



LESOTHO
ELECTRICITY AND WATER
AUTHORITY











2019 - 20

ANNUAL REPORT

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A PARTNER TO ALL FOR SUSTAINABLE SERVICES.
RE SELEKANENG SA MOSHOELELLA.

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LIST OF ABBREVIATIONS

AFUR	African Forum for Utility Regulators
AGM	Annual General Meeting
AR	Annual Report
CF	Capacity Factor
CSR	Corporate Social Responsibility
DA	District Administrators
DLIs	Disbursement Linked Indicators
DoE	Department of Energy
EAF	Energy Availability Factor
EAPPs	Electricity Access Pilot Projects
ESAWAS	East and Southern Africa Water and Sanitation Regulators Association
ESI	Electricity Supply Industry
ICT	Information and Communications Technology
ISO	International Standards Organisation
KPIs	Key Performance Indicators
LDCs	LEWA Districts Committees
LDF	Lesotho Defence Force
LEA	Lesotho Electricity Authority
LEC	Lesotho Electricity Company
LEWA	Lesotho Electricity and Water Authority
LF	Load Factor
MD	Maximum Demand
MEM	Ministry of Energy and Meteorology
MOU	Memorandum of Understanding
MoW	Ministry of Water
NRW	Non-Revenue Water
OF	Operating Factor
PCLF	Planned Capability Loss Factor
QoSs	Quality of Service and Supply Standards
RE	Renewable Energy
RERA	Regional Electricity Regulators' Association of Southern Africa
REU	Rural Electrification Unit
RFs	Reporting Forms
RIA	Regulatory Impact Assessment
RR	Revenue Requirement
SE4AL	Sustainable Energy for All Project
SC	Standing Charge
SOs	Strategic Objectives
SP	Strategic Plan
UCF	Unit Capability Factor
UCLF	Unplanned Capability Loss Factor
UWSS	Urban Water and Sewerage Services
WASCO	Water and Sewerage Company
WSTFSS	Water and Sewage Treatment Facilities Safety Standards

PURPOSE OF LEWA 2019/20 ANNUAL REPORT

The 2019/20 Annual Report provides an account of the Authority's performance in the regulation of the ESI and UWSS sector, in fulfilment of the requirements of Section 28 of the LEA Act, 2002, as amended. This report thus provides progress on the implementation of the Authority's Annual Business Plan (ABP) highlighting achievements made, challenges encountered and outlook for the future.

FOR MORE INFORMATION, OUR CONTACT DETAILS ARE AS FOLLOWS:

Official name	Lesotho Electricity And Water Authority
Physical address:	7 th Floor Moposo House, Kingsway, Maseru
Postal address:	P/Bag A315, Maseru 100
Telephone number/s:	(+266) 22312479
Fax number:	(+266) 22315094
Email address:	secretary@Lewa.org.ls
Website address:	www.lewa.org.ls
Facebook:	Lesotho Electricity and Water Authority –LEWA
Twitter:	officialLEWA_1
Auditors:	The Auditor General

CORPORATE STATEMENTS

Vision: "To be a progressive utility regulator that facilitates the promotion of and access to sustainable, affordable and quality regulated services".

Mission: "To regulate the electricity, urban water and sewerage services in the interests of all stakeholders and support their growing and ever-changing needs".

Regulatory Principles

LEWA has adopted the following regulatory principles:

- **Consistency and Predictability:** The Regulator should endeavour to act consistently 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 Regulator should ensure, at all times, that the entire regulation process is transparent and open to the public scrutiny and regulated utilities and stakeholders' participation.
- **Accountability:** The Regulator should recognize its responsibility to regulated utilities and stakeholders and the public and ensure accountability at all levels.
- **Neutrality:** The Regulator should be neutral, fair and non-discriminatory to all.

Values

The Authority embraces the following values:

- **Customer focus:** The Authority shall prioritise customer needs and expectations at all times to achieve and maintain regulatory compliance.
- **Operational Excellence:** The Authority shall achieve the highest level of regulatory compliance for all the regulated utilities and stakeholders and customers by adhering to the turnaround times agreed upon with the regulated utilities, stakeholders and customers.
- **Effective Communication:** The Authority shall at all times, maintain mutual communication process between customers and LEWA.
- **Integrity:** The Authority's decisions and practices shall be honest, reliable, ethical and unbiased.
- **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, extensive consultation of all regulated utilities and stakeholders and appreciation of diverse perspectives in the discharge of its duties and functions.

Motto

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

EXECUTIVE SUMMARY

THE LESOTHO ELECTRICITY AND WATER AUTHORITY (LEWA) is a statutory body established in terms of Lesotho Electricity Authority (LEA) Act, No. 12 of 2002, as amended, to regulate both the Electricity Supply Industry (ESI) and the Urban Water and Sewerage Services (UWSS) subsector in Lesotho. The Authority's major functions include issuing licences to entities that want to carry out any regulated business; determining electricity, urban water and sewerage services tariffs and charges; implementing customer complaints rules and standards; establishing and maintaining technical and performance standards for the regulated sectors, as well as monitoring and enforcing regulated entities' compliance with such standards. The Authority has issued licenses to Lesotho Electricity Company (LEC), Lesotho Highlands Development Authority's (LHDA) 'Muela Hydropower Station (MHP), Water and Sewerage Company (WASCO) while the Department of Energy (DoE) has been issued with a licence exemption to operate Electricity Access Pilot Projects (EAPPs) in Dilli-Dilli/ Sixondo, Qholahoe and Ha Sekake through the Rural Electrification Unit (REU).

The LEWA 2019/20 Annual Report (AR) provides an account of the achievements, challenges and outlook for the first year of the implementation of the Authority's 2019/20 - 2023/24 Strategic Plan (SP). The SP has five Strategic Objectives (SOs), from which the Annual Business Plan (ABP) for the reporting period is derived. Strategic issues that are relevant to the macro-environment in which LEWA operates as well as the Board activities are reflected under the Chairperson of the Board's Statement. A detailed account of the implementation of the 2019/20 ABP is made under the Chief Executive's Report.

The Authority reviewed its communication strategy and implemented communication programs to create and sustain relationships with stakeholders and the public, whilst enhancing their awareness of LEWA as a brand. The Authority undertook Corporate Social Responsibility (CSR) programs as a responsible and caring organisation. LEWA participated in different regional and international events organised by the African Forum for Utility Regulators (AFUR), the Regional Electricity Regulators Association (RERA) and the Eastern and Southern Africa Water and Sanitation (ESAWAS) Regulators Association. The Authority collaborates with these regional and international bodies for purposes of information sharing, knowledge transfer and capacity building.

In the reporting period, the Authority finalised two tariffs and charges adjustment Applications for the Financial Year 2019/20 from LEC and WASCO. The Authority also received two Applications from LEC and WASCO for the Financial Year 2020/21.

In the Financial Year 2019/20, LEC lodged the tariffs review Application with LEWA requesting approval of RR of M1.075 billion and an increase of 14.23% in Energy and Maximum Demand (MD) charges for all customer categories. Following the holding of public hearings to solicit public views and comments on LEC's Application, as well as LEWA's analysis of the same, the Authority approved LEC's RR of M901 million and decided that there would be no increase in electricity tariffs in 2019/20. LEWA further introduced a two-level increasing block tariff for domestic customers as a pro-poor consideration. The first block is a lifeline tariff that applies to the first 30kWh consumed by all domestic customers in a month. The second block is a standard tariff for domestic customers which applies to electricity units beyond 30kWh in a month.

LEC also lodged a tariffs review Application for the Financial Year 2020/21 to LEWA. The Company proposed a RR of M1.21 billion and an increase of 32.6 % on both Energy and Maximum Demand charges across all customer categories. At the end of March 2020, the Authority had held ten (10) public hearings in all the districts to solicit stakeholders and public comments and was analysing the Application.

EXECUTIVE SUMMARY

WASCO submitted a tariffs adjustment Application to the Authority for the Financial Year 2019/20, wherein the company requested RR of M279.04 million which was to be realised by an increase of 8.5% on Volumetric and Standing Charges in all customer categories. Also, WASCO requested that a Standing Charge (SC) be re-introduced for Band A customers at M10.00 per month. Following the completion of the due process for determining the Application, LEWA approved a 3.0% increase in Volumetric charges for all customer categories, while there was no increase in sewerage services tariffs. The Authority did not approve the re-introduction of an SC for Band A customer category. However, LEWA approved an increment of 4.7 % in SC for all other customer categories.

WASCO lodged another tariffs adjustment Application for the Financial Year 2020/21. The Company requested a RR of M239.85 million and water tariffs increase of 3.0% on volumetric charges for domestic customer Bands B, C and D. In addition, WASCO requested re-categorisation of non-domestic customers, banding of their consumption and a reduction in SCs. Due processes of determining the Application were ongoing at the end of the reporting period.

The Authority monitored the performance and compliance of licensees by, amongst other things, carrying out inspections and compliance audits on LEC's, WASCO's and REU's (EAPPs) infrastructure as well as analysing Reporting Forms (RFs).

Some of the findings on LEC's infrastructure inspections included compromised availability of supply due to the encroachment on the power-lines by buildings and trees, transformer leakages, vandalised structures and broken lightning arresters, to mention only a few. Non-compliance with license requirements continued to be a challenge for LEC in areas such as the timely provision of information, preparation of codes of practice and ring-fencing of regulated businesses.

While LEC's new connections were 18, 070 thus increasing its customer base to 268, 349, the Company had a backlog of 568 connections.

As far as Lesotho's electricity security of supply is concerned 74.7 MW is generated locally. This necessitates the country to import 121.71 MW to meet a national demand of 196.41 MW. During the reporting period, the local component was affected by the 'Muela Hydro-Power Station shutdown and drought-induced by climate change. The deficit of 121.71 MW was imported from ESKOM and Electricidade de Moçambique (EDM).

As far as the EAPPs are concerned, the DoE had not attained the set regulatory requirements in areas that include resolving customer complaints and attending to service disruptions.

WASCO infrastructure inspections revealed amongst others failure to meet some set standards for effluent quality and poor up-keep of treatment plants. The Authority analysed Reporting Forms (RFs) from WASCO. The analysis indicated that Non-Revenue Water (NRW) was around 50% and the Company failed to meet water and sewerage connection targets. Non-compliance with license requirements also remained a challenge for WASCO, for example, it failed to submit a leakage reduction program, codes of practice and remit customer levies.


WASCO made 4,232 new water connections and 139 new sewer connections in the reporting period. The total number of urban water connections increased to 112, 946, while sewer connections increased to 8,097. The Company had a backlog of 3,271 water connections and 108 sewer connections countrywide.

EXECUTIVE SUMMARY

The improvement of the efficiency of internal systems and processes and quality of service was continued in that LEWA started the process of conducting comparative research to review the regulatory framework, including the introduction of incentive regulation. In order to predetermine the impact of the Authority's decisions and processes, LEWA was in the process of finalising a Regulatory Impact Assessment (RIA) study.

As part of increasing access to electricity, the Authority was considering an application from One-Power (Pty) Ltd trading as Sotho Minigrid Portfolio (SMP) for a license to generate and distribute electricity at Ha Makebe, Berea. At the end of March, 2020, the Authority had issued a public notice for stakeholders to provide comments and inputs on the Application.

Consistent with good corporate governance practices, the Authority's Board executed its duties as planned. In doing so, the Board considered issues such as compliance, administration of Universal Access Fund (UAF) and Terms of Reference (ToRs) of all its Committees, to mention but a few. The Board met with key LEWA stakeholders including parent Ministries and Licensees' Boards. One Board member resigned from LEWA and two new Board Members were appointed. A dispute between the Appointing Authority and a former Board Member was settled out of court. Board Members were capacitated through Continuous Professional Development (CPD) comprising corporate governance and regulation of utilities.

In an effort to building a sustainable organisation, an activity-based Budget of M 50, 030, 836.00 was approved and implemented in alignment with the Annual Business Plan (ABP). Key activities that were financed by the budget included CPD and wellness activities 



LEWA GOVERNANCE

LEWA GOVERNANCE STRUCTURE

BOARD CHAIRPERSON'S STATEMENT

CHIEF EXECUTIVE'S REPORT

AUDITED FINANCIAL STATEMENTS

LEWA GOVERNANCE STRUCTURE

THE BOARD OF DIRECTORS

INTERMS OF SECTION 4 of the Lesotho Electricity Authority (LEA) Act of 2002, as amended, the Lesotho Electricity and Water Authority (LEWA) is governed by the Board of Directors. The LEWA Board of Directors comprises the appropriate balance of knowledge, skills and experience which enables the discharge of its governance role and responsibilities towards regulation of electricity and, urban water and sewerage services. The Authority's Board composition is made up of eight members, inclusive of the Chief Executive, as an ex-officio Member. The Board provides strategic direction to the Authority.



Mr. R. Mosito | Chairperson



Mr. N. Maphathe | Director



Mr. T. Hlasa | Director



Mr. T. Molelekoa | Director
until 13 March 2020



Mr. K. Masheane | Director
from 16 September 2019



Mr. M. Sekhantšo | Director
from 16 September 2019



Mrs. M. Theoha | Director



Mr. T. Letete | Director
from 11 May 2020



Prof. L.K. Moleko | Chief Executive
until 31 October 2019



Mr. M. Ramafole | Chief Executive
from 01 November 2019

- **Disclosure of Interest.** The Authority is a Government Regulatory Agency. The members of the Board do not hold any financial interest in the Authority.
- **Auditor's Appointment.** In terms of the Lesotho Electricity Authority (LEA) Act of 2002 (as amended) the Auditor General is the Auditor of the Authority.

LEWA GOVERNANCE STRUCTURE

BOARD COMMITTEES

The Board Committees assist the Board in carrying out its functions. They provide a platform for the LEWA Board to deal with specific issues that require specialised areas of expertise. The Committees assist the Board in discharging its mandate.

The Board has the following Committees:

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

The functions of the Committees of the LEWA Board are highlighted below.

Pricing and Tariffs Committee: In accordance with the provisions of the Act, the Pricing and Tariffs Committee (PTC) assists with evaluating and reviewing tariff adjustment submissions and making recommendations on appropriate prices and tariff structures.

Human Resources and Administration Committee: The Human Resources and Administration Committee (HRAC) is responsible for setting up strategic internal processes and administration interventions that help in creating an attractive environment for current and prospective employees as well as maintaining and safeguarding the Authority's assets.

Audit and Risk Committee: The Audit and Risk Committee (ARC) is responsible for the oversight role on risk management, financial reporting, systems of internal controls, governance, audit processes and monitoring compliance.

Customer Services Committee: The Customer Services Committee (CSC) assists the Board with reviewing and providing input regarding customer service policies and procedures. The Committee ensures adherence with customer service standards. The Committee further monitors and enforces Licencees' performance standards and resolves customer complaints.

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.

Below is an outline of LEWA's Department and their functions.

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, the security of supply and quality of water and effluent, and development and implementation of technical rules, codes and standards.

Economic Regulation: The Department's is responsible for developing economically sound approaches on all regulatory matters, establishing, maintaining and reviewing systems for the setting of tariffs for electricity and urban water and sewerage services tariffs and charges.

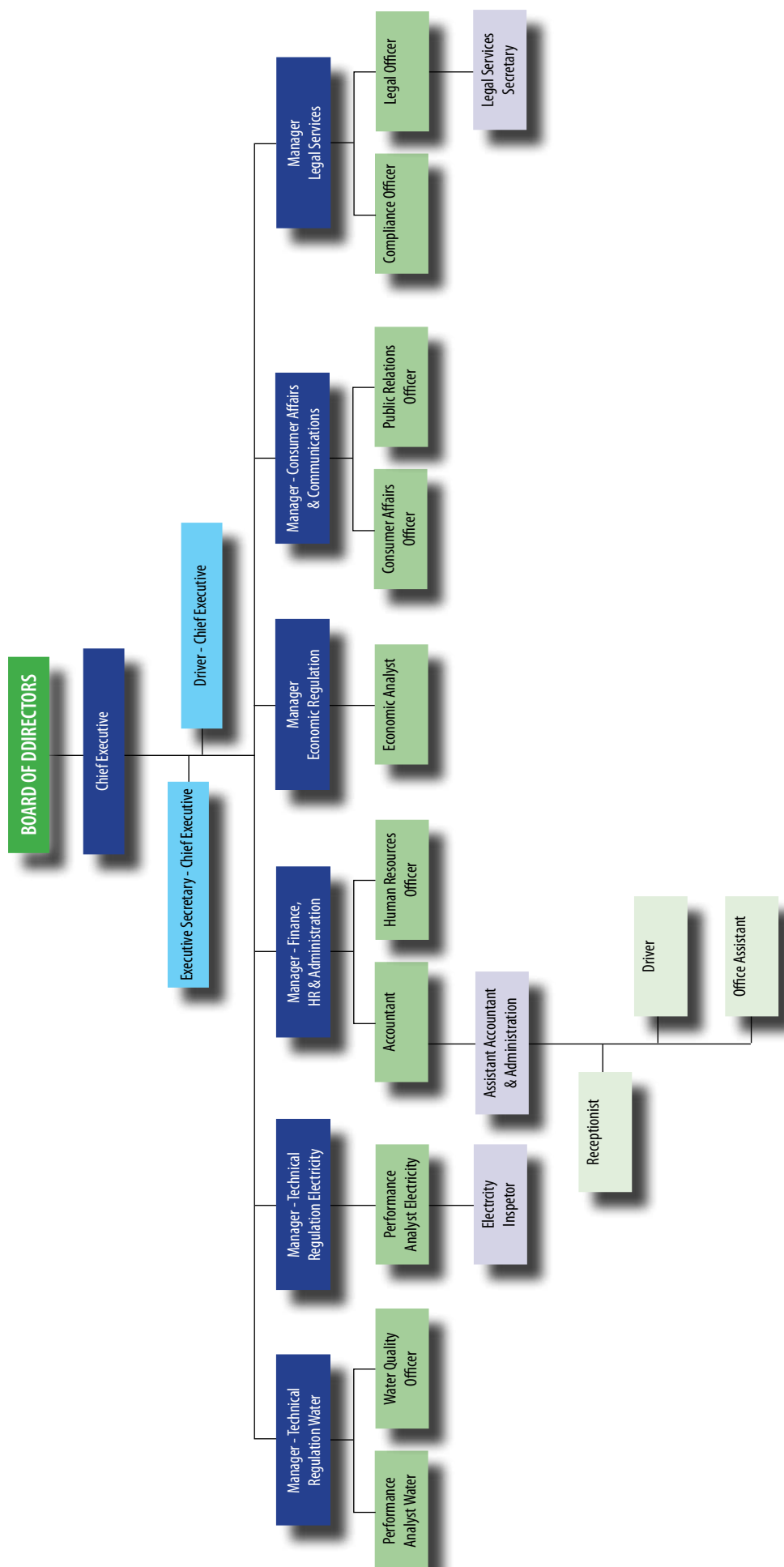
Legal Services: The Department is charged with the responsibility of ensuring that there exists an adequate Regulatory Framework as constituted by a suite of rules, regulations and procedures governing the regulated sectors. Furthermore, it provides secretarial services to the Board as well as its Committees, and legal advice to the Authority.

Consumer Affairs and Communication: The Department is responsible for undertaking different communication programs that build and, sustain stakeholders' relationships and promote awareness on the Authority's mandate. In addition, it resolves customer complaints that have been referred to the Authority.

Human Resources, Finance and Administration: The Department is responsible for the Authority's human capital, administration duties and finances. Additionally, it ensures development and implementation of internal human resources, finance and administration policies in accordance with the Corporate Governance Handbook (CGHB).




Figure 1 LEWA Organogram



REGULATED ENTITIES AND ACTIVITIES

The Electricity Supply Industry (ESI) regulated utilities are the Lesotho Electricity Company (LEC), which holds a Composite Electricity License to conduct electricity transmission, distribution and supply businesses in Lesotho; the Lesotho Highlands Development Authority (LHDA), a holder of a Generation Licence for the operation of the 'Muela Hydropower Plant (MHP); and the Department of Energy (DoE) a holder of a Licence Exemption to implement EAPPs in Qholaqhoe, Ha Sekake and Dilli-Dilli/Sixondo.

In the Urban Water and Sewerage Services (UWSS) subsector, the Water and Sewerage Company (WASCO) is the only entity that is regulated by LEWA. WASCO is licensed to treat and produce, transmit, distribute and supply water to premises in the urban areas. It is licensed to treat sewage and dispose it safely into the environment through sewerage systems in the urban areas 

BOARD CHAIRPERSON'S STATEMENT



Mr. Relebohile Mosito
The Chairperson of LEWA Board of Directors

Introduction

IT IS WITH A SENSE OF PLEASURE AND HUMILITY ON BEHALF OF THE BOARD OF DIRECTORS, THAT I PRESENT THE LEWA 2019/20 ANNUAL REPORT. This Report focuses mainly on the strategic issues that LEWA undertook to deliver on its mandate as required by the 2019/20 -2023/24 Strategic Plan (SP). Attention is paid to the global, regional and local regulatory developments that have some significance to the Authority's objectives. An outline of successes and challenges encountered and an outlook for the future is made.

General Overview

LEWA's strategic vision in this reporting period was directly influenced by several key Government policy documents such as the 2007 Water and Sanitation Policy, 2015-2025 Lesotho Energy Policy, 2018/19- 2022/23 National Strategic Development Plan II (NSDP 2) and the domesticated United Nations' 2016-2030 Sustainable Development Goals (SDGs). Collectively, these documents are instrumental in the realisation of the Lesotho National Vision 2020 as they have mainstreamed global and regional development frameworks into Lesotho's development agenda. Amongst other things, they seek to achieve inclusive growth and reduction of poverty through private sector participation and creation of employment. LEWA, therefore, remains convinced that the private sector would assist in the attainment of the above developmental objectives if it participated actively in electricity generation and distribution as well as in the water sector.

BOARD CHAIRPERSON'S STATEMENT

An overview of the global, regional and local regulatory contexts indicates that security of supply for both water and electricity remains a priority. Due to climate change and poor environmental management practices globally, sources of energy and water have gradually diminished with negative impact on development efforts. In the Southern African Development Community (SADC) region, integrated planning of water, food and energy sectors as well promoting regional cooperation has been considered as a strategy to meet water, energy and food security targets, and to improve natural resource use efficiency in the region¹. The Authority wholly embraces the directive by SADC Ministers of Energy and of Water that Member States, of which Lesotho is one, should set up coordination mechanisms for Water, Energy and Food (WEF) Nexus Programme. As the Ministers have resolved, SADC Member States must ensure that policy decisions in the three sectors impact positively on the lives of the citizens. Through the WEF framework, energy poverty and water scarcity can be addressed thus contributing towards the attainment of SDGs 6 and 7, whilst promoting food security.

In the SADC region, it is imperative that efforts to complete regional priority power projects are sustained for ensuring the security of supply as the electricity networks are interdependent. Equally important is the finalisation of transforming RERA into a regional energy regulator to facilitate cross-border trading.

The Authority notes with appreciation that the DoE under the Sustainable Energy for All (SE4ALL) project sponsored by United Nations Development Program (UNDP) had developed a mini-grid regulatory framework to augment the existing legislation.

As part of implementing the Energy Policy 2015-2025, the construction and completion of the proposed Ha Ramarothole 20 MW solar PV project will partly address local demand as well as diversify electricity generation sources, promote Renewable Energy (RE) and attract private sector participation in the energy sector. In the same vein, the Authority was considering a license Application by One Power Company trading as Sotho Minigrid Portfolio (SMP). SMP applied for generation and distribution licences for a solar PV facility at Ha Makebe in the Berea district.

In the UWSS sub-sector, the projects that were aimed at augmenting reliability and security of supply include the construction of tertiary lines under the Metolong Dam and Water Supply Programme (MDWSP), as well as Greater Maseru Water Supply Project and Maseru Wastewater Project. An increasing trend in high levels of NRW has manifested itself in the MDSWP Downstream Conveyance System. This is a matter for concern as it affects the operational and financial sustainability of WASCO. A call is made to all stakeholders to join hands in ensuring that appropriate strategies for reducing NRW to acceptable levels are devised. The Authority is waiting for the commencement of Phase 2 of the Lesotho Lowlands Water Supply Development (LLWSP 2) in Zones 2,3, 6 and 7 projects, whose purpose is to increase security of water supply for consumers in Mafeteng, Mophale's Hoek, Hlotse and Maputsoe towns respectively.

The Board and its activities

The Board determined WASCO's and LEC's 2019/20 Applications for tariffs and charges review after holding public hearings to solicit public views and analysing the data in the submissions.

¹ SADC Regional Strategic Action Plan on integrated water resources, development and management Phase IV.

BOARD CHAIRPERSON'S STATEMENT

With regards to WASCO's Application, the Authority approved a 3.0% increase in Volumetric Charges for all customer categories, while there was no increase in sewerage services tariffs. The Authority did not approve the re-introduction of an SC for Band A customer category. However, the Authority approved an increment of 4.7 % in SCs for all other customer categories.

In determining LEC's Application, the Authority decided that there would be no increase in electricity tariffs in 2019/20 and it introduced a two-level increasing block tariff for domestic customers as a pro-poor consideration. The first block is a lifeline tariff that applies to the first 30kWh consumed by all domestic customers in a month. The second block is a standard tariff for domestic customers which applies to electricity units beyond 30kWh in a month.

The Authority was considering LEC's and WASCO's tariff review Applications for 2020/21 at the end of the reporting period.

The Board of Directors of LEWA engaged their WASCO and LEC counterparts to discuss matters of common interest such as compliance. Furthermore, the Chairperson of the LEWA Board of Directors also regularly briefed Ministers of MEM and MoW on key governance matters and other issues in the ESI and UWSS subsector.

As part of ensuring continued security of electricity supply in the country, the Authority approved the Power Purchase Agreement (PPA) between Mozambican power utility, Electricidade de Moçambique (EDM) and LEC. The Authority also directed LEC to negotiate the least cost and long-term power supply agreement with the South African power utility, Eskom, and migrate from Megaflex to Nightsave Urban Large tariffs structure. During October- November 2019, the country became totally dependent on both EDM and ESKOM for bulk electricity purchases as 'Muela Hydropower Plant (MHP) had been closed down for maintenance. As observed earlier climate change negatively affected the availability of water. It is therefore very important that more generation options for the country are pursued to reduce reliance on MHP.

In the year under review, Rural Electrification Unit (REU) of the Department of Energy (DoE) submitted a licence exemption Application to LEWA, to continue operating the EAPP at Dilli-Dilli/Sixondo from 1 May 2019 to 30 April, 2022. The Authority, however, granted a licence exemption for 14 months. LEWA further decided that REU would continue reporting to LEWA on Ha Sekake and Qholaqhoe EAPPs until they were transferred to LEC.

For the reporting period, UAF's approved budget was M26,083,315.00. Three electrification projects in the villages of Sebotha, Lepaqa and Matlakeng were approved. The total costs of the projects was M13, 557,725.00. The Authority played its oversight role in monitoring progress of the projects.

The Terms of Reference (ToRs) of the four Committees of the Board were reviewed and approved. The finance function was moved from Human Resources, Finance and Administration Committees (HRFAC) to Audit and Risk Committee (ARC) hence the name change to Human Resources and Administration Committee (HRAC).

The Board amongst other things, considered LEWA's Corporate Governance Handbook (CGHB) with emphasis on Personnel Orders; LEWA policies such as Information and Communication Technology (ICT) Policy, Enterprise Risk Management Policy; Quarterly Financial Management reports; LEWA Business Plan 2020/21, LEWA Budget for 2020/21 and the UAF Budget for 2020/21.

BOARD CHAIRPERSON'S STATEMENT

Table 1 below is a summary of Board Members' and Board Committees Members' attendance of meetings during the reporting period.

Table 1: The Board Members' Attendance of Meetings in 2019/20		
Member	Meetings (attended/total held)	
	Ordinary	Extra-ordinary
Mr. Relebohile Mosito (Chairperson)	4/4	10/10
Mr. Ntsie Maphathe	4/4	10/10
Mrs. 'Maletsatsi Theoha	4/4	10/10
Mr. Tlali Hlala	4/4	10/10
Mr. Tseko Molelekoa	4/4	10/10
Mr. Khotso Masheane	1/4	1/10
Mr. Moahloli Sekhantso	1/4	1/10

Table 2: The Board's Committees' Members Attendance of Meetings				
Committee	Member	Ordinary meetings	Extra-Ordinary Meetings	Joint ²
Audit and Risk	Mr. Tseko Molelekoa (Chairperson)	3/3	1/1	1/1
	Mrs. 'Maletsatsi Theoha	3/3	1/1	1/1
	Mr. Sebehela Selepe (External)	3/3	1/1	1/1
	Mr. Tlali Hlala	-	-	1/1
	Mr. Ntsie Maphathe	-	-	1/1
Customer services	Mrs. 'Maletsatsi Theoha (Chairperson)	3/3	-	-
	Mr. Relebohile Mosito	3/3	-	-
	Mr. Tlali Hlala	3/3	-	-
Human Resources, Finance and Administration	Mr. Tlali Hlala (Chairperson)	2/2	2/2	1/1
	Mr. Ntsie Maphathe	2/2	2/2	1/1
	Mrs. 'Maletsatsi Theoha	2/2	2/2	1/1
	Mr. Tseko Molelekoa	-	-	1/1
	Mr. Sebehela Selepe	-	-	1/1
Pricing and Tariffs	Mr. Ntsie Maphathe (Chairperson)	-	4/4	-
	Mr. Tlali Hlala	-	4/4	-
	Mr. Tseko Molelekoa	-	4/4	-

The Board participated in ESI and UWSS sectors' regional forums and meetings for capacity building and information exchange. Some Board Members attended the Regional Electricity Regulators' Association of Southern Africa (RERA), Annual Conference in Zimbabwe under the theme "*Creating a Conducive Environment to Enhance Regional Energy Security, Trade and Investment*" as well as RERA-organised Board Members/Commissioners' Forum and training on tariff methodology. Some of the Board Members took part in the Eastern and Southern African Water and Sanitation (ESAWAS) Regulators' Association Annual Conference in Burundi whose theme was "*Covering the Last Mile Towards Universal Coverage*". Amongst other things, the Conference discussed inclusive sanitation. Some Board Members also participated in the African Forum for Utility Regulators (AFUR) Annual Conference in Egypt under the theme "*Developing Smart Infrastructure in Africa: The Case for Regulation*". One of the highlights of the Conference was the discussion of Electricity Regulatory Index (ERI) which is a measure of performance by regulators in Africa. The HRAC attended the Institute of People's Management (IPM) Convention in South Africa, the theme of which was "*Benefits and Values*".

² HRFAC and ARC held a joint meeting.


BOARD CHAIRPERSON'S STATEMENT

Despite having made significant achievements during the reporting year the Authority experienced some challenges. Although all the due processes had been followed for determining LEC's 2020/21 tariffs and charges review Application, the Authority could not finalise it due to the emergence of COVID-19 pandemic. Furthermore, LEWA could not hold public hearings in respect of WASCO's 2020/21 Application for tariffs and charges increase again due to COVID-19 pandemic.

With regard to the performance of the regulated entities compliance challenges were identified. Generally, the performance of the regulated utilities was unsatisfactory. For instance, there was poor compliance with Licence conditions such as provision of timely and credible information, finalisation of Codes of Practice as well as adherence to QoSSS in meeting set customer services standards. In 2020/21 the LEWA Board of Directors will continue to engage their WASCO and LEC counterparts to address non-compliance.

Although the Authority had developed the Electricity Connection Charges Guidelines (ECCGs) in 2012, amongst other objectives, to eliminate 'free-riding'. LEC experienced some challenges on the implementation of the refund formulae. Consequently, LEC undertook to develop an alternative refund model to address the problem. LEWA will be monitoring the progress made in the development of an alternative refund model by LEC in 2020/21.

During the year under review, in my capacity as the Chairperson of the Board, I held several meetings with the Honourable Ministers to which LEWA is responsible. The meetings discussed issues of interest to LEWA, providing feedback as well as seeking support from the Ministers with regards to issues that needed policy clearance. During this period the Authority also settled a lawsuit on termination of appointment brought against it by one former Board Member. The full complement of the Board was realised with the appointment of Messrs. Moahloli Sekhants'o and Khotso Masheane. It was an honour to welcome Messrs. Sekhants'o and Masheane to the Authority. One Board Member, Mr. Tseko Molelekoa resigned after serving LEWA for almost two years. The Board wishes to express its sincere gratitude to Mr. Molelekoa for his contributions to the Board and its ARC for which he was the Chairperson. During this period Professor Lebohang Moleko who was the Chief Executive, resigned. He was replaced by Mr. Motlatsi Ramafole, with effect from 1 November 2020. We wish Professor Moleko the best in his future endeavours. It is the Board's hope that under Mr. Ramafole's stewardship, the Authority will sail to greater heights.

Special gratitude is extended to Honourable Ministers responsible for energy and for water for their invaluable support to LEWA. The successes which have been noted above were made possible by the leadership that the Board Members displayed throughout the reporting period. Regulated utilities, consumers, members of the public, all stakeholders and LEWA staff are acknowledged for their contribution in assisting the Authority to achieve most of the set targets for the Financial Year 2019/20 



Mr. Relebohile Charles Mosito
Chairperson of the Board

CHIEF EXECUTIVE'S REPORT



Mr. Motlatsi Ramafole
Chief Executive

IT IS AN HONOUR FOR ME TO PRESENT PROGRESS on the execution of the LEWA Annual Business Plan (ABP) for the Financial Year 2019/20. This is the first ABP of the LEWA 2019/20-2023/24 Strategic Plan (SP). The activities covered in this Report are grouped under the five broad Strategic Objectives (SOs) of the SP as outlined below. Therefore, this part of the AR focuses on the successes, challenges and way forward that LEWA had during the reporting period. The SOs on which reporting in this section is made are as follows:

- **Strategic Objective 1:** Improve collaboration and cooperation with all our key stakeholders.
- **Strategic Objective 2:** Strengthen regulatory frameworks.
- **Strategic Objective 3:** Improve the efficiency of internal systems and processes and quality of service.
- **Strategic Objective 4:** Expand the LEWA mandate to include energy and sanitation.
- **Strategic Objective 5:** Build and operate a sustainable organisation.

IMPLEMENTATION OF THE 2019/20 ABP

In this section, the progress on the execution of the 2019/20 ABP is presented according to the SOs as they appear in the LEWA 2019/20 – 2023/24 SP. The activities under SO 4 were scheduled to commence in 2020/21 and not during the reporting period hence no progress has been reported under it.

CHIEF EXECUTIVE'S REPORT

IMPROVE COLLABORATION AND COOPERATION WITH ALL OUR KEY STAKEHOLDERS

With respect to the attainment of SO 1, several strategies were identified. The first was to improve collaboration and cooperation with all LEWA stakeholders. Activities under this strategy were : reviewing and implementing LEWA Communication Strategy; improving knowledge transfer and information sharing through reports and presentations; enhancing LEWA's brand image by undertaking periodic surveys on customer perceptions on LEWA as well as developing and implementing brand reputation management plan. Other activities were lobbying government and stakeholders to prepare all statutory, legislative and national policy documents on energy, water and sanitation. The last activity under this strategy was to sustain participatory peer review exercise by LEWA.

A. To Improve Collaboration and Cooperation with LEWA Stakeholders

The LEWA Communication Strategy had been reviewed to align it with the LEWA 2019/20-2023/24 SP, and was pending finalisation. Different communication activities were executed in the reporting period under this strategy. Internally, one (1) information sharing session was held to present the annual ESI data for the Financial Year 2018/19. Externally, ten (10) information sharing workshops were held for customers and the public in all the ten (10) districts of the country.

With the aim of enhancing LEWA brand image, two (2) customer perception surveys were carried out in October-November 2019 and January 2020. The first survey was undertaken in all the districts, excluding Maseru, to get opinions on how the Authority could effectively communicate regulatory matters. Participants were a representation of business and community leaders, civil servants, public and district based customers who attended LEWA workshops. One of the key findings was that out of 278 respondents, 166 of them, which translates to 60% indicated that LEWA must at least communicate quarterly with them on matters such as tariffs, complaints resolution and service delivery by LEC and WASCO. The second survey was aimed at Members of LEWA District Committees (LDCs) to understand their perceptions of the Authority's overall mandate. The total number of participants was 24. Out of these, 17 respondents which translate to 70%, indicated that they perceive LEWA to be delivering on its mandate in the regulation of licensed entities. Additionally, LDCs Members revealed that the Authority should intensify and hold regular public meetings in the rural areas and not predominantly in the urban areas of the country.

The Authority implemented brand reputation management activities by monitoring social media sites' coverage of LEWA's operations as well as updating regulatory information on LEWA website. The Authority monitored its social media sites and responded to visitors' queries and concerns, which were mainly on the provision of services by regulated utilities. LEWA social media sites were instrumental in maximising the reach of the Authority's messages to diverse groups of audiences. On LEWA social media platforms, the Authority posted notices of tariffs and charges Applications from Licencees determinations and media statements to mention a few.

With regard to lobbying Government and other stakeholders to prepare all statutory, legislative and national policy documents on energy, water and sanitation LEWA held high-level meetings on, amongst other things, UAF, LEWA House and LEWA budget. The Electricity Supply Regulations (ESR), which set out electricity technical standards in Lesotho were published and presented to Parliament.

On the sustenance of regulatory peer review exercise, it may be observed that, in the UWSS, no peer review was carried out in 2019/20. The new ESAWAS members who were to be peer reviewed had not yet become fully-fledged

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institutions. In the ESI, two peer reviews were carried out on the Member Regulators that hosted the RERA Structures' meetings in 2019/20. At the end of the reporting period the concerned Member Regulators namely Electricity Control Board (ECB) of Namibia and Utilities Regulatory Authority (URA) of Mauritius were working together with the RERA Secretariat, to finalise the peer review reports.

B. To Enhance Cooperation with Energy Authorities, Government, Regional and International Energy Organisations

The second strategy was to enhance cooperation with Energy Authorities, Government, as well as regional and international energy organisations through collaboration with relevant agencies, regional and international organisations. LEWA participated in all RERA scheduled meetings except the Subcommittees' meetings that were held in April 2019 due to delay in approving the budget. During the 2019 RERA Conference and Annual General Meeting (AGM), LEWA was elected to host RERA Structures' meeting in April 2020. LEWA participated in all ESAWAS meetings and the Annual Conference and AGM that was held in Burundi, the Authority was elected to host the ESAWAS 2020 AGM in Maseru. LEWA further participated in AFUR Conference and AGM in Cairo where the Authority was appointed the Chairperson of the Water Sector Committee. The cooperation with Energy Authorities, Government, Regional and International Energy Organisations benefitted the Authority in terms of enhancing regulatory information exchange and peer networking.

C. To Raise Stakeholder and Public Awareness about LEWA

The third strategy was to raise stakeholders and public awareness about LEWA, by developing and implementing a stakeholder awareness and education programme, stakeholder engagement strategy and building sustainable CSR programmes. With regards to developing and implementing stakeholders' awareness and education programme:

- Twenty-four (24) radio programs were held on various topics ranging from LEWA mandate, complaints handling procedures and understanding tariffs and charges Application processes.
- Four (4) television programs on 2019/20 LEC and WASCO tariffs Application and determination, as well as LEC's tariffs review Application for 2020/21, were made.
- A weekly advertorial on LEWA mandate was run in the print media for three months.
- The LDCs played an integral part in raising awareness about LEWA in the districts through mobilising stakeholders' participation and attendance of LEWA's events.

The stakeholder engagement strategy would be part of the Communication Strategy. Therefore, the pending finalisation of the development of a Communication Strategy led to the deferment of the implementation of a stakeholder engagement strategy.

The other milestone achieved was the approval of the CSR policy, which would enable the Authority to have in place a transparent process when giving back to society. During the reporting period, the Authority sponsored academic excellence awards to best-performing students in the disciplines of water and electrical engineering, and economics at the Lerotholi Polytechnic (LP) and National University of Lesotho (NUL) respectively. Motuba Thabelo and Fudumele Nkololeko were top achievers at LP. Recipients of LEWA's prizes for academic excellence at NUL were Ramaisa Tsepang, Tumelo Tauhali and Retselisitsoe Pokothoane. Each student was awarded a monetary prize in recognition of their performance. The Authority sponsored the awards so that students could be motivated to

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work hard and excel in the fields of Physics, Electrical and Water Engineering, Economics, as well as Biology and Chemistry. The Authority made a monetary contribution towards the costs of a Mosotho child's stem cell transplant operation in India. The Authority contributed to the Lesotho Defence Force (LDF) Army Day and Public Service Day Celebrations.

D. Promote Public Access to LEWA information

The fourth strategy was to promote public access to LEWA information by producing corporate publications. LEWA produced quarterly newsletters which were distributed across the country. Newsletters were also made available on the Authority's website and as well as emailed to subscribers. The newsletters covered topics that were meant to promote awareness on developments in the regulated sectors. As part of implementing the Memorandum of Understanding (MoU) between LEWA and District Administrators (DAs) offices, the latter assisted the Authority during public hearings on tariffs Applications, workshops and public meetings by availing documents to the public.

STRENGTHEN REGULATORY FRAMEWORKS

Several strategies were identified and implemented in strengthening LEWA's regulatory frameworks.

A. To Determine Tariffs and Charges

The first strategy under the SO 2 was to determine tariffs and charges Applications.

Determination of 2019/20 LEC Tariffs and Charges

On 15 January 2019, LEC submitted its electricity tariffs and charges review Application requesting an RR of M1.075 billion and a tariff increase of 14.2% in both Energy and Maximum Demand (MD) charges for the fiscal year 2019/20. In the Application, LEC mentioned that some of the main costs drivers were electricity bulk supply costs, operating expenditure costs, return on assets and depreciation costs.

In line with the LEA Act of 2002, as amended, the Authority followed due process, which included issuing public notices in the media and conducting public hearings in six (6) districts.

After considering public and stakeholders' inputs and recommendations, facts, evidence provided, the Authority's regulatory tools and instruments as well as the Application's analysis, the Authority decided that there would be no increase in Energy and MD charges for all LEC customer categories during the 2019/20 Financial Year. Furthermore, the charges for connection, wiring, testing, re-testing, survey, re-survey, licensing for wiring, meter testing and house extension were not adjusted. The Authority introduced a two-level increasing block tariff for domestic customers as a pro-poor consideration. The first block is a lifeline tariff that applies to the first 30 units (kWh) consumed by all domestic customers in a month, charged at Mo.7273/kWh. The second block is a standard tariff for domestic customers which applies to electricity units beyond 30 units (kWh) in a month, charged at M 1.4782/ kWh.

Tables 3, 4 and 5 illustrate Energy charges for all customer categories, Maximum Demand charges, and two-level increasing block tariff for domestic customers, respectively.

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Customer Category	Energy Charges (M/kWh)	Adding Customer Levy @ M0.0423/kWh	Adding Rural Electrification Levy @M0.02/kWh large customers and @M0.035/kWh for others	Final Energy Charges	Energy Charges including levies	Final Tariff Percentage increase
Industrial HV	0.1936	0.2359	0.2559	0.2559	0.2559	0.0001%
Industrial LV	0.2144	0.2567	0.2767	0.2767	0.2767	0.0001%
Commercial HV	0.1936	0.2359	0.2559	0.2559	0.2559	0.0001%
Commercial LV	0.2144	0.2567	0.2767	0.2767	0.2767	0.0001%
General Purpose	1.5835	1.6258	1.6608	1.6608	1.6608	0.0002%
Domestic	1.4009	1.4432	1.4782	1.4782	1.4782	0.0002%
Street Lighting	0.7952	0.8375	0.8725	0.8725	0.8725	0.0002%
Lifeline Domestic	0.6500	0.6923	0.7273	0.7273	0.7273	0.0001%

Customer Category	Maximum Demand Charge (M/kVA)
Industrial HV	272.7953
Industrial LV	318.6317
Commercial HV	272.7953
Commercial LV	318.6317

The figures in Tables 3 and 4 and exclude VAT.

Tariff Category	LEWA Structure	Details	Approved Energy Charge (M/kWh), inclusive of Levies
Domestic	2 Block-Increasing lifeline Tariff	Block 1: 0-30kWh	0.7273
		Block 2: above 30kWh	1.4782

2020/21 LEC Tariffs Review Application

In January 2020, the Authority received an Application for electricity tariffs review for the Financial Year 2020/21 from LEC. In the Application, LEC had requested approval of M1.21 billion RR and a 32.6% adjustment on electricity tariffs on both the Energy and Maximum Demand (MD) charges across all customer categories. LEC maintained that the M1.21 billion would enable it to cover electricity bulk supply costs, repairs and maintenance (including fuel and oil for generation), operating expenses, return on assets, as well as depreciation costs.

Following due process, the Authority as prescribed by the law, conducted ten (10) public hearings in all districts. At the end of the reporting period, the Authority was ready to announce its decision. However, this was interrupted by the sudden advent of COVID-19 that necessitated deferment of the announcement of the decision.

Determination of 2019/20 WASCO Tariffs and Charges

In April 2019, the Authority received an Application from WASCO requesting an approval of an RR of M246.25 million for water services and an increase of 8.5% in Volumetric Charge and SC for all customer categories. WASCO further requested that the RR for sewerage services remain at M32.79 million. WASCO also requested the re-introduction of an SC at M10.00 for Band A customers.

In accordance with LEA Act of 2002, as amended, LEWA publicised the Application, conducted public hearings in eight (8) districts and thereafter made a determination.

In determining WASCO's Application, the Authority approved that Volumetric Water Tariffs should be increased by 3.0% for all customer categories and a no increase in sewerage services tariffs. The Company was allowed the RR of M212.64 million for water production and distribution business. While WASCO had requested an RR of M32.79 million with no tariff increase, the Authority set the RR for sewerage services at M34.61 million due to projected increase in

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treated wastewater. The SC was increased by 4.7% for all customer categories except for Band A customers (whose consumption is between 0-5,000 litres per month). The SC for Band A customers remained abolished. Other charges such as connection fees and meter replacement remained unchanged.

Tables 6 and 7 illustrate the 2019/20 WASCO services SCs and Volumetric tariff.

Table 6: Water Services Standing Charges (No customer levy charged and exclusive of VAT)			
Customer Category	Old Standing Charges (M/month)	Percentage Change (%)	Standing Charges (M/month)
Domestic Customers			
Band A (0 – 5 kl)	-	-	-
Band B (>5 – 10 kl)	43.03	4.7	45.05
Band C (>10 – 15 kl)	43.03	4.7	45.05
Band D (>15 kl)	43.03	4.7	45.05
Non-Domestic Customers			
Government	286.51	4.7	299.98
Business, Industry	413.85	4.7	433.30
Schools	286.51	4.7	299.98
Religious institutions	206.93	4.7	216.66
Standpipes	-	-	-

Table 7: Water Services Volumetric Tariff (inclusive of customer levy of M0.2311/ kl)							
Customers Category	2018/19 Unit Cost Excluding Levies (M/kl)	Percentage Change (%)	Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/kl (M/kl)	Unit Cost (M/kl)	2018/19 Unit Cost (M/kl)	Tariff Percentage Increase (%)
Domestic Customers							
Band A (0 – 5 kl)	5.1440	2.9999	5.2983	5.5294	5.5294	5.3751	2.8709
Band B (>5 – 10 kl)	8.8889	2.9999	9.1556	9.3867	9.3867	9.1200	2.9239
Band C (>10 – 15 kl)	15.8108	2.9999	16.2851	16.5162	16.5162	16.0419	2.9567
Band D (>15 kl)	21.8910	2.9999	22.5477	22.7788	22.7788	22.1221	2.9686
Non Domestic customers							
Government	14.3696	2.9999	14.8007	15.0318	15.0318	14.6007	2.9524
(Business, Industry)	14.3696	2.9999	14.8007	15.0318	15.0318	14.6007	2.9524
Schools	14.2434	2.9999	14.6707	14.9018	14.9018	14.4745	2.9520
Religious Institutions	14.2434	2.9999	14.6707	14.9018	14.9018	14.4745	2.9520
Standpipes	7.0586	2.9999	7.2704	7.5015	7.5015	7.2897	2.9048

The Authority further directed WASCO to reduce its NRW from 40.2% to a set target of 28%, as well as improve its revenue collection efficiency to at least above 90%. Reduction of NRW levels and improved revenue collection would help WASCO to cover operation and maintenance costs. The Authority further directed WASCO to develop and implement an energy efficiency management program especially for the Metolong Water Treatment Plant (MWTP) to reduce energy costs. WASCO was also directed to devise effective strategies to connect more customers to the already existing sewerage infrastructure in Maseru.

2020/21 WASCO Application for Tariffs and Charges Review

In the reporting period, the Authority received WASCO's 2020/21 tariff review Application. The Company, in its Application requested an RR of M239.85 million for both water and sewerage services. WASCO further proposed a

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3.0% increase in urban water tariffs for domestic customer Bands B, C and D on volumetric charges. In addition, the utility requested re-categorization of non-domestic customers, banding of their consumption and a reduction in SC. In March 2020, the LEWA Board of Directors determined the roadmap for finalisation of the Application. However, the process was abandoned due to the COVID-19 pandemic.

B. To Ensure Security of Supply for Electricity and Water

The second strategy was to ensure security of supply for both electricity and water. The relevant activities identified under the strategy were to review and implement security of supply options for both electricity and water, to develop Disbursement Linked Indicators (DLIs) monitoring frameworks for WASCO and to approve and monitor the implementation of WASCO Leakage Reduction Programme.

As far as generation of electricity is concerned 74.7 MW is produced locally. The peak demand was 196.41 MW, which is an increase of 19.1 MW from the previous year's figure as illustrated in Table 8. This necessitated LEC to import 121.71 MW to meet national demand. The deficit of 121.71 MW was imported from ESKOM and EDM.

Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2012/13	147.63	74.7	72.93	49
2013/14	143	74.7	68.3	48
2014/15	149	74.7	74.3	50
2015/16	152.98	74.7	78.28	51
2016/17	161.84	74.7	87.14	54
2017/18	166.91	74.7	92.21	55
2018/19	177.31	74.7	102.61	58
2019/20	196.41	74.7	121.71	62

During the reporting period, LEC had projected to purchase 905 GWh of electricity from MHP, ESKOM and EDM. However, LEC purchased 902 GWh, which constituted 99.6% of the forecasted GWh. LEC was allowed M 432, 409,049.79 for bulk purchases but it expended M 547,721,437.95 which translates to a 27% under recovery in bulk supply costs. The under-recovery was mainly due to reduction in generation from 'Muela Hydro-Power (MHP) Station as a result of drought. Consequently, LEC had to import more energy from expensive external sources. The energy growth trend is as depicted on Table 9.

Year	Energy Purchased (GWh)		Total Energy Purchased (GWh)	Energy sold (GWh)	Energy loss (%)
	Local	Imports from ESKOM and EDM			
2012/13	461.5	310	771.6	685	11.7
2013/14	516.4	285	801.44	705	12
2014/15	515.2	271	786.36	680	16
2015/16	520.8	281	801.86	699	13
2016/17	513.7	343	855.61	743.31	13
2017/18	518.3	351	892.17	772.95	13
2018/19	496.5	340	890.11	787.70	12
2019/20	389.6	529	902.09	807.05	11

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As part of ensuring the continued security of electricity supply in the country, the Authority approved the Power Purchase Agreement (PPA) between EDM and LEC. The Authority directed LEC to negotiate a least cost and long-term power supply agreement with Eskom. Such an agreement had to take into account future demand in the short, medium and long-terms. LEC was further directed to report quarterly progress regarding the implementation of the negotiation process to LEWA.

Lesotho continued to ensure the security of supply of water through various initiatives such as the Lesotho Lowlands Water Development Project Phase 2 (LLWDP 2), that is meant to enhance the security of water supply for Maputsoe, Hlotse, Mafeteng and Mohale's Hoek towns. The Project Implementation Unit (PIU) had been established and was in operation. Part of the proceeds of the project will be used to develop Disbursement Linked Indicators (DLIs), to be administered by LEWA

C. To Monitor Performance and Compliance of Licensees

The third strategy was to monitor the performance of Licensees, as well as their compliance with regulatory prescripts. The relevant activities were to carry out inspections and compliance audits, to assess Licensees performance, to develop non-sewer/onsite sanitation appropriate regulatory frameworks, and to finalise and implement Key Performance Indicators (KPIs) for LEC.

LEWA carried out inspections and compliance audits of Licensees' infrastructure. The Authority monitored LEC's system availability, MHP performance and compliance, Rural Electrification Unit (REU) performance and compliance, as well as WASCO's performance and compliance on KPIs.

LEC Performance and Compliance

During the reporting period, LEC was not able to observe some of its licence conditions, failed to adhere to some of the prescribed standards and delayed to implement some of the Authority's directives. However, LEC has demonstrated significant compliance in some other areas.

Inspections

LEWA undertook nine (9) inspections on LEC's distribution networks in the areas illustrated in Table 10.

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Table 10: Areas Where LEWA Undertook Inspections on LEC's Infrastructure

Lithabaneng	Matsieng	Maputsoe	Quthing	Qacha's Nek	Qoaling	Ha Abia	Thetsane	Khubetsoana
Ha Keiso	Morija	Peka	Moyeni	Qacha's Nek	Lekhloaneng	Makhoakhoeng	Ha Lesia	Ha Mabote
Ha Makhoathi	Matsieng	Ha Kotola	Qomoqomong	Water Fall	Ha Seoli	Khubelu	Ha Shelile	Selakhapane
Ha Matala	Mahloenyeng	Hleoheng	Mokanametsong	Ha Mpiti	Lithoteng	Penapena	Masowe (1,2,3,4)	Bochabela
Ha Seboka	Ha Toloane	Ha Mapele	Masitise	Ha Mosuo	Semphetenyane	Matala Phase 2	Likotsi	Ntširele
Ha Khechane	Rothe	Ha Nyenye	Tele	Ha 'Manteko	Tsoapo-le-Bolila	Liraoheleng	Linakotseng	Ha Rasetimela
NHTC	Masite	Maputsoe	Alwynskop	Ha Rankakala	Ha Shelile	Ha Mutlanyane	Ha Tsoalo	
Lepereng	Ha Moruthoane	St. Monica's	Sekantsing	Tsoelike			Thetsane West	
		Likhetlane	Ha Potomane					
		Ha 'Mathata	Pokane					
		Mpharane	Mount Moorosi					
		Corn Exchange	Ha Mohlakoana					
			Mphaki					

Table 11 summarises the Authority's findings regarding inspections of LEC's infrastructure. Overall findings from inspections indicated compromised availability of supply due to the encroachment on the powerlines by buildings and trees, transformer leakages, vandalised structures and broken lightning arresters. Besides, most pillar boxes had no locks and that compromised people's and animals' safety.

Table 11: Findings on LEC's Infrastructure Inspections

CONDITIONS CHECKED	TOTAL INSPECTED	NUMBER OF ABNORMALITIES	PERCENTAGE OF ABNORMALITIES
Transformer Leakages	245	22	9%
Trees Encroachment	273	46	17%
Buildings Encroachment	279	28	10%
Bushes around Structures	237	133	56%
Unlocked pillar boxes	211	119	56%
Pillar Boxes that are not elevated	241	40	17%
Poor Cable Terminations	243	3	1%
Erosion close to Structures	279	0	0%

Power Quality Audits

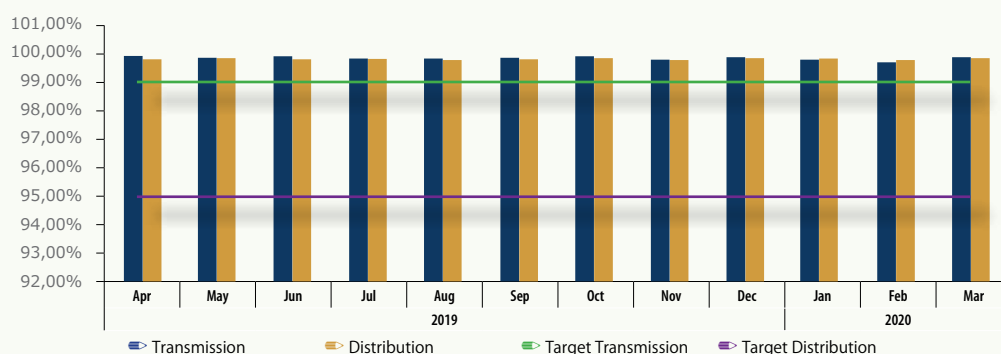
As part of monitoring compliance, LEWA conducts power quality audits at LEC substations, with amongst other things, to measure parameters such as frequency, voltage magnitude, power factor and voltage harmonics. Two power quality audits were carried out and the findings were that all parameters were within the set limits.

LEC's System Availability

The monthly system availability for both LEC transmission and distribution systems is depicted in Figure 2. The availability target for transmission network was 99% while the achieved performance was 99.87%. The availability target for distribution network was 95% and the achieved performance was 99.83%.

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Figure 2 LEC System Availability in 2019/20



Source: LEC Reports

Restoration of Unplanned Network Outages

Table 12 gives monthly performance on restoration of unplanned outages for the transmission network, while Table 13 gives the same for the distribution network at substation level. Table 14 outlines the same performance for T-off feeders and finally Table 15 outlines performance for low voltage (LV) lines. In all the tables COMP is an abbreviation for compliant.

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Table 12: Transmission Network Outages Restoration

Transmission Network	TARGET (%)	APR -19	COMP.	MAY -19	COMP.	JUN -19	COMP.	JUL -19	COMP.	AUG -19	COMP.	SEP -19	COMP.	OCT -19	COMP.	NOV -19	COMP.	DEC -19	COMP.	JAN -20	COMP.	FEB -20	COMP.	MAR -20	COMP.	
Restored within 1.5 hrs	30	79	YES	53	YES	76	YES	45	YES	90	YES	88	YES	73	YES	65	YES	69	YES	66	YES	68	YES	60	YES	
	60	96	YES	88	YES	88	YES	71	YES	90	YES	100	YES	97	YES	88	YES	88	YES	88	YES	82	YES	91	YES	
	90	96	YES	94	YES	88	YES	84	NO	100	YES	100	YES	97	YES	94	YES	90	YES	94	YES	86	NO	98	YES	
	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	
7.5 hrs <restored < 24 hrs																										
Note: COMP. refers to COMPLIANCE.																										

Table 13: Distribution Network Outage Restoration

Distribution Network - Substations	TARGET (%)	COMP.	May-19	COMP.	Jun-19	COMP.	Jul-19	COMP.	Aug-19	COMP.	Sep-19	COMP.	Oct-19	COMP.	Nov-19	COMP.	Dec-19	COMP.	Jan-20	COMP.	Feb-20	COMP.	Mar-20	COMP.				
	Restored within 1.5 hrs	30	71	YES	83	YES	70	YES	77	YES	70	YES	44	YES	59	YES	73	YES	73	YES	69	YES	65	YES	77	YES		
		1.5 hrs< restored <3.5 hrs	60	86	YES	92	YES	90	YES	93	YES	93	YES	86	YES	84	YES	85	YES	93	YES	92	YES	90	YES	93	YES	
			3.5 hrs< restored <7.5 hrs	90	95	YES	96	YES	98	YES	99	YES	100	YES	96	YES	89	NO	97	YES	97	YES	99	YES	97	YES	98	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
Note: COMP. refers to COMPLIANCE.																												

CHIEF EXECUTIVE'S REPORT

Table 14: T-off Feeders Outages Restoration																
Medium Voltage Network - T-Off Feeders	TARGET (%)	Apr -19	COMP.	May-19	COMP.	Jun-19	COMP.	Jul-19	COMP.	Aug-19	COMP.	Sep-19	COMP.	Oct -19	COMP.	Nov -19
Restored within 1.5 hrs	30	19	NO	25	NO	29	NO	48	YES	32	YES	35	YES	18	NO	18
1.5 hrs< restored <3.5 hrs	60	53	NO	63	YES	62	YES	56	NO	55	NO	54	NO	38	NO	52
3.5 hrs< restored <7.5 hrs	90	74	NO	87	NO	77	NO	76	NO	73	NO	63	NO	67	NO	72
7.5 hrs <restored < 24 hrs	100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100
Note: COMP. refers to COMPLIANCE.																

Table 15: Low Voltage Network Outages Restoration																
Low Voltage Network	TARGET (%)	Apr -19	COMP.	May-19	COMP.	Jun-19	COMP.	Jul-19	COMP.	Aug-19	COMP.	Sep-19	COMP.	Oct -19	COMP.	Nov -19
Restored within 1.5 hrs	30	12	NO	19	NO	16	NO	17	NO	18	NO	20	NO	19	NO	16
1.5 hrs< restored <3.5 hrs	60	39	NO	45	YES	45	NO	45	NO	46	NO	48	NO	44	NO	35
3.5 hrs< restored <7.5 hrs	90	65	NO	72	YES	68	YES	69	NO	69	NO	68	NO	68	NO	57
7.5 hrs <restored < 24 hrs	100	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100	YES	100
Note: COMP. refers to COMPLIANCE.																

CHIEF EXECUTIVE'S REPORT

Muela Hydropower Station (MHP)'s Performance and Compliance

MHP's Technical Performance

- **Monthly Indicators:**
 - **Load Factor (LF)** - refers to the ratio of energy supplied for a given period 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 a month.
- **Annual Indicators:**

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

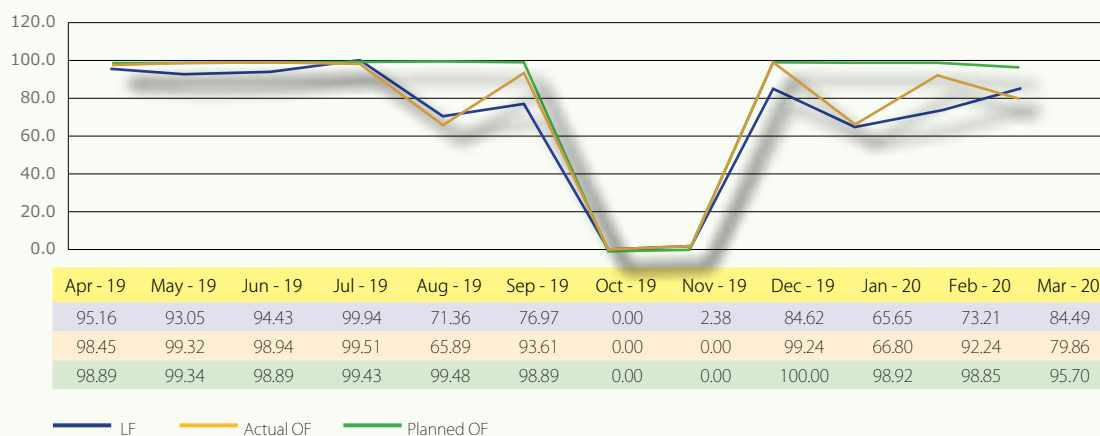
 - **Capacity Factor (CF)** - refers to the ratio of the actual energy produced to the energy that would have been produced if the plant had run at rated power over the same year.
 - **Energy Availability Factor (EAF)** - refers to the ratio of the energy that the available capacity could have produced to the energy that the reference (rated) unit power could have produced during the same year. The energy that the available capacity could have produced is equal to the reference energy minus all the planned and unplanned (within and outside plant management control) losses.
 - **Unit Capability Factor (UCF)** - refers to the ratio of the available energy generation to the reference energy generation over the same year. The available energy, in this case, is limited to losses within plant management control.
 - **Planned Capability Loss Factor (PCLF)** – refers to the ratio of planned energy losses to the reference energy.
 - **Unplanned Capability Loss Factor (UCLF)** – refers to the ratio of unplanned energy losses, (under plant management control), to the reference energy.

The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in Figure 3 and the tabulation of the annual indicators in Table 16. The indicators are expressed in percentages.

Figure 3 shows that the MHP operated at almost its peak capacity from April 2019 to July 2019 and dropped to about 70% in August 2019 resulting from a shorter operating time during the month. Both the LF and OF were at their peaks in July 2019. An absolute interruption of the plant for the period October to November 2019 is observed. This was due to the planned inspection and maintenance of the water transfer tunnel from 'Muela to South Africa.

CHIEF EXECUTIVE'S REPORT

Figure 3 MHP Load and Operating Factors (percentages for 2019/20)



Source: Muela Reports

Table 16 indicates that the three Units generated well below their rated annual capacity as reflected by CF below 70%. The energy unavailable due to factors beyond plant management control was also significant as revealed by EAFs below 80% for each of the three Units. On the other hand, the energy available within plant management control for the three Units was slightly higher with percentages in the 80's. Energy losses due to planned outages were substantial, as evidenced by the PCLF percentages, correlating with the planned shutdown of the plant for two months. On the contrary, there were lower energy losses from unplanned outages as revealed by insignificant values of UCLF.

Table 16: Performance of MHP in Units in 2019/20- Expressed in Percentages

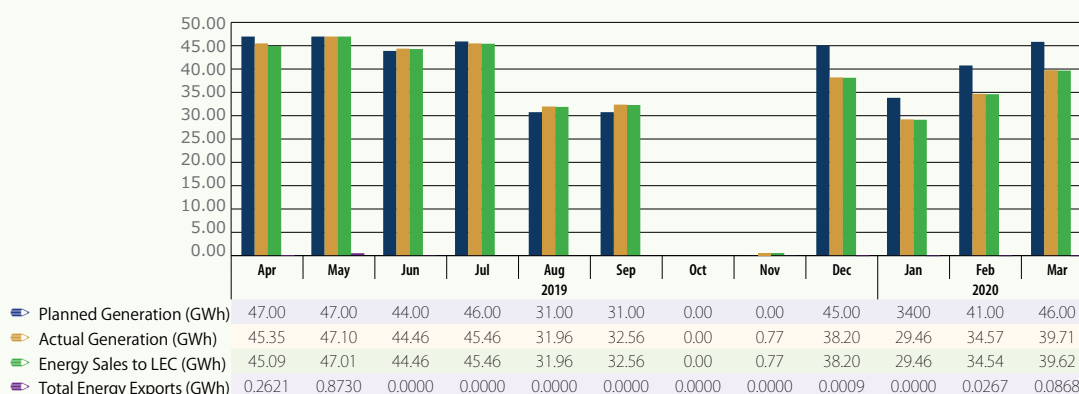
Unit Identifier	Capacity Factor (CF)	Energy Availability Factor (EAF)	Unit Capability Factor (UCF)	Unplanned Capability Loss Factor (UCLF)	Planned Capability Loss Factor (PCLF)
Unit 1	53	67.3	82.8	0.2	16.97
Unit 2	57	75.2	84.2	0.1	15.71
Unit 3	68.6	78.3	82.5	0.5	17.02

Source: LHDA Reports

Figure 4 shows 'Muela energy generation, sales and export, while Figure 5 depicts 'Muela's peak generation.

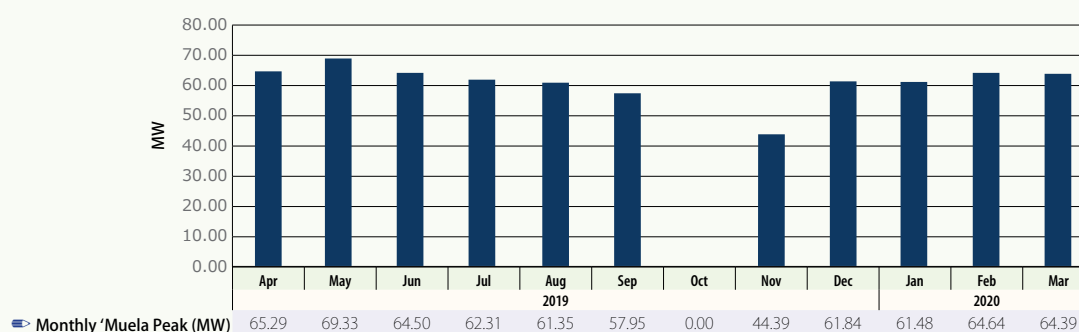
CHIEF EXECUTIVE'S REPORT

Figure 4 MHP Energy Generation, Sales and Exports



Source: 'Muela Reports

Figure 5 'Muela Monthly Peak (MW)



Source: 'Muela Reports

'Muela Safety and Environmental Incidents

Performance indicators for assessing MHP's plant performance are: (i) industrial safety accident rate per 200,000-man hours, (ii) number of major vehicle accidents and (iii) number of undesired environmental incidents. There were only two (2) minor vehicle accidents that were reported.

CHIEF EXECUTIVE'S REPORT

Rural Electrification Unit (REU) Performance and Compliance

Inspections

The Authority undertook an inspection of the Dilli-Dilli/Sixondo distribution network. One glaring abnormality that compromised safety of the network was that all the pillar boxes in the network were not locked. The majority of pillar boxes and mini-sub stations were surrounded by bushes, while only one transformer was leaking. Table 17 gives full statistics of the findings from the inspection.

CONDITIONS CHECKED	TOTAL INSPECTED	NUMBER OF ABNORMALITIES	PERCENTAGE OF ABNORMALITIES
Transformer Leakages	7	1	14%
Trees Encroachment	7	3	43%
Buildings Encroachment	7	1	14%
Bushes around Structures	6	5	83%
Unlocked Pillar Boxes	6	6	100%
Pillar Boxes that are not elevated	6	0	0%
Poor Cable Terminations	6	0	0%
Erosion close to structures	7	0	0%

Compliance with Licence Conditions

The DoE's Rural Electrification Unit (REU) applied for a Licence Exemption to operate Dilli-Dilli/ Sixondo Electricity Access Pilot Projects (EAPPs) for a period of three years. The Authority approved to extend REU's Licence Exemption for EAPPs for a period of 14 months starting from May 2019. The exemption covered Dilli-Dilli/Sixondo, Ha Sekake and Qholaqhoe. The EAPPs were meant to test various electrification models for rural settings. Dilli-Dilli/Sixondo is a cross-border project while Ha Sekake and Qholaqhoe are mini-grids supplied from the main grid.

The analysis of performance of the EAPPs indicates that they did not comply materially with licence exemption conditions.

Development of Electricity Key Performance Indicators

LEWA and LEC collaborated in the development of electricity Key Performance Indicators (KPIs), which were yet to be finalised. The KPIs will be used to monitor and assess performance of the utility.

WASCO's Performance and Compliance

As part of assessing WASCO's performance and compliance, the Authority undertook 18 inspections and audits, one in each of the Company's centres with the exception of Mafeteng and Hlotse where two inspections were carried-out. The audits and inspections were means of monitoring WASCO's adherence to Urban Water QoSSS and Water and Sewage Treatment Facilities Safety Standards (WSTFSS).

Findings from the inspections demonstrated that WASCO complied with set QoSSS targets in providing water quotations and restoration of forced interruptions (bursts). However, the Authority established that the Company failed to comply with the Urban Water-QoSSS in the following areas:

CHIEF EXECUTIVE'S REPORT

- Provision of sewer quotations and connections;
- Effecting new water connections within 10 working days;
- Adherence to quality of drinking water and quality of effluent; and
- Restoration of supply after planned and unplanned interruptions.

Regarding WSTFSS, the inspections revealed that WASCO's wastewater infrastructure had deteriorated and needed repairs and or rehabilitation.

Figures 6 and 7 illustrate WASCO's provision of quotations and connections for water supply, respectively.

Figure 6 WASCO's Provision of quotations for water supply

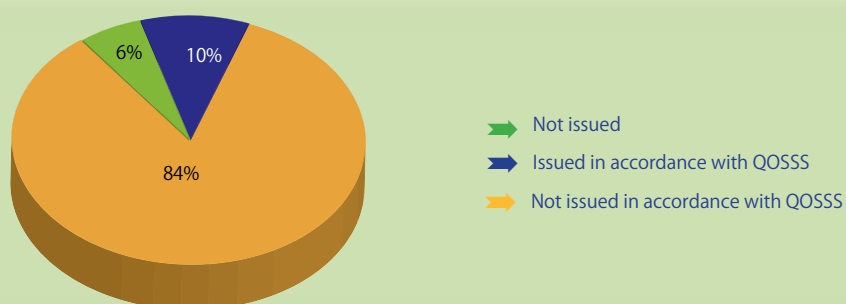
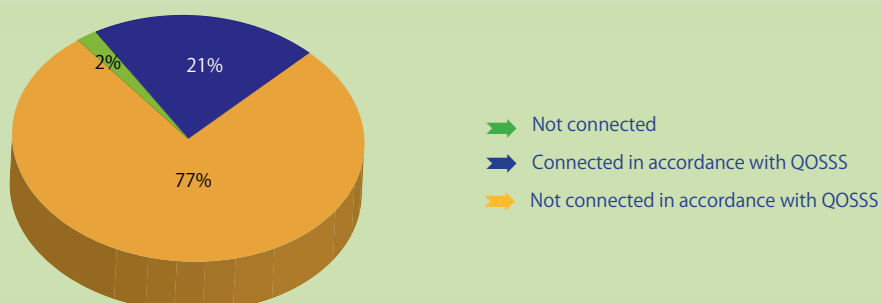


Figure 7 WASCO's provision of water supply



CHIEF EXECUTIVE'S REPORT

Figures 8 and 9 depict WASCO's provision of quotations and connections for sewer services, respectively.

Figure 8 WASCO's provision of quotations for sewer connections

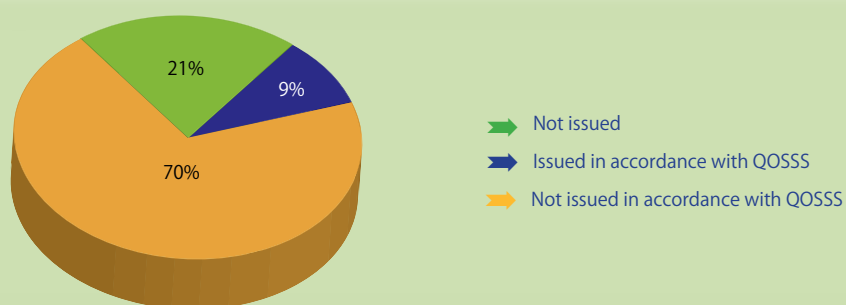
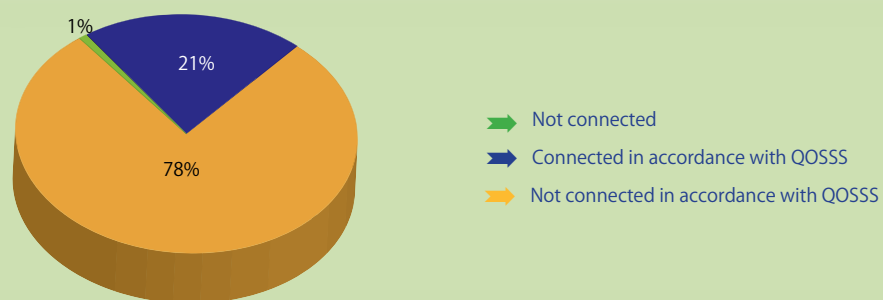


Figure 9 WASCO's provision of sewer connections



WASCO's Performance on Key Performance Indicators (KPIs)

The Authority has developed ten (10) KPIs for the assessment of WASCO's performance. Table 18 illustrates comparative performance of WASCO on the KPIs.

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Table 18: WASCO's Performance on KPIs in 2019/20							
INDICATOR				UNITS	TARGET	PERFORMANCE	
QUALITY OF SERVICE						2018/19	2019/20
1	Water Connections in Year			No.	6000	4474	4232
2	Sewerage Connections in Year			No.	1000	319	139
3	Quality Tests	Potable water	Microbiological	% Pass	99	95	94
			Chlorine	% Pass	95	95	97
			Turbidity	% Pass	95	99	98
		Effluent	SS	% Pass	60	26	57
			COD	% Pass	30	26	24
4	Hours of supply			Hrs.	20	20	20
ECONOMIC EFFICIENCY							
5	O & M Cost Coverage by billing			Ratio	1	0.83	*
6	Collection Efficiency			%	90	*	*
7	Staff Costs as a percentage of O & M costs			%	41	*	*
OPERATIONAL SUSTAINABILITY							
8	Staff Productivity			Ratio	5	6	6
9	NRW			%	28	45	50
10	Metering Ratio			%	100	100	100
* WASCO did not submit data.							

The Authority had considered to develop non-sewer/onsite sanitation regulatory frameworks to align its operations with the regional practices on inclusive sanitation. The Authority will consider adopting the regulatory framework for non-sewer sanitation as developed by ESAWAS in order to expand its regulatory scope.

D. To Implement Customer Complaints Rules and Procedures

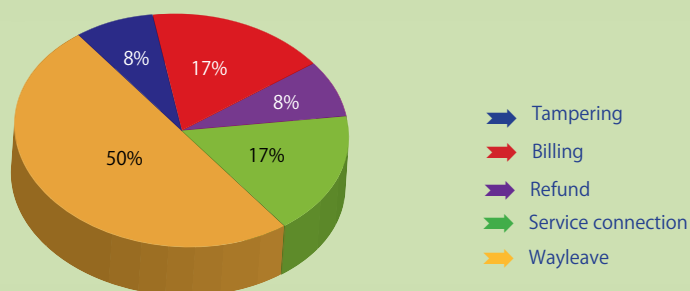
The fourth strategy was to resolve customer and licensee complaints by implementing customer complaints rules and procedures. The Authority received and resolved some complaints which had been lodged after exhausting Licencees' complaints resolution mechanisms. The complaints are broken down into ESI and UWSS categories.

Resolution of ESI Complaints

Seven (7) complaints had been brought forward from the previous reporting period. Five (5) complaints were newly received by the Authority during the reporting period, and that brought the total number of complaints lodged with LEWA to 12. Of these complaints, ten (10) were resolved, while two were pending finalisation. Five (5) complaints were taken for mediation processes and were further escalated to the Board for the final decision. A breakdown of complaints and their categories by the regulated sector is made in Figure 9. The complaints were on billing, refund for pioneer developers, delayed service connection, disconnection and wayleave categories.

CHIEF EXECUTIVE'S REPORT

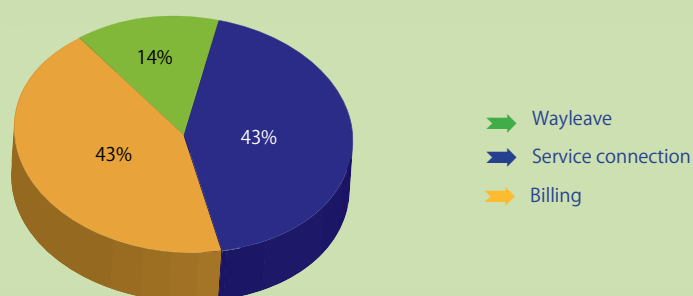
Figure 10 ESI Customer Complaints by Category



Resolution of UWSS Complaints

No complaints were brought forward from the previous reporting period. Seven (7) new complaints were received in the 2019/20 Financial Year. Five (5) of these complaints were resolved, while two were not yet finalised. A total of six (6) complaints were referred to mediation although one of them was still pending finalisation. The complaints were mainly on service connection, billing, and wayleave as illustrated in Figure 10.

Figure 11 WASCO Complaints Categories



Licencees' Customer Complaints Resolution

The Authority analysed the reports from LEC, REU and WASCO to determine the level at which customer complaints referred to them had been resolved in line with the QoSSS.

CHIEF EXECUTIVE'S REPORT

LEC

A total of 4,659 complaints were received by LEC in 2019/20. On average LEC resolved 38% of the complaints received within two weeks period. Almost 50% of the total received complaints were resolved over two weeks and 14% were unresolved. The leading complaints categories for LEC were prepayment metering, delayed service connection and meter accuracy.

REU

Of the three EAPPs, Qholaqhoe received 79 complaints, and was effective in complaints resolution with almost 100% of the complaints resolved over the period. Ha Sekake EAPP performed averagely as only 57% of the received 375 complaints were resolved during the reporting period. Out of a total of 180 received complaints at Dilli-Dilli, 39% were resolved. The main complaints categories from the EAPPs were disconnections, quality of supply, meter accuracy and customer service.

WASCO

With regard to WASCO's handling of customer complaints, the centres of Mafeteng (with 2,257), Mohale's Hoek (registering 1,589) and Thaba-Tseka (with 899), in that order, recorded more complaints than others. With regard to the resolution of complaints within two weeks, Mafeteng, Mohale's Hoek and Thaba-Tseka attained 88%, 74% and 52% respectively. As for complaints that were resolved beyond two weeks, Mafeteng, Mohale's Hoek and Thaba-Tseka stood at 3%, 5% and 25% respectively. The main categories in the UWSS were water leakages, delayed provision of quotations and delayed service connections.

E. To increase Access to Electricity, Water and Sewerage Services

The fifth strategy was to increase access to electricity, water and sewerage services. One of the activities under the strategy was to administer the Universal Access Fund (UAF) for electricity. The total UAF budget was M26, 083,151.00. Sebotha and Lepaqa in Malibamatso as well as Matlakeng were approved for electrification at the cost of M 13, 557, 725. 00.

Electricity coverage

LEC effected a total of 18, 070 new connections increasing its customer base to a total of 268, 349. However, twenty-two (22) were disconnected, of which thirteen (13) were industrial HV, six (6) industrial LV, two (2) commercial LV and one domestic.

Water and Sewerage Company Coverage

In the UWSS, a total of 4232 new water connections and 139 sewer connections were made in the reporting period. WASCO customer base increased to 112, 946, while sewer connections increased by 453 to a total of 8,411.

CHIEF EXECUTIVE'S REPORT

IMPROVE EFFICIENCY OF INTERNAL SYSTEMS AND PROCESSES AND QUALITY OF SERVICE

Under SO 3, the identified strategies were to review all the associated instruments in Energy and Water sectors, to implement RIA Framework on assessing the impact of LEWA's regulatory decisions and consideration of licence applications.

A. To Review all Associated Regulations in Energy and Water Sector

The improvement of the efficiency of internal systems and processes and quality of service was continued in that LEWA started the process of conducting comparative research to review the regulatory framework, including the introduction of incentive regulation. Electricity Supply Regulations, which outline, amongst other things, standards for the construction of electricity infrastructure were published.

B. To Implement RIA Framework

The Authority was finalising a Regulatory Impact Assessment (RIA) framework which had commenced in January 2019. The overall purpose of RIA is to capacitate LEWA on evaluating the impact of its decisions. The RIA framework and ex-post report were under review.

C. Review of Licence Applications

The Authority received two licence Applications in the reporting period. The first Application was for an electricity generation licence at Ha Phaila (Thaba-Tseka). The Application did not comply with the Lesotho Electricity Authority (Application for Licences) Rules, 2012 and was consequently not considered.

The Authority received an Application for a mini-grid licence from One-Power (Pty) Ltd. At the end of the Financial Year, the Authority had issued a public notice soliciting stakeholders' inputs and comments.

BUILD AND OPERATE A SUSTAINABLE ORGANISATION

Under SO 5, several strategies were put in place to ensure that the Authority's internal processes on human resources, finance and administration were aligned to best practices. The strategies were to enhance sound financial, procurement and facilities management systems, to attract, develop and retain talent; to institute good corporate governance; to improve ICT infrastructure; to manage transformation and change; to develop and implement integrated and statutory reporting.

A. To enhance Sound Financial, Procurement and Facilities Management Systems

A standard Service Level Agreement (SLA) template was developed and put into operation. The SLA was developed to provide timeframes for the completion of procured works and services agreed upon between service providers and the Authority.

CHIEF EXECUTIVE'S REPORT

B. To Attract and Retain Talent

In encouraging a healthy lifestyle amongst LEWA Employees, the Authority approved Employee Assistance Programme (EAP) to operationalise its Wellness Policy. The EAP activities include awareness, screening and counselling on life threatening diseases.

C. To Improve ICT infrastructure

LEWA sought to improve ICT infrastructure by developing and implementing a business-aligned ICT strategy. In this regard, the ICT Policy was developed, approved and being implemented.

D. To Manage Transformation

With regard to managing transformation, appropriate activities were to develop and implement capacity building programmes as well as to monitor the implementation of the Strategic Plan. Other activities were to review the Authority's organisational structure to align it with the LEWA 2019/20-2023/24 Strategic Plan, implement administrative and HR policies, processes and procedures.

LEWA staff was capacitated through Continuous Professional Development comprising workshops, conferences and seminars.

E. To Develop and Implement Integrated and Statutory Reporting

The Authority focused on the development and implementation of integrated reporting as another key strategy under SO 5. Activities under this strategy included preparation of Annual Report and the implementation of the ABP, Annual Budget for the 2020/21, preparation of Management Accounts Report, and Annual Financial Statements (AFS).

The 2018/19 Annual Report, which included unqualified AFS was published. The ABP for 2019/20 was implemented and progress was monitored by the Board quarterly. The ABP for 2020/21 Financial Year was prepared and approved. The Authority developed a risk policy, which was implemented and internal controls were applied to processes. The Financial Statements were audited and an unqualified opinion was issued.

F. The Authority's Funding

The Authority's revenue was funded through licence fees, customer levies, interest and other income. The revenue received for the period was M47, 110, 414.00. Total expenditure was M 43, 577, 850.00. Below is an analysis of major financial ratios for the Authority.

- **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 36.9. This was better than that of the previous financial year which was 29.5. 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 good condition and could have sufficiently met its short-term obligations.

CHIEF EXECUTIVE'S REPORT

- **Debt Ratio.** Debt ratio refers to the proportion of an entity's assets that are financed by debt. The Authority's Debt Ratio was 12%. There is a slight change in performance from the previous Fiscal Year which was 11.9%.
- **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 4.5% 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 M6,452,986.00.

KEY CHALLENGES

A regulatory framework for development of Renewable Energy (Feed-in-Tariffs FITs, tendering procedures Net Metering Authorisation template) that was submitted to the Ministry of Energy was still pending approval.

Delay in identifying electrification projects to be funded by UAF remained a cause for concern. Acquisition of LEWA's own site, which required intervention of the two Ministries was not achieved.

The Authority will continue to work closely with the line Ministries to address the above mentioned challenges.

Licensees generally submitted incomplete, incredible and inaccurate data in their tariff review Applications and thus denying the Authority to objectively assess the utilities' submissions. Reporting Forms, which provide data to monitor and assess utilities' performance, were submitted at irregular intervals. Continued non-compliance with licence conditions, standards and directives, to mention a few, needs urgent attention and corrective action. The Authority shall continue to engage and inculcate a culture of compliance, hold workshops, introduce incentive based regulation and explore introduction of sanctions as necessary.

WAY FORWARD

In order to realise some policy pronouncements and promote regional cooperation, the Authority shall begin efforts aimed at expanding its mandate from electricity and water regulator to energy, water and sanitation.

As part of maintaining a sustainable organisation, LEWA shall set aside funds to address major unforeseen operational expenses in the short term. It shall also consider transitioning its employees who are on Grade 2 to 6 from fixed term contract to permanent and pensionable employment contract.


The Authority will intensify its brand awareness efforts and continue to be responsive to stakeholders needs.

There were some strategies which were not realised to full completion as indicated in the Report. Compliance by regulated entities is a constant challenge. Licensees' awareness on compliance will be promoted through meetings and workshops. In accordance with the LEA Act, 2002, amended, LEWA will explore means of introducing penalties for non-compliance.

CHIEF EXECUTIVE'S REPORT

The Authority will engage LEC and other stakeholders to discuss modalities of the implementation of Principles for Generation Tariffs Determination and Related Economic and Financial Modelling.

Mindful that NRW remains unacceptably high, LEWA will follow up on WASCO to submit its Leakage Reduction Programme.

In conclusion, let me thank our development partner, the World Bank, for continued support, Government Ministries, MEM and MoW have always been a source of strength to LEWA. Consumers, Licencees, ESI and UWSS subsector players are recognised for their reliable support to the Authority. Last but not least, Members of the Board and LEWA's staff are applauded for displaying dedication and professionalism in the performance of their duties 



Motlatsi Ramafale (Mr.)

Chief Executive

CENTRAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

EXECUTIVE SUMMARY

BOARD CHAIRPERSON'S STATEMENT

CHIEF EXECUTIVE'S REPORT

AUDITED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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. R. Mosito (Chairperson)
Mr. N. Maphathe
Mr. T. Hlasa
Mrs. M. Theoha
Mr. T. Molelekoa until 13 March 2020
Mr. K. Masheane from 16 September 2019
Mr. M. Sekhantso from 16 September 2019
Mr. T. Letete from 11 May 2020
Prof. L. K. Moleko (Chief Executive) until 31 October 2019
Mr. M. Ramafole (Chief Executive) from 01 November 2019

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 2020

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 42 to 59 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 2020 set out on pages 42 to 59, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Board also considers that all applicable International Financial Reporting Standards 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 the 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 40 - 41.

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 2020 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 42 to 59 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



CHIEF EXECUTIVE OFFICER



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 2020

Opinion

I have audited the financial statements of Lesotho Electricity and Water Authority (LEWA) set out on pages 42 to 59, which comprise the statement of financial position as at 31 March 2020 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 2020, 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. Mistatements 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.

M.M. Sebetsa (Ms)
Acting Auditor General



STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

ASSETS	Notes	2020 M	2019 M
Non - Current Assets			
Property, Plant and Equipment	8	5,389,790	3,006,173
Current Assets			
Cash & Bank	9	90,259,996	96,588,352
Trade & Other Receivables	5 & 6.2	10,404,641	7,650,003
		100,664,637	104,238,355
Total Assets		106,054,427	107,244,528
FUNDS & LIABILITIES			
Funds and Reserves			
Retained Surplus	13	31,326,137	26,157,271
Revaluation Reserve	14	3,272,605	1,475,958
Universal Access Fund Balance	11	58,748,355	66,694,820
		93,347,099	94,328,049
Non-Current Liabilities			
Gratuity	6.1	9,975,712	9,227,456
Current Liabilities			
Bank Overdraft	9-10	403,434	737,633
Gratuity	6	1,835,790	2,052,640
Trade & Other Payables	6	492,392	898,750
		2,731,616	3,689,023
Total Funds and Liabilities		106,054,427	107,244,528

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 M	2019 M
INCOME			
Customers' Levy	4	36,855,447	36,371,100
License Fees	3	8,344,029	8,231,524
AfDB Grant	2	-	-
Universal Access Fund	11.1	33,422,724	2,238,940
		78,622,200	46,841,564
EXPENDITURE			
Staff Costs	16	27,635,224	28,035,537
Depreciation	16	2,148,621	1,937,782
Directors Expenses	16	3,193,392	2,990,497
Audit Fee	16	50,000	43,250
Universal Access Fund	11.1	33,422,724	2,238,940
Operating Costs	16	10,550,614	9,876,933
		77,000,574	45,122,939
Surplus /(Deficit) From Operations		1,621,626	1,718,625
Gain (Loss) Assets Sale		3,719	(7,040)
Finance Income	12	1,899,719	1,447,058
Sundry Income		7,500	-
Total Other Income		1,910,938	1,440,018
Surplus for the year		3,532,564	3,158,643
COMPREHENSIVE INCOME			
Revaluation Reserve	14	1,636,302	737,979
Total Comprehensive Income for the Year		5,168,866	3,896,622

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 MARCH 2020

	Revaluations Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
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	-
Increase During the year		-		-	
Universal Access Fund	-	-	21,809,306	-	21,809,306
Surplus for the year	-	-	-	3,158,643	3,158,643
Balance at 31/03/2019	1,475,958	-	66,694,820	26,157,271	94,328,049
Amortisation for the year	(1,636,302)	-	-	1,636,302	-
Increase During the year	3,432,949				3,432,949
Surplus for the year		-	-	3,532,564	3,532,564
Universal Access Fund	-	-	(7,946,465)		(7,946,465)
Balance at 31/03/2020	3,272,605	-	58,748,355	31,326,137	93,347,099

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 M	2019 M
Surplus for the Year		3,532,564	3,158,643
Adjustment for:			
(Increase)/Decrease in Receivables		(2,754,638)	31,446
Increase/(Decrease) in Payables		(623,208)	1,440,341
Depreciation		2,148,621	1,937,782
Gain /(Loss) on Disposal of Fixed Assets		(3,719)	7,040
Net Cash from Operating Activities		2,299,620	6,575,252
Investing Activities:			
Purchase of Fixed Assets	8	(1,099,290)	(70,123)
Disposal Proceeds		3,720	5,917
Net Cash Used in Investing Activities		(1,095,570)	(64,206)
Financing Activities			
Gratuity		748,256	2,879,482
Universal Access Fund		(7,946,465)	21,809,306
Net Cash Used in Financing Activities		(7,198,209)	24,688,788
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		(5,994,157)	31,199,834
Cash and Cash Equivalents at the Beginning of the Year		95,850,719	64,650,885
Cash and Cash Equivalents at the end of the year	9	89,856,562	95,850,719

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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 2020

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 2020

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 2020

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 2020

	2020 M	2019 M
2. AfDB Grants	-	-
3. Licence Fees		
LEC	6,201,077	6,172,919
LHDA	1,057,100	1,203,364
WASCO	1,085,852	855,241
	8,344,029	8,231,524
4. Customer Levies		
LEC	34,054,668	33,507,384
WASCO	2,800,779	2,863,716
	36,855,447	36,371,100
5. Trade & Other Receivables		
LEC & WASCO – Customers' & Electrification Levies	9,697,596	6,804,654
Trade & Other Receivables	707,046	845,349
	10,404,641	7,650,003
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	1,835,790	2,052,640
Trade & Other Payables	492,392	898,750
	2,328,182	2,951,390
6.1 Falling due after 1 year		
Gratuity	9,975,712	9,227,456
	12,303,894	12,178,846

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

	2020 M	2019 M
6.2 Trade & Other Receivables		
Interest- STANLIB	456,802	394,037
Medical Aid	83,110	74,968
Advances	110,090	147,758
Rental Deposit	42,755	42,755
Petrol Deposit	14,000	14,000
FBT	288	288
AFUR, ESAWAS Subscriptions	-	171,543
Total	707,046	845,349
7. Operating Lease obligation		
Minimum lease payments due:		
- Within 1 year	2,981,843	2,760,966
- In fourth to fifth year inclusive	6,698,413	9,680,256
Present Value of minimum lease payments	9,680,256	12,441,222

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 2020

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, 2019	539,582		66,735		2,798,234		24,884		2,220,494		398,078		6,048,007	
Additions	-		-		1,015,903		-		-		83,387		1,099,292	
Revaluation Adjust.	-		(63,756)		(2,801,563)		-		(1,480,315)		-		(4,345,634)	
Disposal	-		-		(131,407)		(3,053)		-		-		(131,407)	
Revaluation	-		63,445		2,392,166				977,338		-		3,432,949	
At March 31, 2019	539,582		66,424		3,273,334		24,884		1,717,517		481,465		6,103,207	
DEPRECIATION														
At April 1, 2019		20%		25%		33.33%		20%		33.33%		33.33%		
Charge for the year	314,008		47,072		1,803,598		4,310		740,158		132,690		3,041,836	
Adjustments	107,917		16,684		1,129,371		5,587		740,158		148,904		2,148,621	
At March 31, 2020	421,925		-		(2,932,970)		(1,480,315)		-		-		(4,477,041)	
CARRYING VALUE														
At March 31, 2019	117,657		66,424		3,273,334		14,987		1,717,517		199,871		5,389,790	
At March 31, 2019	225,574		19,663		994,638		20,574		1,480,336		265,388		3,006,173	

All assets values were reviewed on the 31 March 2020 in compliance with IAS 16 to reflect their fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

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)	989,187	3,963,238
Short-Term Deposits – (StanLib)	33,289,939	28,489,930
Central Bank of Lesotho	2,107	2,107
	34,288,733	32,462,775
Current Accounts – UAF (Standard Lesotho Bank)	1,771,774	6,966,131
Short-Term Deposits – UAF (StanLib)	54,199,489	57,159,446
	90,259,996	96,588,352
Bank Overdraft – (NedBank)	(403,434)	(737,633)
Total	89,856,562	95,850,719

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 2020

11. Universal Access Fund (UAF) - Receipts & Payments	2020	2019
	M	M
Receipts		
Levies Collection	21,921,193	21,289,423
Finance Income (i)	3,555,065	2,758,823
TOTAL	25,476,258	24,048,246
Expenditure		
Electrification Projects	33,415,692	2,221,754
Bank Charges/Other Costs	7,032	17,186
TOTAL	33,422,724	2,238,940
Movement in UAF – For the year	(7,946,465)	21,809,306
Universal Access Fund –B/F	66,694,820	44,885,514
Universal Access Fund Balance (ii)	58,748,355	66,694,820

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 electrification levies. The Authority determines the levies and approves all the projects to be funded by the UAF, including annual budget for the Fund. The Authority is only a custodian of the Fund, the Authority does not recognize the income until funds are released into projects for electrification. The total amount of M33,422,724.00 was for the funds available for usage in the Financial Year 2019/20, and it is matched with the corresponding expenditure.

11.2 UAF Receivables	2020	2019
	M	M
LEC / STANLIB	2,813,365	2,579,024
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 M24 million had been approved for electrification projects for the next financial year, while M19.7 million is committed to approve projects which are still in progress.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

12. Investment Income	2020	2019
	M	M
Interest received on short term investment with STANLIB Lesotho (Pty) Ltd & NedBank Lesotho Call Account.	1,899,719	1,447,058
13. Retained Surplus / (Deficit)	2019	2018
	M	M
Income	45,199,476	44,602,624
Expenditure	43,577,850	42,884,000
Operating Surplus/(Deficit)	1,621,626	1,718,624
Disposal Gain/(Loss)	3,719	(7,040)
Total Other Income	1,907,219	1,447,058
Surplus/(Deficit) for the year	3,532,564	3,158,643
Revaluation Reserve Amortisation	1,636,302	737,979
Surplus B/F	26,157,271	22,260,649
Retained Surplus/(Deficit)	31,326,137	26,157,271
14. Revaluation Reserve	2019	2018
	M	M
Balance at the beginning of the year	1,475,958	2,213,937
Increase during the year	3,432,949	-
Amortised during the year	(1,636,302)	(737,979)
Balance at the end of the year	3,272,605	1,475,958

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

15. Universal Access Fund (UAF) Projects						
Villages Name/Projects	Name of Contractor	Approved Contracts Including WIP	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 Construction	12,381	-	12,381	-	
Ha Fusi	Lesehe Construction	195,076	-			
Liqhooeng	B & G Electrical	131,550	-		195,076	
Mosaqane	Moramo Civils	1,032,425	-		131,550	
Masitenek (Rothe)	Lesehe Construction	238,072	-		1,032,425	
Melikane	-	2,700,000	-		238,072	
					2,700,000	
Ha Nyatso	Moleko Electr.	63,914	-	63,914	-	
Makopela	Escon	420,459	121,623		298,836	
Lethena & Nkhema	KR Holdings	8,574,838	8,336,324		238,514	
Mapape	Selemela Construction	3,506,133	2,611,699		894,834	
Ha-Ramajoro	Mohlawe Tech.	3,340,503	2,683,049		657,454	
Makujoe	Daystar	3,901,284	2,352,658		1,548,626	
Motse- Mocha	B & G Electrical	9,218,700	7,137,321		2,081,379	
Koma- Koma	Power Factor	6,267,255	4,541,303		1,725,952	
Sebotha	Nutra Invest.	2,485,179	1,935,868		549,311	
Lepaqoa	Nutra Invest.	2,318,404	1,488,301		830,103	
Matlakeng	Selemela Construction	8,754,142	2,207,541		6,546,601	
TOTALS		53,167,296	33,415,687	83,276	19,668,333	
Committed Funds					19,668,333	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. Detailed Statement of Comprehensive Income	2020	2019
	M	M
INCOME:		
Customers' Levy	36,855,447	36,371,100
Licence fees	8,344,029	8,231,524
World Bank & AFDB Grants	-	-
	45,199,476	44,602,624
Universal Access Fund	33,422,724	2,238,940
Other Income		
Finance Income	1,899,719	1,447,058
Other Income	7,500	-
Gain/(Loss) Assets Sale	3,719	(7,040)
	1,910,938	1,440,018
Total Income	80,533,138	50,530,267
Less: Expenditure		
Directors' Expenses:		
Director's Fees	2,105,639	1,443,228
Other Costs – Board	201,958	299,527
Board Training	885,795	1,247,742
	3,193,392	2,990,497
Staff Costs:		
Staff Remuneration & Benefits	21,385,269	20,791,012
Staff Wellness Activities	-	-
Gratuity	4,912,328	5,165,072
Staff Training/Workshops	1,283,705	1,937,006
Health & Wellness allowance	34,890	38,622
Staff Uniform	19,032	103,825
	27,635,224	28,035,537
Operating Costs:		
Stationery	292,914	293,554
Advertising	155,065	62,465
Cust./Stakeholder Empower.	545,023	632,710
Publications	13,748	23,106
LEWA Literature	600	1,197

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. Detailed Statement of Comprehensive Income (continued)	2020	2019
	M	M
RERA,ESAWAS & AFUR subscriptions	714,147	856,846
Office Expenses, Consumable, Repairs Freehold	311,006	208,928
Transport Costs, Vehicle Running Cost	167,972	199,835
Bank Charges	85,123	59,647
Rent	2,760,966	2,343,413
Electricity	279,170	239,129
Telephone	115,024	169,585
Internet	72,000	72,000
Corporate Social Responsibility	40,559	38,477
Insurance	127,721	134,491
IT Expenses, Acc. Software, Website Support	193,079	202,472
RERA Meetings and Workshops	1,010,228	693,324
AFUR Meetings and Workshops	428,561	166,575
International Meetings and Workshops	355,815	411,398
Risk Management Expenses	-	94,304
ESAWAS Meeting and Workshops	319,191	507,329
Annual Report	182,689	46,987
Inspection Costs (Elect.& Water), Testing Equip. & Tools Water	80,945	57,426
Promotional Items	241,923	380,844
Regulatory Impact Assessment	584,713	289,701
Public Hearing	1,117,066	507,791
Casual Labourers	15,195	5,850
African Peer Review	-	-
Advocacy	12,800	5,175
Security	6,377	5,891
Cost of Supply Study	-	124,005
Cost of Service Study	-	568,527
Development of Rules	15,755	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. Detailed Statement of Comprehensive Income (continued)	2020	2019
	M	M
Workman's Compensation	68,794	64,080
Strategic Plan	-	194,444
HR Consultant	133,265	227,106
CE Farewell	67,604	-
Staff Wellness Activities	16,500	-
Operating Cost:	10,550,614	9,876,933
Other costs:		
Audit Fees	50,000	43,250
Depreciation	2,148,621	1,937,782
Universal Access Fund (Elect. Projects)	33,422,724	2,238,940
Operating & Other Expenses	46,171,959	14,099,584
Total Expenses	77,000,575	45,122,618
Surplus/ (deficit) for the year	3,532,564	3,158,643

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www.lewa.org.ls

For any quires or questions contact LEWA at:
(+266)22312479 (Tel.) or secretary@lewa.org.ls
Physical address - 7th Floor Moposo House,
Kingsway, Maseru, Lesotho
Postal address - P/ Bag A315, Maseru, Lesotho

Facebook: Lesotho Electricity and Water Authority –LEWA
Twitter: officialLEWA_1

