which the service providers have to be compliant with at all times. The Department also provides secretarial services to the Board as well as its Committees, and legal advice to the Authority. Compliance and risk functions are coordinated by the Department.


Consumer Affairs and Communications: The Department acts as an interface between the consumers and the service providers, with emphasis on resolution of complaints, or other related issues that must be adequately attended to. Furthermore, it deals with stakeholders' awareness, outreach and education programmes with the ultimate goal of attaining their sustained empowerment. Another key area is that of discharging public relations functions of the Authority paying special attention to the promotion of the LEWA brand.

Human Resources, Finance and Administration: The Department is responsible for financial management of the Authority including the preparation and presentation of financial statements. It also takes a lead role in the development of the Authority's human resources and administration policies and ensures their efficient and effective implementation.

LEWA GOVERNANCE STRUCTURE

REGULATED ENTITIES AND ACTIVITIES

The regulated ESI entities are Lesotho Electricity Company (LEC), which holds the Composite Electricity License to conduct transmission, distribution and supply of electricity to customers; Lesotho Highlands Development Authority (LHDA), having a Generation Licence for operation of the 'Muela Hydropower Plant (MHP); and Department of Energy (DoE) which has a Licence Exemption to implement Electrification Access Pilot Projects (EAPPs) in Qholahoe, Ha Sekake and Dilli-Dilli/Sixondo.

WASCO is the sole regulated entity in the UWSS. The company is licensed to produce, treat, transmit, distribute and supply water to premises in the urban areas. The Company is further licensed to treat sewage and dispose it safely into the environment through sewerage systems in the urban areas 

BOARD CHAIRPERSON'S REPORT



Mr. Relebohile Mosito
The Chairperson of LEWA Board of Directors

BOARD CHAIRPERSON'S REPORT

IT IS WITH GREAT PLEASURE THAT I PRESENT THE ANNUAL REPORT FOR THE 2018/19, which gives an overview of the strategic issues which were undertaken by the Authority during the 2018/19 Financial Year. This Report closes the cycle of the 2014/15 to 2018/19 LEWA Strategic Plan (SP); it also includes the challenges and an outlook.

The Board oversaw the execution of the Authority's mandate, as provided for in the LEA Act, 2002, as amended, by amongst other things monitoring the performance of the Lesotho Electricity Company (LEC), Lesotho Highlands Development Authority (LHDA) and Water and Sewerage Company (WASCO), through inspections, power quality audits, monitoring of the Licencees' adherence to the Quality of Service and Supply Standards (QOSSS) and regulatory compliance meetings. With the growing interest in Renewable Energy (RE) in Lesotho, the Authority intends to develop a framework that will facilitate the acceleration of access to electricity and investment in the RE sector. To this end, the Authority collaborated with key stakeholders such as the Department of Energy (DoE) regarding the proposed Ramarothole PV solar plant. In the reporting period, the Authority issued a license exemption to Doe for the operation of the Electrification Access Pilot Projects (EAPPs) at Qholahoe, Ha Sekake and Dilli-Dilli/Sixondo. LEWA observed that improved customer service strategies should be put in place to enhance customer education, reliability and expansion of services. A customer satisfaction survey was undertaken in order for LEWA to obtain a better insight into the EAPPs operations.

In the water sector some measures were undertaken to increase water availability and access to improved water supply services. Under the Lesotho Lowlands Water Supply Development Phase 2, the Government and the European Union/ European Investment Bank (EU/EIB) signed the financing agreement for the implementation of Zone 6 and 7 which aims at augmenting water supply in Mafeteng and Mohale's Hoek. The project appraisal document had been completed for implementation of Zone 2 and 3 which focuses on augmentation of water supply in Hlotse and Maputsoe. As such, the Government and the World Bank would sign the financing agreement in the next reporting period, scheduled for June 2019.

The Authority identified areas of non-compliance with regulatory prescripts by the regulated utilities. In order to bring this to the attention of LEC and WASCO, the Authority communicated with the utilities. In the ESI subsector, LEWA is in the process of finalizing the developed KPIs while in the UWSS the emphasis should be on compliance with the set KPIs.

The Authority's strategic vision is guided by, amongst other things, the National Strategic Development Plan II (NSDP II), Vision 2020 and the achievements of the Sustainable Development Goals (SDGs) No. 6 and 7.

In the ESI, the NSDP II explores mechanisms of harnessing energy from wind, solar, and water to provide sustainable energy solutions to the 62% of Lesotho's population without electricity. Moreover, NSDP II focuses on the on-grid power generation using private investment for Renewable Energy (RE) power development and on the demand side management to have more efficient and cost-effective use of energy available. In this manner, NSDP II is consistent with the objectives of SDG No. 7 wherein the country had pledged to increase access to affordable, reliable, sustainable and modern energy services for all by 2030. The National Vision 2020 also seeks to establish a proper economic infrastructure, inclusive of electricity networks.

In the UWSS subsector, the NSDP 2 aims to expand water and sanitation services to industries, commercial centres, households and other institutions. Some of the noticeable endeavours in this regard are being executed under the

BOARD CHAIRPERSON'S REPORT

Lesotho Lowlands Water Supply Project (LLWSP) whose Zones 4 & 5, the Metolong Dam Water supply Project (MDWSP), has been completed. The MDWP (supplying Maseru, TY, Roma and Morija) has the potential for WASCO to increase its customer base; however, WASCO has been concerned that the MDWSP has brought a challenge of increased pressure to its aging pipe infrastructure that resulted in frequent bursts and subsequently high volumes of NRW. The NSDP 2 also commits to the attainment of SDG No. 6 on Water and Sanitation. Under the SDG No.6, by 2030 the country must ensure availability and sustainable management of water and sanitation for all. In this way, SDG No.6 further builds on Vision 2020 which provides that all citizens must have access to a sustainable source of potable water and basic sanitation.

LEWA is fully cognisant of the Southern African Development Community's (SADC) initiative on Water-Energy-Food Security Nexus (WEFSN) which emphasises that the approaches to planning and investing should be multi-sectoral and stakeholder driven. The rationale behind WEFSN is to maximise cross-sectoral synergies and promote the interconnectedness between water, energy and food security. Through this synergy there can also be an added-value when developing multi-purpose infrastructure, such as a hydropower dam for electricity, agriculture, and tourism and forestry conservation. Climate change is an issue that needs to be addressed through the development of climate resilient energy and water infrastructure. Consequently, LEWA intends to uphold collaboration with all stakeholders so that water and energy services are provided in a sustainable manner to address national priorities.

The Board and its activities

The Board participated in high level meetings hosted by the African Forum for Utility Regulators (AFUR), Regional Electricity Regulators' Association of Southern Africa (RERA) and Eastern and Southern African Water Regulators' Association (ESAWAS), and also participated in the Power Week Africa conference, as well as its workshops on Power Project Finance, Energy Efficiency and Energy Storage. The Board members further underwent capacity building training on Managing Power Sector Reform and Regulation and in corporate governance both offered by the University of Cape Town (UCT). Further training in corporate governance was undertaken at the Institute of Directors South Africa (IODSA). The Board also attended all public hearings on the Tariffs Applications by LEC and WASCO to solicit public inputs into the processes. The Board members transacted the business of the Board as reflected in the Tables 1 and 2. In its meetings, the Board approved, among others, LEWA Annual Report for 2017/18, composition of the Audit and Risk and the Human Resource and Administration Committees and terms of reference for the Audit and Risk Committee. The Board only assumed office in the middle of the Financial Year; as a result, fewer meetings were held.

Table 1: The Board Members' Attendance of Meetings

Member	Meetings (attended/total held)	
	Ordinary meetings	Extra-ordinary meetings
Mr. Relebohile Mosito	2/2	8/8
Mr. Ntsie Maphathe	2/2	8/8
Mrs. 'Maletsatsi Theoha	2/2	8/8
Mr. Tlali Hlasa	2/2	8/8
Mr. Tseko Molelekoa	2/2	8/8
Mr. Pashu Mochesane	0/2	0/8 ¹


BOARD CHAIRPERSON'S REPORT

Table 2: The Board Committees' Members Attendance of Meetings

Committee	Member	Ordinary meetings	Extra-Ordinary Meetings
Audit and Risk	Mr. Tseko Molelekoa	1/1	2/2
	Mrs. M Theoha	1/1	2/2
	Mr. Sebehela Selepe (External)	1/1	2/2
Consumer services ²	-	-	-
Human Resource, Finance and Administration	Mr. Tlali Hlasa	0/0	1/1
	Mr. Ntsie Maphathe	0/0	1/1
	Mrs. 'Maletsatsi Theoha	0/0	1/1
Pricing and Tariffs	Mr. Ntsie Maphathe	0/0	2/2
	Mr. Tlali Hlasa	0/0	2/2
	Mr Tseko Molelekoa	0/0	2/2

In the light of the above developments the Authority has to devise strategies of enhancing compliance in order to improve service delivery. At the end of the Financial Year LEWA had started to formulate a new five-year Strategic Plan covering the 2019/20 to 2023/24 period. The envisioned new strategic plan should embrace developments in the regulated sectors, consider widening LEWA's mandate and accommodate the use of technology to enhance internal processes.

At this juncture, let me acknowledge the contributions of the Board members in the fulfilment of the Authority's mandate. We are confident that such contributions augur well for a well-regulated ESI and UWSS sectors. Our gratitude is extended to both the Honourable Minister of Energy and Meteorology (MEM) and the Honourable Minister of Water (MoW) for their support during the reporting period. I would also like to thank the African Development Bank (AfDB) for its continued support on our initiatives. LEWA is humbled by the cooperation that it received from all stakeholders by maintaining an enabling environment to achieve its priority goals.

Finally, let me take this opportunity to congratulate the entire staff for its commitment, devotion and the hard work they demonstrated in the execution of LEWA mandate 



Mr. Relebohile Charles Mosito

Chairperson of LEWA Board of Directors

¹ The Board Member was not able to participate in the meetings due to a pending court case between himself and the appointing authority.

² The Committee had not yet been constituted.

CHIEF EXECUTIVE'S REPORT



Professor Lebohang K. Moleko
The Chief Executive of LEWA

CHIEF EXECUTIVE'S REPORT

ON BEHALF OF THE LEWA STAFF, I wish to express my profound sense of humility in highlighting the operational activities undertaken in the reporting period. The 2018/19 Annual Business Plan (ABP) lists the deliverables that were expected to be attained in line with the strategic objectives as reflected in SP 2014/15-2018/19. This section of the Report covers inter alia, the regulated sectors performance, compliance and local, regional and international developments in the ESI and UWSS subsectors. The 2018/19 Strategic Objectives (SOs) were as listed below:

- 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 and water and sewerage services.

Consequently, the progress on the implementation of the ABP for 2018/19 is outlined below.

IMPLEMENTATION OF THE BUSINESS PLAN

6

To Determine Tariffs and Charges

Determination of Tariffs for Electricity and Charges

LEC submitted a 23.2 % tariff increase Application on 23 January 2018, which the Company revised to 22.1%. The revised Application requested a Revenue Requirement of M 1.03 billion. Electricity bulk supply purchases costs (mostly imports), operating expenditure, depreciation costs, return on assets, and diesel for Semonkong power generator and maintenance costs were cited by LEC as tariff increase drivers.

The public consultation process was executed in terms of Section 24(6) of the LEA Act of 2002 and the public was given an opportunity to comment on the reasonableness of the Application at the public hearing sessions, in line with LEWA core value of teamwork and the regulatory principle of transparency. On the 03, 06 and 10 July 2018 public hearings were held in Quthing (covering stakeholders from Qacha's Nek and Mohale's Hoek districts), Butha-Buthe (including stakeholders from Mokhotlong and Leribe districts) and Maseru (inclusive of stakeholders from Mafeteng, Thaba-Tseka and Berea districts).

In all six (6) public hearings that were conducted, the stakeholders generally opposed an increase in tariffs. They proposed that the increase should at least be consistent with the inflation rate, taking into consideration public servants' salary increase level and Lesotho's economic growth. They also urged LEC to consider the increasing unemployment rate, high number of poor people, orphans and elderly people when proposing tariff increase. Stakeholders were also concerned that LEC's plans to upgrade infrastructure were not long term and continually failed to address frequent power outages. They also advised LEC to address inefficiencies such as in the case of vehicles misuse. Stakeholders pointed out that they were willing to pay for services given by the utility provided there was an improvement in the provision of such. They noted, in addition, that since LEC's Financial Statements were qualified, it was difficult for them to trust the Company.

CHIEF EXECUTIVE'S REPORT

In the final determination, the Authority allowed LEC a Revenue Requirement of M918.85 million for the Financial Year 2018/19. Increases in Energy charges (including levies) of between 3.0 % to 3.8% were made for various customer categories. Maximum Demand Charges were increased by 4% for all customer categories. Charges for connection, wiring testing, wiring re-testing, survey, resurvey, licensing for wiring, meter testing and house extension remained unchanged. LEC was advised to maintain its staff level at (400 customers per employee).

The tariffs became effective on the 01 August 2018 and are reflected in Tables 3 and 4.

Customer Category	2017/18 Energy Charges (excluding levies) (M/kWh)	Percentage change (%)	2018/19 Energy Charges (excluding levies) (M/kWh)	Adding Customer Levy @ M0.0423M/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @ M0.035/kWh for others	2018/19 Energy Charges (including levies) (M/kWh)	2017/18 Energy Charges (including levies) (M/kWh)	Tariff Percentage increase
Industrial HV	0.1861	4.0%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0%
Industrial LV	0.2061	4.0%	0.2144	0.2567	0.2767	0.2767	0.2684	3.1%
Commercial HV	0.1861	4.0%	0.1936	0.2359	0.2559	0.2559	0.2484	3.0%
Commercial LV	0.2061	4.0%	0.2144	0.2567	0.2767	0.2767	0.2684	3.1%
General Purpose	1.5222	4.0%	1.5835	1.6258	1.6608	1.6608	1.5995	3.8%
Domestic	1.3467	4.0%	1.4009	1.4432	1.4782	1.4782	1.4240	3.8%
Street Lighting	0.7644	4.0%	0.7952	0.8375	0.8725	0.8725	0.8417	3.7%

Customer Category	2017-18 Maximum Demand Charges (M/kVA)	Percentage Change (%)	2018/19 Maximum Demand Charges (M/kVA)
Industrial HV	262.2392	4.0%	272.7953
Industrial LV	306.3019	4.0%	318.6317
Commercial HV	262.2392	4.0%	272.7953
Commercial LV	306.3019	4.0%	318.6317

The figures in the Table exclude VAT.

Determination of Tariffs and Charges for Urban Water and Sewerage Services

On 08 May 2018, the Authority received WASCO's tariff adjustment Application of 12% on both Domestic Volumetric and Standing Charges. WASCO further requested a 15% adjustment for Non-Domestic Volumetric and Standing Charges. The Application proposed that Volumetric and Standing Charges for public standpipes and Band A domestic customers should remain at 2017/18 levels. The Company requested a Revenue Requirement of M269.97 million which comprised M234.36 million for water services and M34.61 million for sewerage services. The Application cited manpower, reticulation, chemical usage, power and depreciation as key cost drivers.

In a similar manner to the LEC, determination outlined above, public consultations were conducted in terms of the law. The stakeholders were given an opportunity to present their views on the reasonableness of the Application in writing and at public hearings. On 02, 05 and 09 July 2018 public hearings were held in Quthing (covering stakeholders from Qacha's Nek and Mohale's Hoek districts), Butha- Buthe (including stakeholders from Mokhotlong and Leribe as well) and Maseru (covering stakeholders from Mafeteng, Thaba-Tseka and Berea districts).

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The stakeholders pointed out that WASCO's operational inefficiencies and ineffectiveness resulted in its ever increasing costs, and recommended the utility to put in place strategies that would address its failures before burdening customers. The Stakeholders were concerned that WASCO was not taking initiatives to adequately meet consumers' demand in the growing urban centres. They mentioned that WASCO was reluctant to extend its services to the growing urban and peri-urban areas which would increase its customer base as well as its revenue. They also pointed out that WASCO was not effective and efficient in addressing the reported failures especially leakages and bursts which eventually translate into high Non-Revenue Water and increased utility costs resulting therefrom. Stakeholders proposed a tariff adjustment ranging from -8.5% to 2.5 %.

At the end of the process, the Authority approved that volumetric water tariffs should increase by 5.19% for all water consumers while there was a 0% increase in sewerage services tariffs. The Standing Charge for all consumers' categories was increased by 5.2% except for Band A domestic consumers (consuming between 0-5 units per month), which would remain abolished³. The Company was allowed a Revenue Requirement of M233.64 million for water production and distribution businesses, and M34.61 million for sewerage services. Further, the Authority resolved that connection fees should remain unchanged. Water and Sewerage tariffs became effective on 01 August 2018. LEWA advised WASCO to devote efforts to the reduction of NRW from above 40% to at least below 30%, in order to enable the utility to reduce production costs and to realise increased sales. WASCO was advised to increase investment in wastewater treatment facilities, especially in the other districts than Maseru so as to address the poor effluent quality.

The 2018/19 WASCO's tariffs are reflected in Tables 5 and 6.

Customer Category	2017/18 Cost Excluding Levies (M/kl)	Percentage Change (%)	2018/19 Unit Cost Excluding Levies (M/kl)	Adding Customer Levies @ M0.2311/kl (M/kl)	2018/19 Unit Cost Including Levies (M/kl)	2017/18 Unit Cost (M/kl)	Tariff Percentage Increase (%)
Domestic Customers							
Band A (0 - 5 kl)	4.8900	5.1947	5.1440	5.3751	5.3751	5.1200	4.9828
Band B (>5 - 10 kl)	8.4500	5.1947	8.8889	9.1200	9.1200	8.6900	4.9488
Band C (>10 - 15 kl)	15.0300	5.1947	15.8108	16.0419	16.0419	15.2600	5.1236
Band D (>15 kl)	20.8100	5.1947	21.8910	22.1221	22.1221	21.0400	5.1431
Non-Domestic customers							
Government	13.6600	5.1947	14.3696	14.6007	14.6007	13.8900	5.1166
(Business, Industry)	13.6600	5.1947	14.3696	14.6007	14.6007	13.8900	5.1166
Schools	13.5400	5.1947	14.2434	14.4745	14.4745	13.7700	5.1159
Religious Institutions	13.5400	5.1947	14.2434	14.4745	14.4745	13.7700	5.1159
Standpipes	6.7100	5.1947	7.0586	7.2897	7.2897	6.9400	5.0384
The figures in the Table exclude VAT.							

³ 1 unit= 1,000 litres.

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Table 6: : Water Services Standing Charges (No customer levy and exclusive of VAT)			
Customer Category	2017/18 Standing Charges (M/month)	2018/19 Percentage Change (%)	2018/19 Standing Charges (M/month)
Domestic Customers			
Band A (0 – 5 kl)	0	0	0
Band B (>5 – 10 kl)	40.90	5.2	43.03
Band C (>10 – 15 kl)	40.90	5.2	43.03
Band D (>15 kl)	40.90	5.2	43.03
Non-Domestic Customers			
Government	272.35	5.2	286.51
Business, Industry	393.39	5.2	413.85
Schools	272.35	5.2	286.51
Religious institutions	196.70	5.2	206.93
Standpipes	0	0	0
The figures in the Table exclude VAT.			

Development of Regulatory Impact Assessment Framework

The Authority engaged a consultant to carry out the development of a Regulatory Impact Assessment (RIA) Framework exercise and the inception report on it was issued in January 2019. The overall purpose of this project was to enhance LEWA's capacity to better understand the impact of its decisions on its stakeholders, and also to enable the Authority to create public awareness on the impact of its decisions. This process will assist LEWA in making future regulatory decisions and public consultation processes more rigorous and transparent.

TO ENSURE THE SECURITY OF SUPPLY

LEWA Participation in Sustainable Energy For All Project

LEWA is a member of the Project Steering Committee (PSC) for the Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) Project. The Project which was launched in 2017, is an initiative intended to achieve the three SE4All objectives by 2030. These are: (a) ensuring universal access to modern energy services, (b) doubling the rate of improvement in energy efficiency and (c) doubling the share of renewable energy in the local energy mix. The Project's outcome pertinent to security of supply is the development of 10 mini-grids and 10 energy centres in the five (5) rural districts of Lesotho: Mokhotlong, Thaba-Tseka, Qacha's Nek, Quthing and Mahale's Hoek. LEWA participated in all the PSC's meetings.

Monitoring Bulk Supply Cost Tracking Account (BSCTA)

One of the activities undertaken by LEWA to ensure the security of electricity supply, was by monitoring the Bulk Supply Cost Tracking Account (BSCTA) which tracks the cost of purchasing bulk power supply. The amount expended in the BSCTA at the end of the Financial Year was M 418.36 million translating to 101% of the allowed budget of M 415.78 million. LEC's renegotiation of its Power Purchase Agreement with EDM of Mozambique resulted in a reduced power purchase unit cost from M 1.29/kWh in 2017/18 to M 0.85/kWh in 2018/19. The overall effect was a fall in the average unit cost from M 0.49/kWh in 2017/18 to M 0.47/kWh in 2018/19. However, the expended amount exceeded

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the allowed amount because of the increase in Eskom's tariffs and the accompanying substantial energy purchased from Eskom intake points. Table 7 shows the unit costs of bulk supply purchases from 2015/16 to 2018/19.

Intake Point or Supply Source	Bulk Supply Unit Costs for 2015/16 - 2018/19				2017/18 Average Cost Compared to 2018/19 Cost in Percentage (%)
	2015/16	2016/17	2017/18	2018/19	
'Muela	0.12	0.11	0.12	0.11	-8%
EDM	1.36	1.39	1.29	0.85	-34%
Clarens	0.68	0.74	0.75	0.82	9%
Maseru Bulk Supply	0.95	0.84	0.98	0.97	-1%
Qacha's Nek	1.11	1.21	1.22	1.27	4%
ESKOM (Clarens+Maseru+Qacha's Nek)	0.85	0.82	0.92	0.94	2%
Total Imported Supply	0.99	1.00	1.01	0.91	-10%
Overall Average cost/kWh	0.42	0.48	0.49	0.47	-4%

Highlights of the 37th SADC Meeting of Ministers Responsible for Energy and for Water

10

The Authority participated at the 37th SADC meeting of Ministers Responsible for Energy and Ministers Responsible for Water, held in June 2018. The meeting looked at the key activities for security of energy supply with particular emphasis on the status of power supply and demand in the region. It was reported that in Lesotho an Independent Power Producer (IPP) would install 20MW solar photovoltaic plant in 2018 at Ha Ramarothole in Mafeteng district. The meeting also discussed key activities for the water security in the region with reference to challenges and opportunities pertaining to water resources management situation in the SADC region. The meeting noted the progress made on the implementation of the Lesotho Highlands Water Project (LHWP) Phase II, as well as the Lesotho-Botswana Water Transfer Scheme (LBWTS) for transfer of water from Lesotho to Botswana through South Africa. LHDA had commenced feasibility studies on possible generation sites under Phase II of LHWP.

Challenges brought about by climate change were discussed during WEFSN meetings. As noted the SADC Secretariat, led a multi-sector and stakeholder driven process maximising on cross-sectoral synergies and promoting the interconnectedness between water, energy and food security. The WEFSN approach maximised on the linkages between the three sectors, built on and highlighted existing efforts at regional and national level.

Participating in the designs and appraisals of water sector projects

As part of the developments towards the security of water supply in the country, LEWA partook in the designs and appraisals of water sector projects; namely, Lowlands Water Supply and Sanitation (construction of the Tertiary Lines) aimed at providing access to water supply to rural populations along the Conveyance Systems of the Metolong Water Supply and Development Program Zones 4 & 5 (covering Maseru, Ty, Roma and Morija), Lesotho Lowlands Water Supply Water – Review of 2018 Designs intended to augment water supply to the lowlands areas by reviewing the 2008 Designs to meet the 2045 Water Demand and Lesotho Lowlands Water Supply Development Project Phase 2 aimed at addressing the sustainable and inclusive access to water supply and sanitation services for a population of around 240,000 in Zones 2 & 3 (covering Hlotse and Maputsoe) and of around 120,000 in Zones 6 & 7 (covering Mafeteng and Mohale's Hoek).

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TO DEVELOP AND IMPLEMENT REGULATORY FRAMEWORKS

The Authority has for some time been awaiting policy clearance from the Parent Ministries on the possibility of reviewing the LEA Act, 2002, as amended. The review would address governance challenges, as well as integrate best regulatory practices.

Development of Rules and Regulations

The Authority had initiated the process of transforming the Electricity Connection Charging Guidelines (ECCGs) into Rules. The purpose of codifying the guidelines is to establish a legal footing to encourage equitable contribution with respect to connections and to avoid "free riding". The publication of LEWA Supply Regulations was outstanding and the Authority continued to engage the Ministry of Energy and Meteorology and the Office of the Parliamentary Counsel.

Even though RE frameworks had been approved and were ready for implementation, no applications for licences were received during the Financial Year. The DoE was engaged to facilitate the approval of the remaining developed frameworks. There were a lot of enquiries about renewable generation, which prompted the Authority to consider developing a licencing framework for small scale generators and facilitate ease of entry of generated power into the Grid.

Extension of Electricity Access Pilot Projects Licence Exemption

The Authority continued to monitor the EAPPs whose Licence Exemption expired in October, 2018. The exemption was extended by seven months as opposed to the requested two years on condition that the DoE should come up with a comprehensive turnaround strategy and ownership arrangement. The Authority further undertook a customer satisfaction survey in the EAPPs. The objective of the survey/study was to understand the relationship between the Rural Electrification Unit (REU) and the EAPPs customers. The relationship was measured based on service quality, initiatives on public awareness and customer satisfaction in all EAPPs. Consequently, the study established that service quality was poor and that the level of customer dissatisfaction was high. LEWA observed that improved customer service strategies should be put in place by REU to enhance customer education, reliability and expansion of services.

TO MONITOR LICENSEES' PERFORMANCE AND COMPLIANCE

In an effort to monitor the licensee's performance, the Authority undertook inspections on parts of LEC's networks, Muela Hydropower Plant (MHP), EAPPs and WASCO's centres. The Authority further conducted power quality audits. The Authority started the development of ESI Key Performance Indicators (KPIs).

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A. Electricity Supply Industry (ESI)

LEC's Network Inspections

In undertaking inspections on parts of LEC infrastructure, the following broad areas were covered: Khubetsoana, Mazenod, Thetsane West, Machache, Maseru North, Roma, Lithabaneng, Qoaling, Tšenola, Maputsoe, Matsieng and Ha Abia. The areas are shown in detail in Table 8. The detailed findings of the inspections are shown in Table 9. As can be seen 170 out of 356 pillar boxes, which is 48%, had no locks. This condition gives unauthorised persons access to live electricity infrastructure inside the box. In this manner public safety is highly compromised. A total of 186 out of 398 structures (such as mini substations, transformers and others), which is about 47%, were surrounded by bushes. The condition can lead to damage by wildfires. The inspections findings further showed a compromised availability of supply situation as thirty percent (30%) of the structures were vandalised. Twenty-eight percent (28%) of the infrastructure had been encroached by trees. Twenty-two percent (22%) of the transformers had oil leakages. Broken lightning arrestors were recorded to be at 12%. The LEWA inspection reports were submitted to the concerned Licensee for remedial action. LEC had responded showing how it would address the Authority's recommendations. The Authority carried out follow-up inspections on some of the areas and discovered that some remedial actions had been implemented while others were still outstanding.

Table 8: Detailed LEC Inspected Areas

Khubetsoana	Mazenod	Thetsane West	Machache	Maseru North	Roma
Mabote	Ha Masana	Lesia	Ha Ralejoe	Motimposo	St. Michael's
Selakhapane	Ha 'Mantšebo	Ratjomose	Ha Phaloane	Ha Tšosane	Ha Makhalanyane
Bochabela	Ha Mofoka	Masowe	Ha Ratau	Tšenola	Thaba-Bosiu
Ntširele	Ha Mpo	Likotsi	Ha Ntsi	Ha Tšiu	Metolong
Rastimela	Ha Mohasoa	Linakotseng	Nazareth	Sekamaneng	Ha Motloheloa
		Tsolo	Ha Molengoane	Koalabata	
			Ha Makotoko	Thuathe	
			Metolong		
Lithabaneng	Qoaling	Tšenola	Maputsoe	Matsieng	Ha Abia
Ha Keiso	Lekhalaaneng	Tšosane	Ha Maqeile	Morija	Makhoakhoeng
Ha Makhoathi	Ha Seoli	Naleli	Peka	Ha Toloane	Khubelu
Ha Matala	Lithoteng	Ha Tšiu	Bela-Bela	Mahloenyeng	Penapena
Ha 'Nelese	Semphetenanyane	Motimposo	Mapoteng	Ha Moruthoane	Matala Phase 2
Ha Leqeile	Tsoapo-le-Bolila	Lifelekoaneng	Likhetlane	Ha Pita	Liraoheleng
Lepereng	Ha Shelile	Motse-Mocha	Mpharane	Ha Maphathe	Ha Mutlanyane
	Lekhalaaneng				

Table 9: Statistics of Inspected LEC Infrastructure

CONDITIONS CHECKED	TOTAL INSPECTED	NUMBER OF ABNORMALITIES	PERCENTAGE OF ABNORMALITIES
Transformer Leakages	398	86	22%
Trees Encroachment	464	132	28%
Buildings Encroachment	464	99	21%
Bushes Around Structures	398	186	47%
Missing Pillar box Locks	356	170	48%
Pillar Boxes That are not Elevated	356	73	21%
Poor Cable Terminations	356	18	5%
Erosion Close to Structures	398	3	0.7%

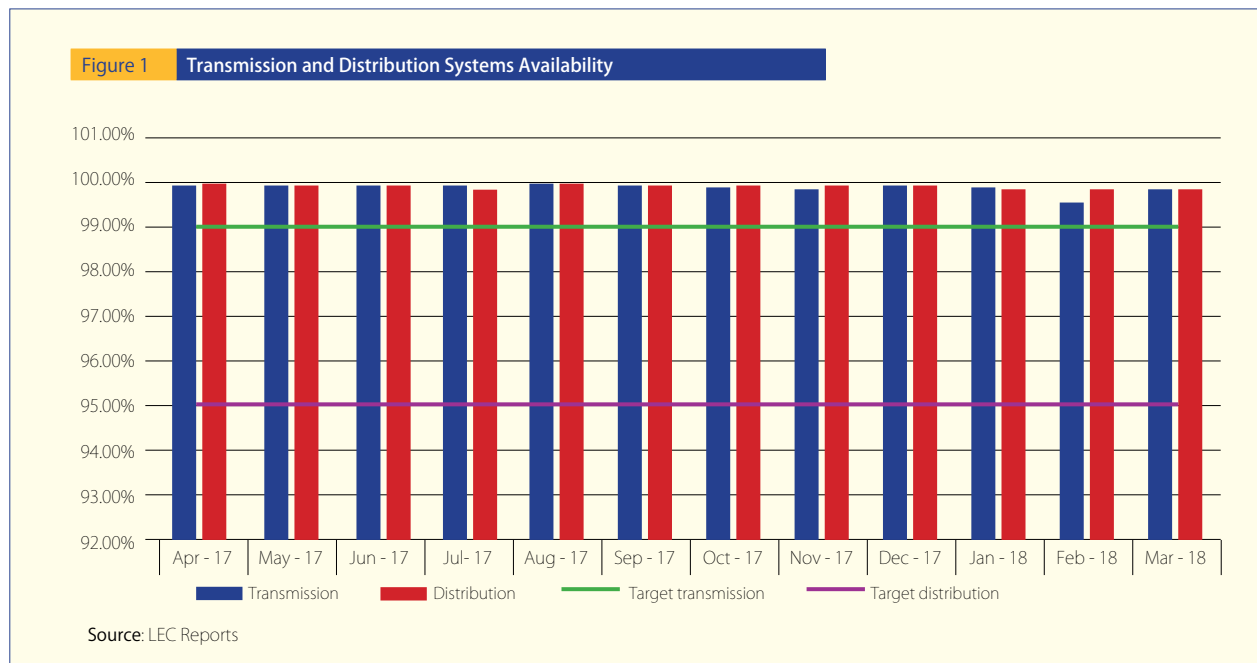
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Power Quality Audits

During the reporting period, only one power quality audit was carried out only on the 11 kV Tikoe feeder at Thetsane substation. The reason for this was that when the power quality recorder was subsequently sent for calibration and repairs, it was declared obsolete by the manufacturer. All the measured pertinent power quality parameters: voltage magnitude, voltage total harmonic distortion and voltage unbalance were found to be within set standards.

System Availability

The monthly system availability for both transmission and distribution systems is depicted in Figure 1. The availability target for transmission network was 99% while the achieved performance is 99.83%. The availability target for distribution network is 95% and the achieved performance is 99.87%.



LEC Performance and Compliance

In the ESI, it must be noted that since the advent of regulation, LEC has not provided the Authority with System Capacity Statements and Interconnector Capacity Statements. This non-compliance has made it impossible for LEWA to monitor the performance of the Company on the loading of its transmission system. During the Financial Year, LEC submitted reporting forms to the Authority, in an erratic manner. In terms of Composite Licence LEC should furnish the Authority with such information in such a manner and time as the Authority may reasonably require. The Electricity Composite Licence provides that LEC must prepare and submit Codes of Practices, Certificate of Resources Availability and system capacity statements. However, LEC has only submitted the Code of Practice on Customer Complaints Handling only and has not submitted other Codes of Practice. The other above listed compliance requirements have not been met by LEC despite repeated reminders by the Authority in 2018/19. LEC did not meet the set compliance targets which included resolution of customer complaints within the set timeframes and time taken to effect connections. LEC could also not meet the targets in terms of restoration of power after both

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planned and unplanned outages. Tables 10 to 13 illustrate the performance in percentage against the set percentage targets for restoration of unplanned interruptions at different network levels within the specified time intervals.

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Table 10: Unplanned Interruptions

Transmission Network	TARGET (%)	Apr -18	COMP.	May-18	COMP.	Jun-18	COMP.	Jul-18	COMP.	Aug-18	COMP.	Sep-18	COMP.	Oct -18	COMP.	Nov -18	COMP.	Dec -18	COMP.	Jan -19	COMP.	Feb -19	COMP.	Mar -19	COMP.
restored within 1.5 hrs	30	79	YES	50	YES	71	YES	67	YES	67	YES	66	YES	60	YES	51	YES	55	YES	64	YES	32	YES	29	NO
1.5 hrs< restored <3.5 hrs	60	97	YES	63	YES	96	YES	80	YES	81	YES	87	YES	90	YES	73	YES	82	YES	89	YES	51	NO	42	NO
3.5 hrs< restored <7.5 hrs	90	100	YES	81	NO	100	YES	84	NO	86	NO	91	YES	100	YES	87	NO	90	NO	91	YES	53	NO	44	NO
7.5 hrs <restored < 24 hrs	100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	66	NO
Note: COMP. refers to COMPLIANCE.																									

From Table 10 it is observed that the performance complied with the set targets for most of the months with noticeable non-compliance observed in March 2019. This correlates with the high transmission system availability percentage given above.

Table 11: Unplanned Interruptions

Distribution Network - Substations	TARGET (%)	Apr -18	COMP.	May-18	COMP.	Jun-18	COMP.	Jul-18	COMP.	Aug-18	COMP.	Sep-18	COMP.	Oct -18	COMP.	Nov -18	COMP.	Dec -18	COMP.	Jan -19	COMP.	Feb -19	COMP.	Mar -19	COMP.
restored within 1.5 hrs	30	58	YES	67	YES	87	YES	82	YES	66	YES	57	YES	68	YES	76	YES	71	YES	60	YES	62	YES	62	YES
1.5 hrs< restored <3.5 hrs	60	94	YES	88	YES	100	YES	92	YES	89	YES	86	YES	92	YES	96	YES	91	YES	91	YES	90	YES	86	YES
3.5 hrs< restored <7.5 hrs	90	97	YES	97	YES	100	YES	97	YES	94	YES	96	YES	100	YES	100	YES	98	YES	99	YES	97	YES	96	YES
7.5 hrs <restored < 24 hrs	100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES
Note: COMP. refers to COMPLIANCE.																									

Table 11 shows that all the targets for restoration of the unplanned interruptions at the distribution substations were met, a 100% compliance throughout the year. This is in line with the high distribution system availability percentage, even higher than the availability figure for the transmission system.

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Table 12: Unplanned Interruptions

Medium Voltage Network - T-OFF Feeders		TARGET (%)	Apr -18	COMP.	May-18	COMP.	Jun-18	COMP.	Jul-18	COMP.	Aug-18	COMP.	Sep-18	COMP.	Oct -18	COMP.	Nov -18	COMP.	Dec -18	COMP.	Jan -19	COMP.	Feb -19	COMP.	Mar -19	COMP.	
restored within 1.5 hrs		30	23	NO	10	NO	23	NO	23	NO	24	NO	28	NO	62	YES	76	YES	17	NO	16	NO	7	NO	19	NO	
1.5 hrs< restored <3.5 hrs		60	44	NO	35	NO	60	YES	58	NO	57	NO	67	NO	73	YES	80	YES	43	NO	40	NO	23	NO	44	NO	
3.5 hrs< restored <7.5 hrs		90	73	NO	64	NO	82	NO	73	NO	80	NO	85	NO	85	NO	87	NO	69	NO	64	NO	41	NO	68	NO	
7.5 hrs <restored < 24 hrs		100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	
Note: COMP. refers to COMPLIANCE.																											

Major highlights from Table 12 are that the target for restoring T-off interruptions between 3.5 hours and 7.5 hours was not met for all the months in the year, while the 30% target for restoring interruptions within 1.5 hours was met only in October and November.

Table 13: Unplanned Interruptions

Low Voltage Network	TARGET (%)	Apr -18	COMP.	May-18	COMP.	Jun-18	COMP.	Jul-18	COMP.	Aug-18	COMP.	Sep-18	COMP.	Oct -18	COMP.	Nov -18	COMP.	Dec -18	COMP.	Jan -19	COMP.	Feb -19	COMP.	Mar -19	COMP.
restored within 1.5 hrs	30	18	NO	18	NO	19	NO	23	NO	15	NO	16	NO	20	NO	18	NO	15	NO	17	NO	18	NO	15	NO
1.5 hrs< restored <3.5 hrs	60	42	NO	44	YES	46	NO	52	NO	40	NO	41	NO	47	NO	43	NO	38	NO	40	NO	35	NO	40	NO
3.5 hrs< restored <7.5 hrs	90	64	NO	65	YES	74	NO	73	NO	63	NO	64	NO	67	NO	64	NO	63	NO	62	NO	58	NO	67	NO
7.5 hrs <restored < 24 hrs	100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES
Note: COMP. refers to COMPLIANCE.																									

Table 13 shows that the target for restoring unplanned LV interruptions within 1.5 hours was not met for the entire year, while the targets for restoring interruptions between 1.5 hours and 3.5 hours and between 3.5 hours and 7.5 hours were met in May only.

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'Muela Hydropower Station (MHP)'s Performance and Compliance

MHP's Inspections

The Authority undertook inspections on the 'Muela Hydropower Station. The inspection was focusing on; the state of station transformers, general state of repairs, operation and maintenance records, safety of the plant and personnel. Some of the key findings of the inspections were as follows:

- Eye-wash facility in the power house was not functional, because there was no water supply to the facility thus compromising safety of personnel; and
- Maintenance of an in-house mounted crane was overdue hence compromising its safe use; and
- The rest of the inspected items were found to be satisfactory.

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. Both monthly and annual indicators were used for the assessment of the performance of MHP.

- **Monthly Indicators**

Load Factor (LF) - refers to the ratio of energy supplied for a given period of time to the energy that could have been supplied at maximum loading condition for the same period.

Operating Factor (OF) - refers to the ratio of operational time to the total time in month. Annual Indicators

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

- **Annual indicators**

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.

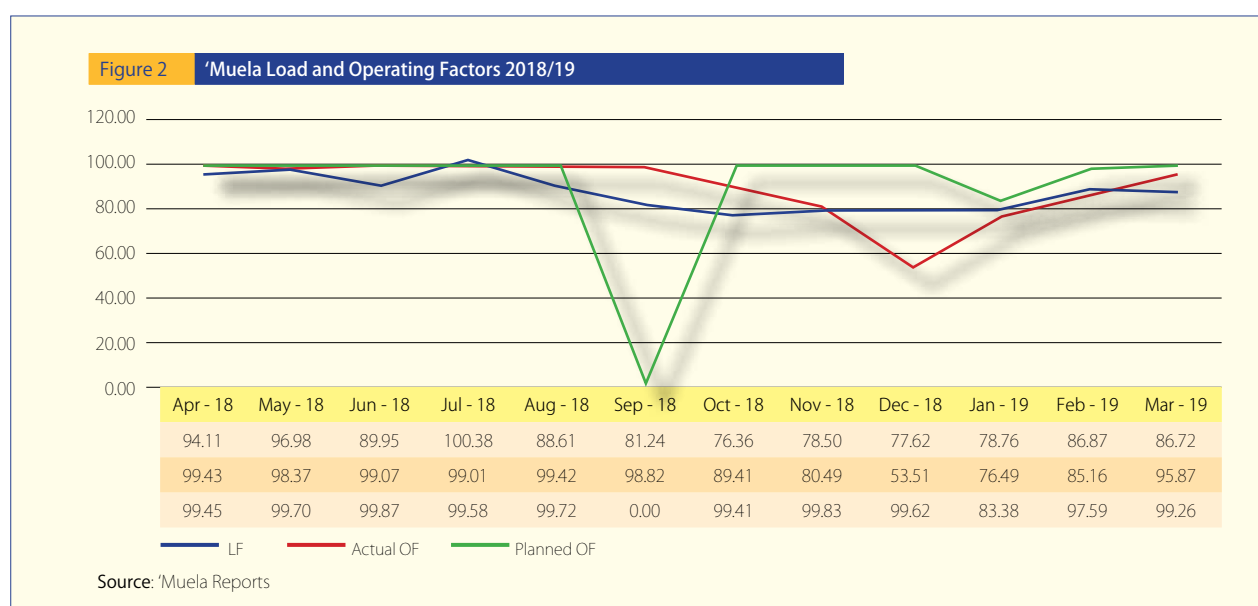
Unit Capability Factor (UCF) - refers to the ratio of the available energy generation to the reference energy generation over the same year. The available energy in this case is limited to losses within plant management control.

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.

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The performance of MHP in the reporting period is given by the graphical representations of the monthly indicators (LF and OF) in Figure 2 and the tabulation of the annual indicators in Table 14. The indicators are expressed in percentages. Figure 1 shows that the MHP operated at almost its rated capacity from April 2018 to July 2018 and gradually dropped to about 80% from September 2018 to January 2019. The plant operated at full capacity (LF of 100%) in July 2018. In August 2018 when the system peak was reached, the plant operated for almost the highest number of hours. In September 2018 the planned shutdown of the plant did not take place.



The MHP performance on annual indicators is indicated in Table 14.

From Table 14, it is observed that the values of EAF for all Units were high reflecting that the units' available capacities were close to their full capacities. Low values of PCLF for Units 1 and 2 reveal that planned energy losses on the two units were negligible, further supported by high values for the Units' Capability Factors; while Unit 3 experienced no planned interruptions. All Units experienced no unplanned interruptions as reflected by zero values of UCLF. Unit 3 produced the most energy as reflected by its highest Capacity Factor.

Table 14: Performance of MHP Units in 2018/19-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	78.6	99.9	99.9	0.0	0.06
Unit 2	79.0	99.9	99.9	0.0	0.13
Unit 3	87.2	100.0	100.0	0.0	0.0

Source: LHDA Reports

Safety and Environmental Incidents

Performance indicators that 'Muela use for assessing the plant's performance are: (i) Industrial Safety Accident rate per 200,000 main hours, (ii) Number of Major Vehicle Accidents and (iii) Number of Undesired Environmental incidents. In the reporting period, there were five (5) minor vehicle accidents and none for (i) and (ii).

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LHDA Compliance

During 2018/19, LHDA did not submit the quarterly reports on time. LHDA submitted three out of four quarterly reports. As at end of March 2019, LHDA's 4th quarter reports had not been received by LEWA.

Development of the Electricity KPIs

Key Performance Indicators (KPIs) that would be used to assess LEC's performance were developed as part of the electricity CoSS that was undertaken and completed in the reporting period. Once the KPIs are approved and adopted, they will be used to assess the performance of LEC. 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 electricity utilities in the SADC region.

Rural Electrification Unit (REU) Performance and Compliance

The Authority assessed the Department of Energy (DoE) compliance and performance based on the data submitted for the year 2018/19. Having assessed the four projects, it was found that there were huge backlogs of unconnected customers, unplanned service interruptions and electricity global losses as high as 28%. DoE had also failed to meet the set regulatory minimum standard of 90% on customer complaints resolution. The Licensee reported a 74%, 52% and 62% success rate on customer complaints resolution in Dilli-Dilli, Qholaqhoe and Ha Sekake respectively. The total number of customers in EAPPs was 2,508. REU had four commercial customers, namely (i) two Econet communication towers at Qholaqhoe and Ha Sekake, (ii) Tebellong Hospital and (iii) Dilli-Dilli/ Sixondo clinic.

Qholaqhoe, EAPP

Qholaqhoe EAPP network is supplied from the LEC grid at 33 kV. As illustrated in Table 15, the EAPP had a total of 286 customers and no new connections were made during the reporting period. At the beginning of the year, there were 278 customers.

Dilli-Dilli/Sixondo EAPP

Dilli-Dilli/Sixondo EAPP is supplied by ESKOM of the Republic of South Africa grid at 22 kV. It had a total number of 285 customers and no connections were made in the reporting period. At the beginning of the year, there were 282 customers.

Ha Sekake EAPP

Ha Sekake electricity network is supplied by LEC grid at 33 kV. It had a total of 1,959 including the 8 new connections that were made during the reporting period.

Due to the inability of EAPPs to connect new applicants, the total backlog recorded in all EAPPs projects stood at 2,276. The biggest number was at Ha Sekake with 785 customers, followed by Qholaqhoe with 764 customers and Dilli-Dilli with 727 customers. Table 15 illustrates the number of connections at EAPPs.

CHIEF EXECUTIVE'S REPORT

Table 15: Customer Connections at EAPPs

EAPP	Number of requests for new connections	Number of consumers at the beginning of the 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	280	282	0	282	447	727
QHOLAQHOE	268	278	0	278	496	764
SEKAKE	256	1951	8	1959	537	785
TOTAL	804	2511	8	2519	1480	2276

Source: REU Reports

The global view of energy purchases and sales for the three EAPPs is reflected in Table 16.

Table 16: EAPPs Energy Purchases and Sales

EAPP	Bulk Energy Purchased (MWh)	Energy Sold (MWh)	Max. Demand (KW)	Energy Loss (MWh)	Energy loss (%)
DILLI DILLI	133.46	117.83	38.03	15.63	12%
QHOLAQHOE	410.82	320.63	84.12	90.19	22%
SEKAKE	712.10	643.08	250.75	69.02	10%

Source: REU Reports

B. UWSS Licensee Performance and Compliance

WASCO's Performance on Inspections

LEWA undertook inspections of infrastructure for all 16 WASCO service centres.

General findings were that there was high NRW due to reservoirs' overflows and delayed response time to pipe bursts and leakages. Reservoir overflows were due to malfunctioning valve-pressure systems. There was a recurrence of coloured water at consumer taps after pipelines maintenance due to lack of "flushing" of the pipelines afterwards and during intermittent water supply caused by rationing. Inspections showed that effective and efficient operation and maintenance of Wastewater Treatment Plants (WWTPs) and Maturation Ponds were not practiced. There was improper storage of water treatment chemicals at some centres. There was a lack of reliable water supply at high lying areas, especially in some parts of Butha-Buthe, Maputsoe and Mohale's Hoek.

The above findings were brought to WASCO's attention and the Authority would continue to monitor the remedial measures undertaken by the Licencee.

WASCO's performance on KPIs

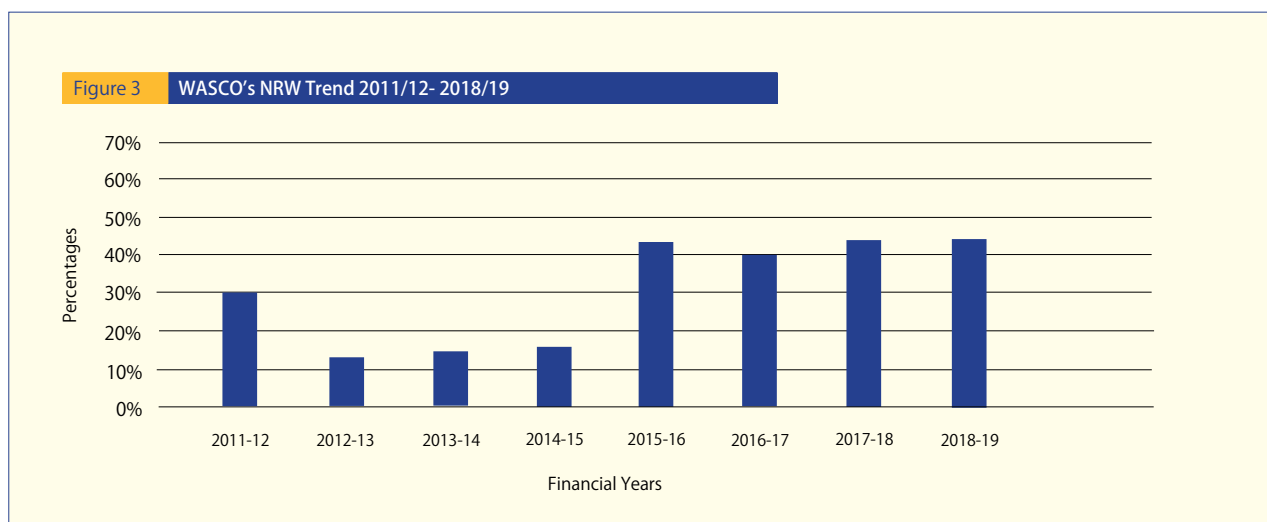
LEWA set 10 Key Performance Indicators for assessment of WASCO's performance in 2016. The analysis of WASCO's performance was based on the 10 KPIs as illustrated in Table 17, and on the QOSSS as outlined in subsequent parts of the section.

CHIEF EXECUTIVE'S REPORT

Table 17: WASCO's Performance on KPIs in 2018/19							
INDICATOR				UNITS	TARGET	PERFORMANCE	
QUALITY OF SERVICE						2017/18	2018/19
1	Water Connections in Year			No.	6000	4541	4474
2	Sewerage Connections in Year			No.	1000	176	319
3	Quality Tests	Potable	Microbiological	%	99	94	95
			Chlorine	%	95	89	95
			Turbidity	%	95	97	99
		Effluent	SS	%	60	44	26
			COD	%	30	24	26
4	Hours of supply			Hrs.	20	20	20
ECONOMIC EFFICIENCY							
5	O & M Cost Coverage by billing			Ratio	1	0.83	1.08
6	Collection Efficiency			%	90	*	*
7	Staff Costs as a percentage of O & M costs			%	41	43.18	*
OPERATIONAL SUSTAINABILITY							
8	Staff Productivity			Ratio	5	6	6
9	NRW			%	26	44	45
10	Metering Ratio			%	100	100	100
* WASCO has not provided performance results.							

* WASCO has not provided performance results.

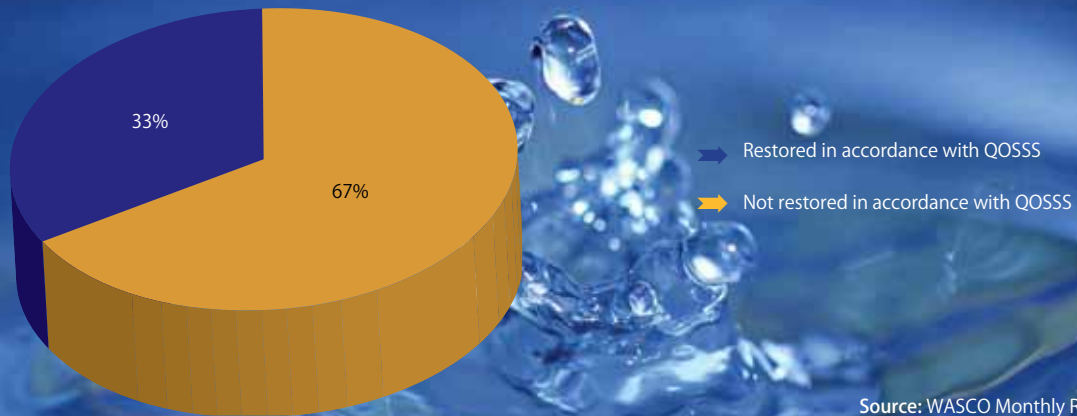
As illustrated in Table 17 and in a comparative analysis in Figure 3, on the NRW trend is an upward one. Consequently, LEWA was continuing to engage WASCO to develop the Leakage Reduction Strategies in all its networks.



According to QOSSS, all planned supply interruptions should not last longer than 8 hours. Figure 4 shows WASCO's performance, where 67% of the planned activities lasted shorter than 8 hours as indicated below.

CHIEF EXECUTIVE'S REPORT

Figure 4 2018/19 Planned WASCO Water Supply Interruptions

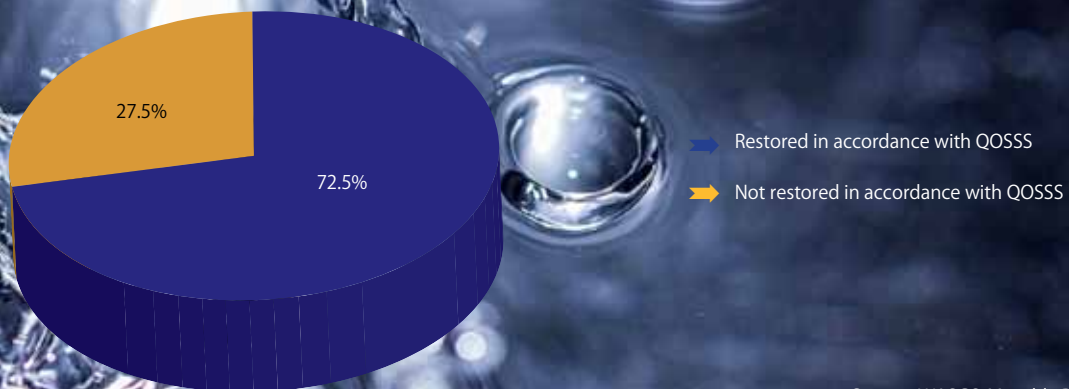


Restoration of forced water supply interruptions

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is expected to restore 85% of the water supply interruptions to its consumers within 24 hours of notification. Figure 5 shows WASCO's performance for the year under review.

Figure 5 WASCO's 2018/19 Restoration of Forced Water Supply Interruptions

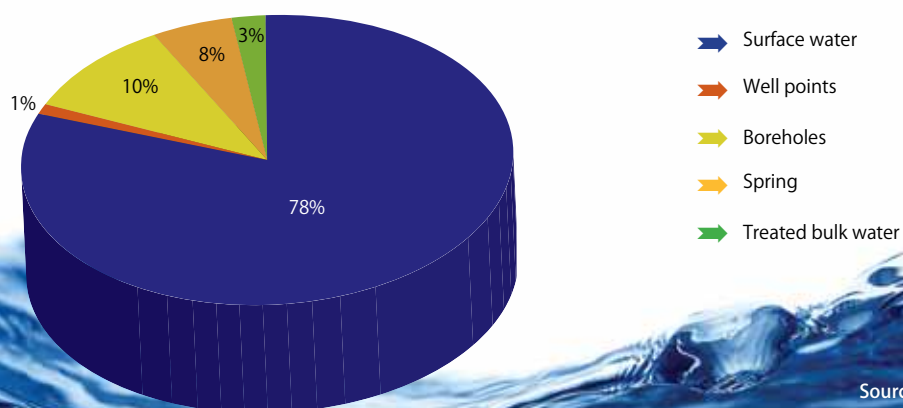


2018/19 Production of Water and Delivery

The potable water was treated from several raw water sources and delivered to different customer categories as shown in Figures 6 & 7 respectively.

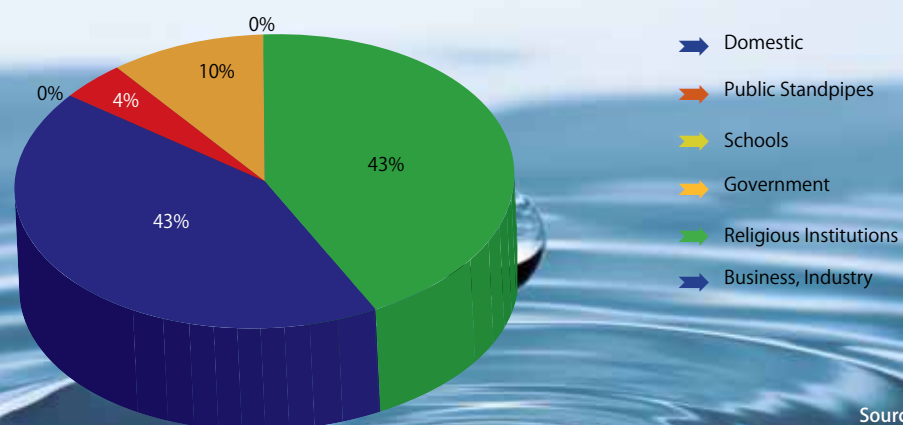
CHIEF EXECUTIVE'S REPORT

Figure 6 2018/19 Production of Water and Delivery



Source: WASCO Monthly Reports

Figure 7 WASCO Customers Category Consumption



Source: WASCO Monthly Reports

WASCO's performance on some of the basic service or supply categories according to QOSSS can be summarised as illustrated in Table 18.

Table 18: Summary of WASCO's Performance on Selected Services				
Service / Supply Category		Target	Achieved	Compliance
Provision of quotes	Water	90%	91%	YES
	Sewerage	90%	82%	NO
Service Provision	Water	85%	5%	NO
	Sewerage	85%	21%	NO
Restoration of supply interruption		85%	85%	YES
Restoration of customer interruption		85%	72%	NO
Planned interruptions pestoration		100%	67%	NO
Sewer flooding		90%	ND	-

CHIEF EXECUTIVE'S REPORT

WASCO Compliance

In the UWSS, the Authority developed the reporting forms prescribing the manner in which WASCO should provide the required information to the Authority within one month after the end of the reporting month. The purpose of the required information is to assess the Licensee's compliance and performance on the regulatory instruments. During the Financial Year, WASCO did submit the reporting forms to the Authority. However, the submissions were inconsistent and inadequate. The Authority observed instances of WASCO's non-compliance which included failure to resolve customer complaints and implement decisions on mediated complaints, effect connections, and restoration of water supply interruptions within the set timeframes. Composite Licence prescribes that WASCO must prepare and submit Certificate of Resources Availability. However, WASCO has not submitted the required certificate despite repeated reminders. In addition, WASCO has not provided LEWA with a leakage reduction program thus making it difficult for the Authority to adequately monitor the utility's Non-Revenue Water (NRW). WASCO is yet to provide the Authority with an update on the progress made in the implementation of the recommendations from the inspections reports and also a timely response to complaints investigations. Quality tests were also carried out on potable water and were found to be non-compliant on operational chemical risk (Chlorine). Quality tests on wastewater depicted non-compliance, hence treated sewage was not safely disposed-off in the environment. The utility did not submit the Codes of Practice as required by the licence. In this regard the utility has been advised to submit Codes of Practice for approval in 2019/20. On tariff determinations, out of the numerous challenges there remains the inadequacy and the inaccuracy of the data provided by the utility company.

LEWA Handling of Customer Complaints in the ESI and UWSS

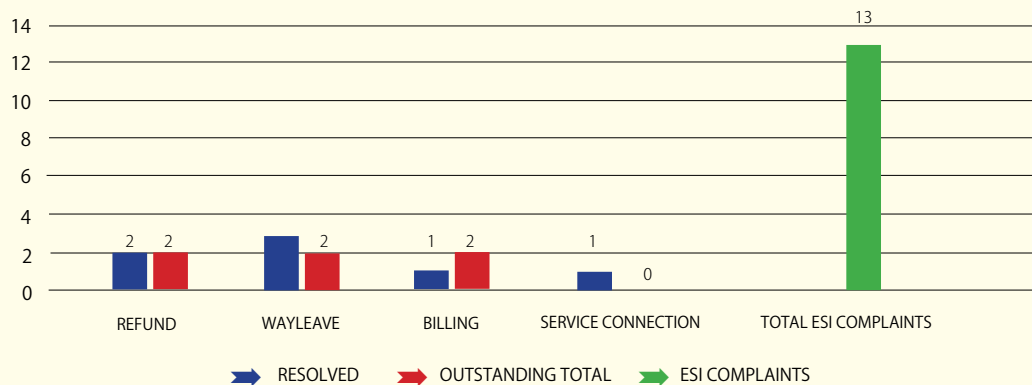
One of the major goals of the Authority is to prioritise customer needs and expectations at all times and to achieve the highest level of regulatory compliance in the resolution of customer's complaints. LEWA has developed customer complaints resolution rules and other regulatory tools which prescribe how customer complaints are resolved. The resolution of customer categories is done according to ESI and UWSS categories.

Electricity Supply Industry (ESI) Complaints Resolution

Six (6) complaints had been brought forward from the previous reporting period. Seven (7) new complaints were received during the reporting period, which brought the total number of complaints to 13. Six (6) complaints of these have been resolved, seven (7) complaints had gone through a mediation process which was used as an alternative dispute resolution mechanism and had been escalated to the Board for a final decision. A breakdown of complaints and their categories by the regulated sector is made in Figure 8. The complaints were on billing, refund, service connection and wayleave.

CHIEF EXECUTIVE'S REPORT

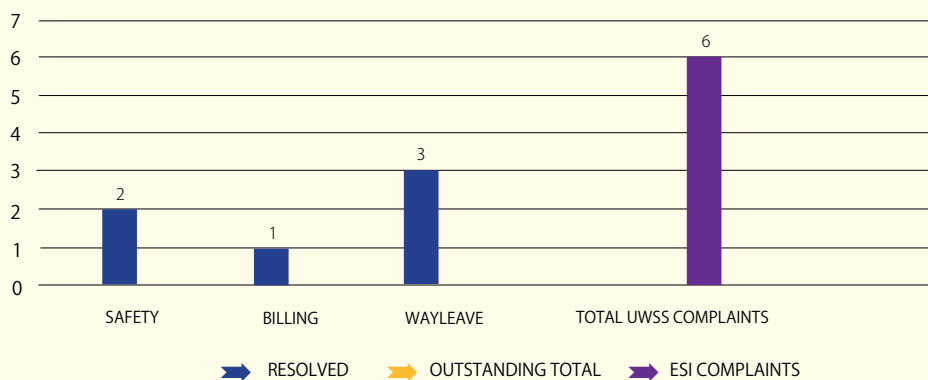
Figure 8 LEC Customer Complaints by Category



Urban Water and Sewerage Services (UWSS) Complaints Resolution

One complaint was brought forward from the previous reporting period. Five more were received in the period under review. All the six (6) complaints had been resolved. Most complaints were resolved after LEWA investigations and Licencees' representations had been made. The complaints were mainly on billing, safety issues and way leave and are illustrated in Figure 9.

Figure 9 WASCO Customer Complaints by Category



CHIEF EXECUTIVE'S REPORT

TO BUILD AND OPERATE A SUSTAINABLE ORGANISATION

HUMAN RESOURCES

LEWA is a member of the Project Steering Committee (PSC) for the Development of Cornerstone Public Policies and Institutional Capacities

The Authority reviewed and implemented several administrative policies. Several among them included the Personal Orders, Remuneration Policy and Strategy. The Authority also developed LEWA 2019 /20 to 2023/24 Strategic Plan and the 2019/20 Annual Business Plan.

Staff Retention

In line with the Remuneration Policy and Strategy, the Authority implemented the results of the salary survey exercise undertaken in the Financial Year 2017/18. The Authority measures its remuneration practices against the local market through the use of remuneration surveys. LEWA's strategy is to avoid paying remuneration below or above market rates.

In an effort to recognise and reward high performance by employees, the Authority continued to implement performance related pay, in accordance with Performance Management System. LEWA's Performance Management System provides a mechanism for setting performance standards for employees in order to monitor and measure achievement of LEWA's Mandate.

Recruitment and Capacity building

All vacant positions were filled during the reporting period. LEWA staff members took various and pertinent capacity building programs, which were meant to improve their skills set and competencies in the regulation industry. The following capacity building programmes were undertaken: managing power sector reform and regulation; Corporate governance; IFRS technical update and new development; high voltage systems, tariff rate strategies and cost recovery requirement: implications for regulators and utilities; fundamentals of water utility regulation; company-community collaboration and conflict resolution for complex environment.

FINANCE

The 2018/19 Annual Financial Statements were audited and an unqualified report was issued.

Customer levies and licence fees from licenced utilities contribute towards funding of the Authority's operations. In the reporting period, LEC's customers' contribution amounted to M33, 507,384.00 while WASCO's customers' contribution was M2, 863,716.00. The total revenue of M36, 371,100.00 was derived from levies. Table 19 reflects LEWA's revenue for the year.

CHIEF EXECUTIVE'S REPORT

Table 19: 2018/19 Received Revenue	
ITEM	Maloti
Customers' Levy	36,371,100.00
License Fees	8,231,524.00
Finance Income ⁴	1,447,058.00
Total	46,049,682.00

The Authority's total expenditure was M42, 886,678.00 in the Financial Year. The Analysis of Major Financial Ratios for the Authority is outlined below.

Current Ratio

The Current Ratio refers to a ratio that measures the liquidity of an entity as to whether it has enough resources to meet short term obligations. The Authority's current ratio stood at 29.5. This was better than that of the previous financial year which was 21.2. The significant improvement in the Current Ratio was mainly due to an increase in cash and cash equivalents. This indicated that the Authority's cash position was in a good condition and could have sufficiently met its short-term obligations.

Debt Ratio

Debt ratio refers to the proportion of an entity's assets that are financed by debt. The Authority's Debt Ratio was 11.9%, there is a slight change in performance from the previous Fiscal Year which was 11%.

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 revenue and associated expenses. The Authority's profitability stood at 7% in the reporting period.

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 M7, 761,140.00.

ADMINISTRATION

Acquisition of Site

LEWA continued engaging relevant Authorities on the acquisition of its site and negotiations were at an advanced stage. The acquisition of own office space would reduce the Authority's spending on high rental expenses.

STATUTORY REPORTING

As required by the Act, as amended the 2017/18 Annual Report was issued to Parent Ministries within the specified statutory provision and subsequently published.

⁴ Interest on investments.

CHIEF EXECUTIVE'S REPORT

TO PROMOTE STAKEHOLDER AWARENESS, EMPOWERMENT AND PROTECTION

LEWA Stakeholder Outreach and Sensitisation

Throughout the reporting period, communication programs were developed and implemented with the aim of building brand awareness, sustaining stakeholders' relationships and enhancing public participation in regulatory processes. The Authority used newspapers, radios, television and its website to disseminate and reach to its broad audience. Face to face meetings, adverts, advertorials and special request features from various radio stations were discussed on issues that include but not limited to the LEWA mandate, complaints handling procedure and the importance of participating during the tariff determination processes. Public meetings and workshops were held in the districts of Qacha's Nek, Mophale's Hoek, Mafeteng, Thaba-Tseka, Bera and Leribe.

In order to enhance LEWA's visibility, LEWA District Committees were established and made operational. Each Committee made a composition of 12 members. They all underwent training in order to enhance their understanding of the Authority's mandate and so that they could easily perform their duties. Publications such as brochures and newsletters were produced on topics relating to the LEWA mandate. These publications served as the stakeholders' information tool on the Authority's, regional and international activities.

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In observance of the Memorandums of Understanding (MoUs) entered into between Leretholi Polytechnic (LP) and the National University of Lesotho (NUL), the Authority awarded prizes to best performing students in physics and electronics, economics, biology and chemistry, electrical engineering and water engineering. The Authority through its Corporate Social Responsibility (CSR) initiatives contributed to the Queen's National Trust Gala Dinner and Public Service Day celebrations.

Regional and International Cooperation Activities

The Authority collaborates with other member regulators on information sharing, regional regulatory cooperation and capacity building. The Authority is a member of different regional and international regulatory bodies namely, 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).

The highlights of LEWA's participation in each of the Associations are reflected below.

Regional Electricity Regulators' Association of Southern Africa (RERA)

LEWA took part in the 15th Annual Conference of the Regional Electricity Association of Southern Africa (RERA) hosted by the Malawi Energy Regulatory Authority (MERA) in November 2018 under the theme "regulating to enhance energy diversification for increased access and security of supply, 'Building and Regulating a Sustainable Energy Future: A case for the SADC Region'". Salient developments under RERA included the review of the Association's constitution and the presentation of the RERA's financial statements. The Authority was represented in all RERA structures' meetings organised during the reporting period. LEWA's participation in RERA meetings contributed in the production of RERA 2017 Tariff Publication document; which enables information sharing amongst RERA members and stakeholders.

CHIEF EXECUTIVE'S REPORT

Another lesson was that EU had provided funding totalling EUR 7 million for technical assistance. The funding will be used to enhance a sustainable regional energy market in the Eastern Africa, Southern Africa and Indian Ocean (EA-SA-IO) region and to contribute to the achievement of United Nations (UN) Sustainable Development Goals (SDGs) 5 (Gender Equality), 7 (Affordable and Clean Energy) and 12 (Responsible Consumption and Production). The funding had been mobilised for the next four years. The project was amongst other things intended to support action to:

- Develop regulatory frameworks to nurture a regional energy market that is efficient, sustainable, harmonised and able to attract investments as well as promote universal access;
- Develop model frameworks that enhance the integration of gender perspectives in energy policy and regulation; and
- Enhance the renewable energy regulatory frameworks to promote investment in renewable energy.

RERA undertook two peer reviews of: Botswana Energy Regulatory Authority (BERA) and of Electricity Control Board of Namibia (ECB) and results of the reviews was shared amongst members.

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

The Authority attended meetings of Eastern and Southern African Water Regulators' Association (ESAWAS) and participated in the peer review exercise of Rwanda Utilities Regulatory Authority's (RURA). The Authority attended ESAWAS General Conference and Assembly in Rwanda under the theme 'the regulatory environment for accelerating access to WSS services with focus on sanitation and climate resilient systems: leaving no one behind'. The deliberations focused on service delivery efforts being made by service providers from infrastructure and financing options (both onsite and offsite) to solid-waste management. The regulatory frameworks for inclusive sanitation service provision that incorporate non-sewered sanitation and mainstream climate change were also deliberated on. Participants agreed that the focus on sanitation ought to be holistic with service delivery options. The other focus was on the development of climate change resilient infrastructure.

ESAWAS members discussed benchmarking reports of large water utilities and national water utilities such as WASCO. Consequently, WASCO consistently came 5th on performance categories; namely, quality of service, economic efficiency and operational sustainability.

LEWA participated in the ratification of Memorandum of Understanding between ESAWAS and Water and Sanitation for the Urban Poor (WSUP) aimed at strengthening the delivery of services to the poorest urban residents.

The AGM decided that LEWA would be an alternative host for the 2019 AGM and conference to be hosted by Burundi. LEWA was part of a team that visited Manila, Philippines to explore the modalities of inclusive sanitation.

African Forum for Utility Regulators (AFUR)

The Authority participated in the African Forum for Utility Regulators (AFUR) Sectoral Committee and the Executive Committee meetings in Pretoria, South Africa, in August 2018. The Sectoral Committee meeting focused on the work plans of the Energy, Water and Sanitation, Information and Communications Technology and Transport Sectors of AFUR. The Sectoral Committee report, among other things, observed that the work of Sectoral Committees was

CHIEF EXECUTIVE'S REPORT

very important because their work formed a cornerstone for the Executive Committee's functions. The Authority attended AFUR Annual General Meeting in Victoria Falls, Zimbabwe wherein the recruitment of AFUR Executive Secretary, AFUR's Activity Plan and Budget were deliberated on.

LEWA as a Deputy Chair of AFUR, directed the resolutions to the introduction of the Sectoral Committees as a basis for the Executive Committee function. As a result, it was recommended that the following areas be included under capacity building objective:

- Negotiation Skills with a focus on: Public Private Partnerships (PPPs) and Power Purchase Agreements (PPAs);
- Regulatory Impact Analysis: Costs and Benefits and Impacts Assessment;
- Effective Risk Identification and Management: Reputational risks;
- Regulatory Governance training on an annual basis, to accommodate personnel changes in Regulators;
- Effective communication and stakeholder engagement;
- Development of smart grids.

30 TO INCREASE ACCESS TO ELECTRICITY, WATER AND SEWERAGE SERVICES

In the ESI, the Authority participated in all the Energy Sector Coordination Forum (ESCF) meetings organised during the reporting period. In those meetings, the Lesotho Electrification Master Plan 2017 draft which covers a 20-year period from 2019 to 2038 was deliberated upon.

Universal Access Fund Administration

LEWA monitored interventions geared towards increasing coverage of electricity, urban water and sewerage services. The Authority approved M34.7 Million for projects to be implemented under the Universal Access Fund (UAF). A total of M2.2 Million was spent during the Financial Year and these included work in progress for the previous Financial Year. Six (6) electrification projects were identified for funding under the UAF, these were, Ha Nkhema, Ha Lethena in Maseru district, Ha-Ramajoro, Makujoane and Koma-Koma in Berea district, Mpape in Leribe district and Motse-Mocha in Mohale' Hoek district. No disbursements were made for these projects.

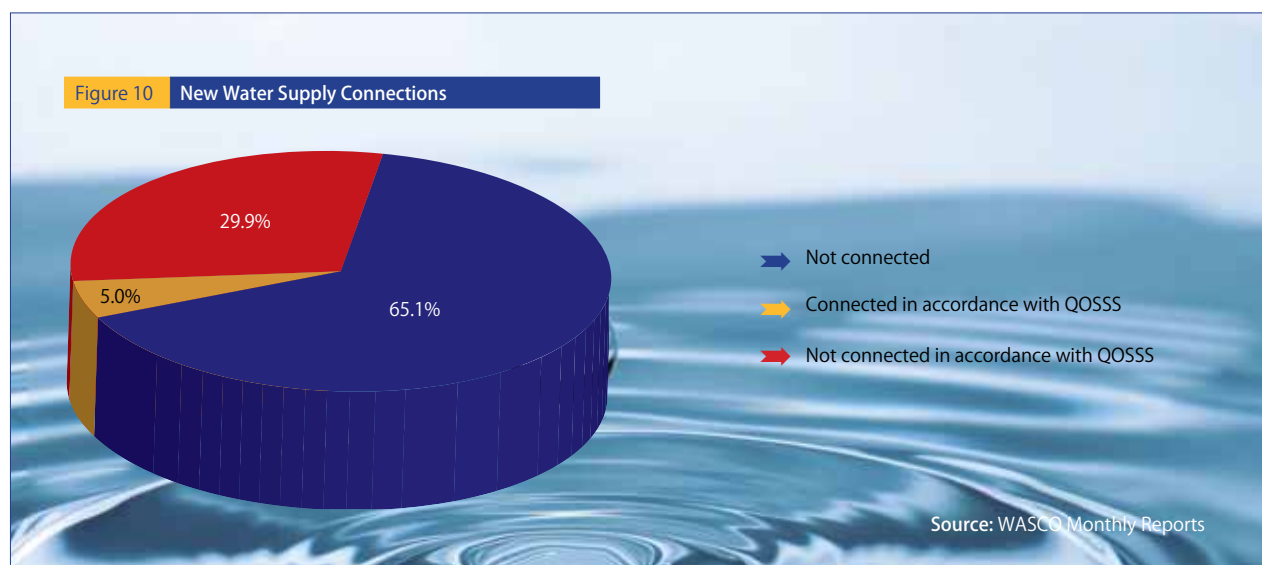
Electricity coverage

A total of 15,498 new electricity connections were made in the reporting period and 14,507 of them were domestic. The new connections increased the total LEC customer base to 250,279. The country's electricity demand was 177.31 MW while installed local generation remained at 74.7 MW. Consequently, the country continued importing electricity from the Mozambican and South African national utilities, EDM and ESKOM respectively; and

CHIEF EXECUTIVE'S REPORT

Water and Sewerage coverage

A total of 4,452 new water connections were effected by WASCO in 2018/19. The new connections increased the total number of WASCO customers to 104, 564. There were 319 new sewer connections which brought the total number of WASCO customers to 7,958. Only 5% of the new connections were installed within 10 working days; that is, in accordance with QOSSS target as shown in Figure 10.



CHIEF EXECUTIVE'S REPORT

KEY ISSUES AND CHALLENGES

The Authority has during the year faced challenges which have included those pertaining, inter alia:

- Tariff determination process: The main challenge has been the delay in the validation of inadequate and the inaccurate data provided by the utility companies;
- Development of the regulatory frameworks: Tender Documents, Procedures for Tendering, Model Implementation Agreement and Procedures for Off-Grid Concessions for Renewable Energy (RE) projects were yet to be approved by the Parent Ministries and thus delaying the finalisation of Renewable Energy Framework (REF) to complement (RE) Licences issued by LEWA. The delay in the approval of the renewable energy framework documents counters the much needed investment in the electricity generation;
- Monitoring of Licencee performance: There was continued non-compliance with regard to submission of electricity transmission and interconnector capacity statements and water supply leakage reduction program by the licensees. This has affected LEWA's ability to monitor LEC's compliance to the transmission system and interconnector reliability. On the other hand, the absence of WASCO's leakage reduction program progressively worsens the Non-Revenue Water (NRW);
- EAPPS Customer Satisfaction Survey: The customer satisfaction survey was undertaken on the EAPPs. One of the major findings was that the service provider was not known to its customers. Therefore, this requires an enhancement of educative public awareness on the projects;
- Resolution of customer complaints: Licensees have invariably been slow in making representations to LEWA within prescribed timeframes. As a result, there is an increased LEWA's reputational risk and customer dissatisfaction; and
- Implementation of inspections recommendations: Both Licencee's failure to provide LEWA with action plans on remedial measures. Therefore, this affects the effective monitoring of service delivery by utilities.

CHIEF EXECUTIVE'S REPORT

WAY FORWARD

As observed consistently throughout this Report the major challenge has been that of continued Licensees' regulatory non-compliance with Licencees conditions, QOSSS provisions and other regulatory tools.

At the strategic level, the Boards of LEWA and the regulated Utilities will continue to hold biannual meetings to address compliance issues. The Licensees will be required to adhere to licence conditions such as the provision of credible information on the availability of resources, capacity statements, maintenance preventative plan, and finalisation of codes of practice and bulk supply reports. Additionally, the Authority will hold quarterly meetings, workshops and meetings with licensees to discuss progress on the implementation of remedial measures needed following inspections and customer complaints. The Authority will enhance its efforts to obtain MEM's policy clearance on the approval of outstanding regulatory frameworks. The Authority will assess subsequent tariff Applications for both LEC and WASCO on, inter alia, Key Performance Indicators (KPIs), to force Licencees to provide adequate and accurate information. LEWA will finalise a Regulatory Impact Assessment (RIA) framework to assist with pre and post-implementation of regulatory decisions.

In conclusion, I wish to convey the Authority's gratitude to the Parent Ministries for the support and policy guidance that they have provided throughout the year. The assistance offered by cooperating partners, such as the AfDB in areas such as CoSS development, is highly appreciated. ESI and UWSS stakeholders who include Consumers, Licencees, potential investors and others are acknowledged for their enduring support to the Authority. Last but not least, the Members of the Board and LEWA's staff are applauded for their dedication and professionalism in the performance of their duties in 2018/19.



Lebohang K. Moleko (Professor)

Chief Executive

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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:

Mr. P. Mochesane
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.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Board is 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 the results of its operations and cash flows for that period. The annual financial statements set out on pages 38 to 55 are the responsibility of the Board.

The Board is 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 Board is 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 Board considers that, in preparing the financial statements for the year ended 31 March 2019 set out on pages 38 to 55, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Board also consider that all applicable International Financial Reporting Standards (IFRS) and risk management principles have been followed and confirms 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 36 - 37.

The Board is 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 Board has reviewed the Authority's cash flows forecast for the year ended 31 March 2019 and, in light of the review and current financial position, it is 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 38 to 55, which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue by the Board and signed on its behalf by:



CHAIRPERSON

15 October, 2019



CHIEF EXECUTIVE OFFICER

15 October, 2019



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 2019

Opinion

I have audited the financial statements of Lesotho Electricity and Water Authority (LEWA) set out on pages 38 - 55, which comprise the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 2019, 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 (ISA). 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 the 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 matters, 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.

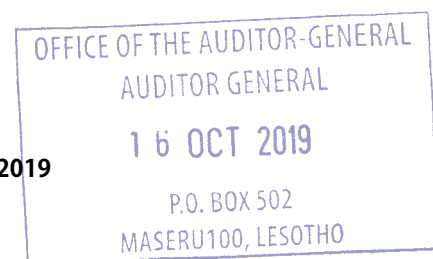
I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statements 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.



Refiloe Thakaso (Mrs)
for Auditor General

16 OCTOBER 2019



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

ASSETS	Notes	2019 M	2018 M
Non - Current Assets			
Property, Plant and Equipment	8	3,006,173	4,886,789
Current Assets			
Cash & Bank	9	96,588,352	65,380,359
Trade & Other Receivables	5 & 11.2	7,650,003	7,681,449
		104,238,355	73,061,808
Total Assets		107,244,528	77,948,597
FUNDS & LIABILITIES			
Funds and Reserves			
Retained Surplus	13	26,157,271	22,260,649
Revaluation Reserve	14	1,475,958	2,213,937
Universal Access Fund Balance	11	66,694,820	44,885,514
		94,328,049	69,360,100
Non-Current Liabilities			
Gratuity	6.1	9,227,456	6,347,974
Current Liabilities			
Bank Overdraft	9-10	737,633	729,474
Gratuity	6	2,052,640	1,299,108
Trade & Other Payables	6	898,750	211,941
		3,689,023	2,240,523
Total Funds and Liabilities		107,244,528	77,948,597

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 M	2018 M
INCOME			
Customers' Levy	4	36,371,100	35,903,952
License Fees	3	8,231,524	7,636,361
AfDB Grant	2	-	1,566,023
Universal Access Fund	11 & 15	2,238,940	4,581,252
		46,841,564	49,687,588
EXPENDITURE			
Staff Costs	16	28,035,537	23,713,208
Depreciation	8	1,937,782	1,839,289
Directors Expenses	16	2,990,497	987,888
Audit Fee		43,250	47,000
Universal Access Fund	11 & 15	2,238,940	4,581,252
Operating Costs	16	9,876,933	11,112,089
		45,122,939	42,280,726
Surplus /(Deficit) From Operations		1,718,625	7,406,862
Loss Assets Sale		(7,040)	(61,112)
Finance Income	12	1,447,058	864,450
Sundry Income		-	39,341
Total Other Income		1,440,018	842,679
Surplus for the year		3,158,643	8,249,541
COMPREHENSIVE INCOME			
Revaluation Reserve	14	737,979	1,106,968
Total Comprehensive Income for the Year		3,896,622	9,356,509

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 MARCH 2019

	Revaluations Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
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
Universal Access Fund	-	-	17,872,947	-	17,872,947
Surplus for the year	-	-	-	8,249,541	8,249,541
Balance at 31/03/2018	2,213,937	-	44,885,514	22,260,649	69,360,100
Amortisation for the year	(737,979)	-	-	737,979	-
Surplus for the year	-	-	-	3,158,643	3,158,643
Universal Access Fund	-	-	21,809,306	-	21,809,306
Balance at 31/03/2019	1,475,958	-	66,694,820	26,157,271	94,328,049

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 M	2018 M
Surplus for the Year		3,158,643	8,249,541
Adjustment for:			
(Increase)/Decrease in Receivables		31,446	78,358
Increase/(Decrease) in Payables		1,440,341	(65,734)
Depreciation		1,937,782	1,839,289
Gain /(Loss) on Disposal of Fixed Assets		7,040	61,112
Net Cash from Operating Activities		6,575,252	10,162,566
Investing Activities:			
Purchase of Fixed Assets	8	(70,123)	(1,991,550)
Disposal Proceeds		5,917	131,195
Net Cash Used in Investing Activities		(64,206)	(1,860,355)
Financing Activities			
Gratuity		2,879,482	2,243,027
Universal Access Fund		21,809,306	17,872,947
Net Cash Used in Financing Activities		24,688,788	20,115,974
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		31,199,834	28,418,185
Cash and Cash Equivalents at the Beginning of the Year		64,650,885	36,232,700
Cash and Cash Equivalents at the end of the year	9	95,850,719	64,650,885

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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 2019

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 2019

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 2019

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 2019

	2019 M	2018 M
2. AfDB Grants	-	1,566,023
3. Licence Fees		
LEC	6,172,919	5,196,787
LHDA	1,203,364	1,117,326
WASCO	855,241	1,322,248
	8,231,524	7,636,361
4. Customer Levies		
LEC	33,507,384	32,919,722
WASCO	2,863,716	2,948,230
	36,371,100	35,903,952
5. Trade & Other Receivables		
LEC & WASCO – Customers' & Electrification Levies	6,804,654	6,426,815
Trade & Other Receivables	845,349	1,254,634
	7,650,003	7,681,449
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	2,052,640	1,299,108
Trade & Other Payables	898,750	211,941
	2,951,390	1,511,049
6.1 Falling due after 1 year		
Gratuity	9,227,456	6,347,974
	12,178,846	7,859,023

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 M	2018 M
7. Operating Lease obligation		
Minimum lease payments due:		
- Within 1 year	2,760,966	2,556,450
- In third to fifth year inclusive	9,680,256	12,441,222
Present Value of minimum lease payments	12,441,222	14,997,572

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 2019

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, 2018	539,582		78,513		2,755,111		17,937		2,220,494		398,078		6,009,715	
Additions	-		-		60,123		10,000		-		-		70,123	
Revaluation Adjust:	-		-		-		-		-		-		-	
Disposal	-		(11,778)		(17,000)		(3,053)		-		-		(31,831)	
Revaluation	-		-		-		-		-		-		-	
At March 31, 2018	539,582		66,735		2,798,234		24,884		2,220,494		398,078		6,048,007	
DEPRECIATION														
At April 1, 2018	206,091		35,558		881,279		-		-		-		1,122,928	
Charge for the year	107,917		18,647		933,653		4,717		740,158		132,690		1,937,782	
Adjustments	-		(7,133)		(11,334)		(407)		-		-		(18,874)	
At March 31, 2019	314,008		47,072		1,803,598		4,310		740,158		132,690		3,041,836	
CARRYING VALUE														
At March 31, 2019	225,574		19,663		994,638		20,574		1,480,336		265,388		3,006,173	
At March 31, 2018	333,491		42,955		1,873,832		17,937		2,220,494		398,078		4,886,789	

All assets values were reviewed on the 31 March 2019 in compliance with IAS 16 to reflect their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

8.1 Committed Funds

M791,263.00 has been committed for purchase of fixed asset as follows:

IT Equipment	M707,876.55
Freehold Refurbishment	M 83,386.50

9. Cash & Cash Equivalents	2019	2018
	M	M
Cash and cash equivalents are measured at fair price and consists of:		
Petty Cash	7,500	7,500
Short-Term Deposits – (NedBank)	3,963,238	2,217,685
Short-Term Deposits – (StanLib)	28,489,930	20,646,271
Central Bank of Lesotho	2,107	1,563
	32,462,775	22,873,019
Current Accounts – UAF (Standard Lesotho Bank)	6,966,131	6,035,586
Short-Term Deposits – UAF (StanLib)	57,159,446	36,471,754
	96,588,352	65,380,359
Bank Overdraft – (NedBank)	(737,633)	(729,474)
Total	95,850,719	64,650,885

10. Bank Overdraft

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

11. Universal Access Fund (UAF) - Receipts & Payments	2019	2018
	M	M
Receipts		
Levies Collection	21,289,423	20,767,418
Finance Income (i)	2,758,823	1,686,781
TOTAL	24,048,246	22,454,199
Expenditure		
Electrification Projects	2,221,754	4,504,619
Bank Charges/Other Costs	17,186	76,633
TOTAL	2,238,940	4,581,252
Movement in UAF – For the year	21,809,306	17,872,947
Universal Access Fund –B/F	44,885,514	27,012,567
Universal Access Fund Balance (ii)	66,694,820	44,885,514

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	2019	2018
	M	M
LEC / STANLIB	2,579,024	2,436,968
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 M26 million had been approved for electrification projects for the next financial year, while M13.4 million is committed to approve projects which are still in progress.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

12. Investment Income	2019	2018
	M	M
	1,447,058	864,450
Interest received on short term investment with STANLIB Lesotho (Pty) Ltd & NedBank Lesotho Call Account.		
13. Retained Surplus / (Deficit)	2019	2018
	M	M
Income	44,602,624	45,106,337
Expenditure	42,884,000	37,699,475
Operating Surplus/(Deficit)	1,718,624	7,406,862
Disposal Gain/(Loss)	(7,040)	(61,112)
Total Other Income	1,447,058	903,791
Surplus/(Deficit) for the year	3,158,643	8,249,541
Revaluation Reserve Amortisation	737,979	1,106,968
Surplus B/F	22,260,649	12,904,140
Retained Surplus/(Deficit)	26,157,271	22,260,649
14. Revaluation Reserve	2019	2018
	M	M
Balance at the beginning of the year	2,213,937	2,625,117
Increase during the year	-	695,788
Amortised during the year	(737,979)	(1,106,968)
Balance at the end of the year	1,475,958	2,213,937

14.1 Revaluation Reserve is amortised over a period of three years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

15. Universal Access Fund (UAF) Projects					
Villages Name/Projects	Name of Contractor	Approved Contracts	Payments Project	Savings	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	-	12,381	-
Ha Fusi	Lesehe Constr.	195,076	-		195,076
Liqhooeng	B & G Electrical	131,550	-		131,550
Mosaqane	Moramo Civils	3,900,280	401,737		1,032,425
Masitenek (Rothe)	Lesehe Constr.	463,036	224,964		238,072
Melikane	-	2,700,000	-		2,700,000
Ha Nyatso	Moleko Electr.	1,018,028	277,577		63,914
Makopela	Escon	2,713,832	1,317,507		420,589
Lethena & Nkhema	KR Holdings	8,574,838	-		8,574,838
Mapape	Selemela Const.	3,506,133			3,506,133
Ha-Ramajoro	Mohlawe Tech.	3,340,503			3,340,503
Makujoe	Daystar	3,901,284			3,901,284
Motse- Mocha	B & G Electrical	9,218,700			9,218,700
Koma- Koma	Power Factor	6,267,255			6,267,255
TOTALS		41,841,486	2,221,785	19,362	39,590,339
Committed Funds					39,590,339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

16. Detailed Statement of Comprehensive Income	2019	2018
	M	M
INCOME:		
Customers' Levy	36,371,100	35,903,952
Licence fees	8,231,524	7,636,361
World Bank & AFDB Grants	-	1,566,023
	44,602,624	45,106,336
Universal Access Fund	2,238,940	4,581,252
Other Income		
Finance Income	1,447,058	864,450
Other Income	-	39,341
Gain/(Loss) Assets Sale	(7,040)	(61,112)
	1,440,018	842,679
Total Income	48,281,582	50,530,267
Less: Expenditure		
Directors' Expenses:		
Director's Fees	1,443,228	472,093
Other Costs – Board	299,527	117,941
Board Training	1,247,742	397,854
	2,990,497	987,888
Staff Costs:		
Staff Remuneration & Benefits	20,791,012	17,511,679
Gratuity	5,165,072	4,296,619
Staff Training/Workshops	1,937,006	1,858,565
Health & Wellness allowance	38,622	27,883
Staff Uniform	103,825	18,462
	28,035,537	23,713,208
Operating Costs:		
Stationery	293,554	210,038
Advertising	62,465	136,884
Cust. /Stakeholder Empower.	632,710	363,800
Publications	23,106	3,312
LEWA Literature	1,197	21,934

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

16. Detailed Statement of Comprehensive Income (continued)	2019	2018
	M	M
Consumables assets below M1,500	-	-
RERA,ESAWAS & AFUR subscriptions	856,846	868,058
Office Expenses	208,928	433,010
Transport Costs	199,835	197,519
Bank Charges	59,647	47,082
Rent	2,343,413	3,614,213
Electricity	239,129	197,950
Telephone	166,906	138,759
Internet	72,000	71,000
Corporate Social Responsibility	38,477	72,074
Insurance	134,491	122,501
IT Expenses	202,472	227,666
RERA Meetings and Workshops	693,324	914,481
AFUR Meetings and Workshops	166,575	188,308
International Meetings and Workshops	411,398	440,351
Risk Management Expenses	94,304	138,239
ESAWAS Meeting and Workshops	507,329	254,285
Annual Report	46,987	46,987
Inspection Costs	57,426	422,917
Promotional Items	380,844	298,459
Regulatory Impact Assessment	289,701	41,437
Public Hearing	507,791	5,672
Universal Access fund (Elect. Projects)	2,238,940	4,581,252
Casual Labourers	5,850	15,453
African Peer Review	-	79,026
Advocacy	5,175	-
Security	5,891	5,865
Cost of Supply Study	124,005	24,214
Cost of Service Study	568,527	1,842,777
ICT Consultant	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

16. Detailed Statement of Comprehensive Income (continued)	2019	2018
	M	M
Workman's Compensation	64,080	64,080
Strategic Plan	194,444	-
HR Consultant	227,106	
Other costs:		
Audit Fees	43,250	47,000
Depreciation	1,937,782	1,839,289
Operating & Other Expenses	14,096,905	17,575,893
Total Expenses	45,122,939	42,280,726
Surplus/ (deficit) for the year	3,158,364	8,249,541

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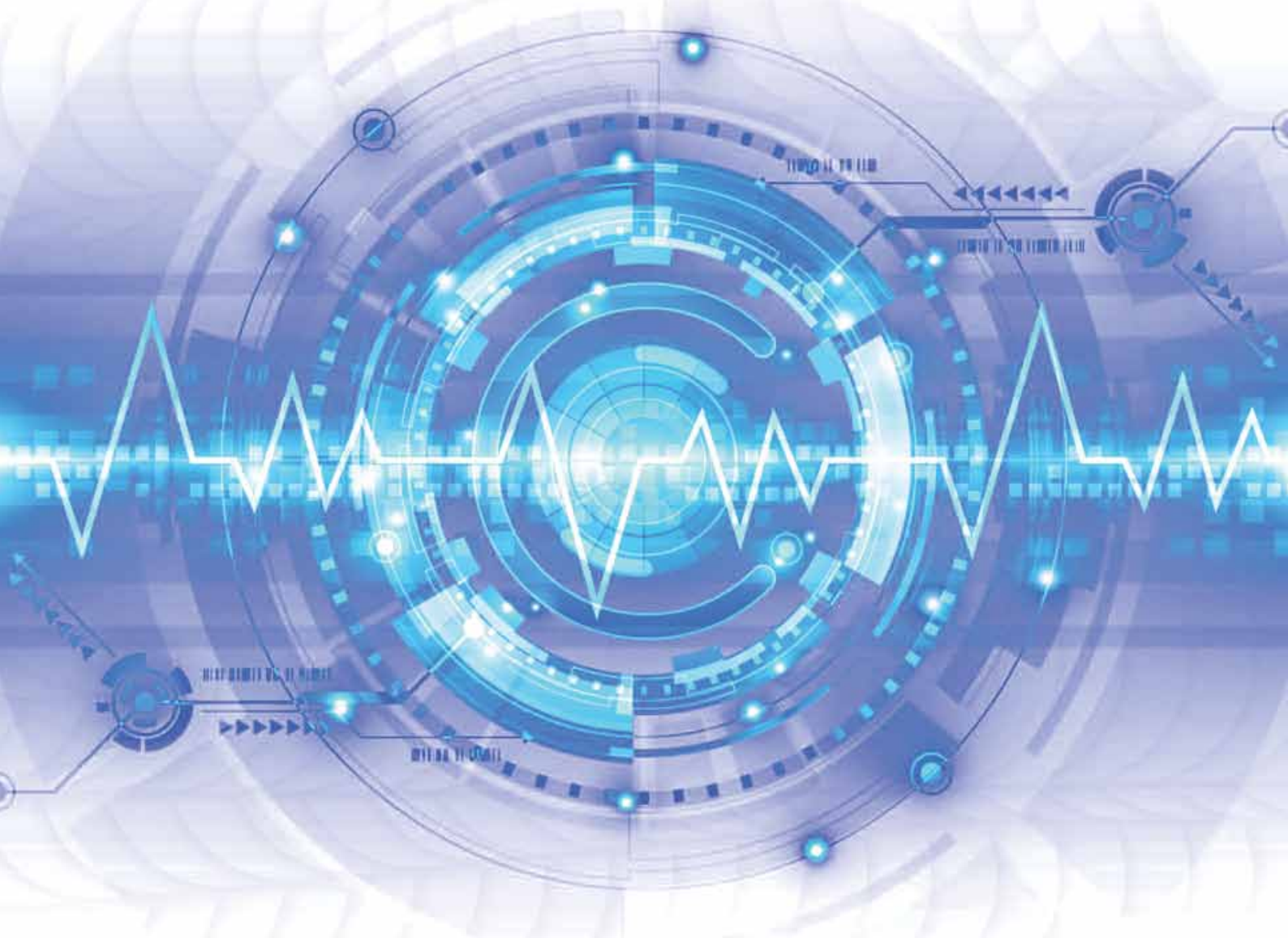
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