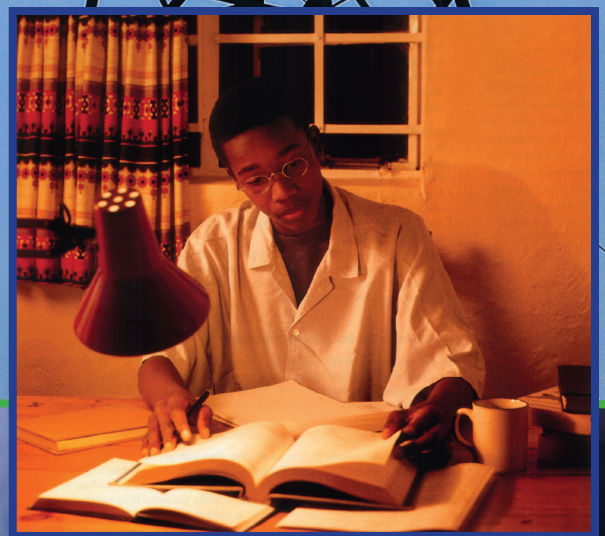


LESOTHO ELECTRICITY
AND WATER AUTHORITY



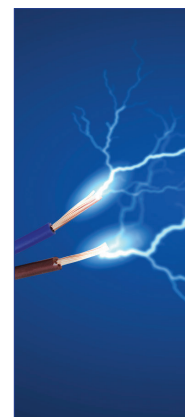
ANNUAL REPORT
2016/17

CONTENTS



iii	• • • • •	EXECUTIVE SUMMARY
v	• • • • •	OBJECTIVES OF THE 2016/17 LEWA ANNUAL REPORT
vi	• • • • •	ABBREVIATIONS AND ACRONYMS
viii	• • • • •	TABLES AND FIGURES
ix	• • • • •	CORPORATE STATEMENTS
1	• • • • •	GENERAL DUTIES OF THE AUTHORITY
2	• • • • •	LEWA MANDATE, REGULATED ACTIVITIES AND FUNDING
3	• • • • •	STRATEGIC OBJECTIVES
5	• • • • •	LEWA BOARD AND SUB-COMMITTEES
8	• • • • •	CHAIRPERSON'S STATEMENT
12	• • • • •	CHIEF EXECUTIVE'S STATEMENT
16	• • • • •	HIGHLIGHTS OF DEPARTMENTAL DEVELOPMENTS
17		Technical Regulation- Electricity
18		Technical Regulation - Water
19		Economic Regulation
23		Human Resources, Finance and Administration
26		Legal Services
29		Consumer Affairs and Communication

CONTENTS



30	• • • •	REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES
		30 Regional Electricity Regulators' Association of Southern Africa (RERA)
		31 East and Southern Africa Water and Sanitation (ESAWAS) Regulators Association
		31 African Forum for Utility Regulators (AFUR)
		32 Matters Relating to Development and Cooperating Partners
		32 African Development Bank (AfDB)
		32 United States Agency for International Development (USAID)
		32 World Bank
33	• • • •	REGULATED SECTORS' PERFORMANCE OVERVIEW
		34 ELECTRICITY SUPPLY INDUSTRY
		34 Lesotho Electricity Company (LEC)
		36 Lesotho Highlands Development Authority ('Muela Hydropower Plant)
		39 Department of Energy (Rural Electrification Unit)
41	• • • •	URBAN WATER AND SEWERAGE SERVICES SUB-SECTOR
		41 Water and Sewerage Company
44	• • • •	OTHER ELECTRICITY AND WATER SECTOR DEVELOPMENTS
		44 Electricity Sector
		44 Water Sector
47	• • • •	FINANCIAL STATEMENTS

EXECUTIVE SUMMARY

When it started operations in 2004, the Authority which had been established through the Lesotho Electricity Authority Act of 2002, was known as the Lesotho Electricity Authority (LEA) and it regulated the Electricity Supply Industry (ESI). In 2011, the Government amended the Act to expand the Authority's mandate to cover the regulation of Urban Water and Sewerage Services (UWSS) sub-sector, and the organisation's name was changed to Lesotho Electricity and Water Authority (LEWA). The number of regulated entities in the country stands at four (4); these are, Lesotho Electricity Company (LEC), Rural Electrification Unit (REU), 'Muela Hydropower Station (MHP) of the Lesotho Highlands Water Project (LHWP) and Water and Sewerage Company (WASCO).

LEWA is required by Section 28 of the Act to prepare an annual report which is to be submitted to the Parliament through the appointing authorities (the Ministry of Energy and Meteorology and the Ministry of Water). Annual Reports are available on LEWA's website (www.lewa.org.ls). This is the 12th Annual Report which covers the period from the 1st April 2016 to the 31st March 2017. It provides an account of the programme of the fourth year of LEWA's Five Year Strategic Plan (SP) for the period 2014/15 – 2018/19. The SP is executed through the Annual Business Plan (ABP) which is structured around the seven Strategic Objectives reflected on page 4 of this Report. In addition, the ABP provides the annual planning cycle for the regulation of ESI and UWSS.

The Report deals with LEWA operational issues, reflected in a manner that gives information on the work of the Authority during the 2016 - 2017 reporting period. In particular, the Report deals with issues on technical regulation where the main emphasis is on matters relating to the monitoring of Licensees' performance. It highlights matters on electricity, water and sewerage service tariffs. The legal aspects of regulation such as the development of regulatory frameworks are also highlighted. Furthermore, the report deals with the customer complaints resolution, stakeholder communication and management issues. The Report also gives an overview on financial, administrative and human resources matters.

A summary of the activities related to the operational issues appears below.

- i. The Authority regulates prices of electricity, urban water and sewerage services that are charged to consumers. The processes that the Authority followed to determine electricity, urban water and sewerage charges for 2016/17 have been elucidated in the main body of the Report. A brief account of the tariff determinations in 2016/17 follows:
 - LEC had requested a 25.4 % increase on Energy and Maximum Demand (MD) Charges, but the Authority allowed an adjustment average of between 12.2% and 12.4% depending on customer categories. The Maximum Demand charges for industrial and commercial customer categories was increased by 12.6%;
 - WASCO applied for a 13% increase in volumetric charges on both water and sewerage services. The Company requested no changes in standing charges for the Financial Year 2016/17. The Authority allowed an 8.7 % increase in water charges and no increase in Standing Charges for Band A customers (lowest consumers category). The sewerage service tariff was increased by 8.7% across all customer categories;
 - In 2017/18 LEC applied for a 16.9 % increase on energy and MD charges WASCO had applied for and 10 % increase on the existing volumetric tariffs and Standing Charges for all bands except for Band A

EXECUTIVE SUMMARY

and no increase in sewerage charges. Following the processes of public consultations the Authority was still considering the applications.

- ii. In the pursuit of the attainment of the development and implementation of the regulatory framework ensuring the security of supply, the Authority embarked on the following:
 - Establishment of the Grid Code Panel to be responsible for the electricity power supply audits.
 - Development of the 10 Key Performance Indicators (KPIs) for WASCO are explicitly clarified in the main body of the Report. The 10 KPIs were grouped into three (3) performance categories; namely, Quality of Service, Economic Efficiency and Operational Sustainability.
- iii. Regulatory compliance by the Licensees. As reflected in the Report there was a concerted effort to enhance regulatory monitoring of the Licensees' performance to ensure that they complied with their licences' Terms, Minimum Service and Supply Standards (QoSSS) and other regulatory provisions. The Authority continued to implement monitoring strategies to ensure compliance with the regulatory instruments and the applicable laws. As a result, non-compliance issues were identified by the Authority and those were communicated to the regulated utilities for consideration and rectification.

As required by the law, the Report also gives a synopsis of some of the developments that took place in the regulated entities whose details are thoroughly explained in the main report. A brief account follows:

- The country's electricity demand was 161 Megawatts (MW) whereas local generation was 72MW; this resulted in the country having to meet the shortfall through importation from South Africa's utility ESKOM and Mozambique's utility EDM; and
- The water connections increased by 5,027 bringing the total number of WASCO water customers to 95,571. Sewerage connections increased by 298 bringing the total number of WASCO sewerage customers to 7,463. Water quality was good because the average compliance for both Chlorine and Microbiological parameters stood at more than 90%. The Non Revenue Water (NRW) stood at 34% against the WASCO's set target of 27%. Sewage quality was assessed as unsatisfactory because the average compliance for both suspended solids (ss) and Chemical Oxygen Demand (COD) was below 50% as against the acceptable 90% level.

The unqualified Audited Financial Statements of the Authority for the reporting year are appended to the Report; as such, reflected the probity with which LEWA expended financial resources in the quest to attain its mandate.

LEWA continued cooperating with regional and international bodies. The main emphasis was on information sharing and cooperation in capacity building in the electricity, water and sewerage services regulation consistent with the best practice. During the reporting period, LEWA continued to be an active member of the Regional Electricity Regulators Association of Southern Africa (RERA), the Eastern and Southern Africa Water and Sanitation (ESAWAS) Regulators Association and the African Forum of Utility Regulators (AFUR). Consequently LEWA hosted the 13th RERA Annual Energy Conference in 07 – 11 November 2016, and also benchmarked its tariff setting procedure with the regulatory models used by ESAWAS members.

OBJECTIVES OF THE 2016/17 LEWA ANNUAL REPORT

The 2016/17 Annual Report fulfils the following objectives:

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

For any queries or questions please contact:

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

ABBREVIATIONS AND ACRONYMS

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

ABBREVIATIONS AND ACRONYMS

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

TABLES AND FIGURES

Tables

Table 1	Key Performance Indicators and Targets for WASCO in 2017/18	18
Table 2	LEC Energy Charges	19
Table 3	LEC Maximum Demand Charge	19
Table 4	Water Volumetric Tariffs	19
Table 5	Standing Charges	20
Table 6	Sewerage Services Tariffs	20
Table 7	Revenue Received in 2016/17	24
Table 8	The Board Members' Attendance of Meetings	27
Table 9	The Committees Members' Attendance of Meetings	27
Table 10	LEC Energy Purchases and Sales	34
Table 11	Lesotho Maximum Demand Profile (MW) for Period 2012/13 to 2016/17	34
Table 12	Summary of Findings from Inspections of LEC's Infrastructure	35
Table 13	Performance of MHP Units– Ratios Expressed in Percentages	38
Table 14	Customer Base for the EAPPs	39
Table 15	Energy Purchases and Sales for EAPPs	39
Table 16	Potable Water Quality	42
Table 17	Treated Sewage Quality	42

Figures

Figure 1	Transmission and Distribution Systems Availability	35
Figure 2	'Muela Hydropower (MHP) Load and Operating Factors (Percentages)	37
Figure 3	MHP Energy Generation, Sales and Exports	38
Figure 4	'Muela Monthly Peak (MW)	38

CORPORATE STATEMENTS

VISION

“To be a world class utilities’ regulator that facilitates delivery of affordable, sustainable and quality services”.

MISSION

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

CORE VALUES

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

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

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

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

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

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

REGULATORY PRINCIPLES

The Authority has adopted the following internationally accepted regulatory principles:

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

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

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

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

LEWA MOTTO

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

GENERAL DUTIES OF THE AUTHORITY

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

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

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

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

LEWA MANDATE, REGULATED ACTIVITIES & FUNDING

OVERVIEW OF LEWA'S MANDATE

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

REGULATED ACTIVITIES & ENTITIES

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

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

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

FUNDING

The funds of the Authority comprise levies from consumers of electricity, urban water and sewerage services, licence fees and all monies that may, from time to time be donated, lent or granted to the Authority. LEWA also obtains interests on invested funds. In the 2016/17 Financial Year, Customer Levies, Licence Fees, other income constituted the source of funding for the Authority.

STRATEGIC OBJECTIVES

In the execution of the 2014-15 to 2018-19 Strategic Plan, LEWA has set seven Strategic Objectives that provide a comprehensive action programme, The Strategic Objectives are as follows:

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

The Authority's six (6) Departments which are mentioned below implement the organisation's mandate. The Report covers the main functions undertaken by the LEWA Departments in pursuance of the Strategic Objectives. Most LEWA functions are cross cutting, involving more than one Department at a time. In the Report, activities carried out under a specific function are reported under the lead Department. The LEWA Departments are:

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

STRATEGIC OBJECTIVES

In order to execute its mandate, the Authority has six Departments which are mentioned below. The Report covers the activities undertaken by these Departments in pursuance of attainment Strategic Objectives during the reporting period under Section 9. The Departments are:

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

Under the 2014-15 to 2018-19 Strategic Plan, LEWA has set seven Strategic Objectives to provide a comprehensive action programme, for the Authority to effectively and efficiently deliver on its mandate, for the period 2014/15 – 2018/19. The Strategic Objectives are as follows:

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

In addition to reporting on these Strategic Objectives under the Departments (pages 17 - 29), the Report comprises a section on how ESI and UWSS Licencees performed (pages 34 - 46).

LEWA BOARD AND SUB-COMMITTEES

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



Dr. Leboli Thamae
Chairperson



Mr. Retšelisitsoe Motlojoa
Member
Until 31.07.2016



Dr. 'Mampho Kotelo – 'Molaoa
Member
Until 31.07.2016



Adv. Karabo Mohau
Member



Dr. 'Mampiti Matete
Member



Mr. Pashu Mochesane
Member
From 15.08.2016



Mr. Thabo Nkhahle
Member
From 01.08.2016



Mr. Seretse Mhlooua
Member



Mr. Bokang Ramatšella
Member



Assoc. Prof. Ntoi Rapapa
Chief Executive
Until 30.09.2016



Mr. Thuso Ntlama
Chief Executive a.i.
From 01.10.2016 - until 31.05.2017



Professor Lebohang Moleko
Chief Executive
From 01.06.2017

Disclosure of Interest

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

LEWA BOARD AND SUB-COMMITTEES

The Board is responsible for providing oversight and governance of the Authority and is made up of a diverse body of individuals with varying backgrounds and skills sets. The primary role of the Board is to provide strategic direction and oversight. The Board ensures that the organisation is on track with regard to meeting its goals, as well as to design and oversee corporate governance based on ethical foundations in support of those goals.

The Board has four Committees, which are:

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

The Committees assist the Board in discharging its responsibilities.

Audit and Risk Committee

The Audit and Risk Committee is responsible for ensuring that the Authority conducts its business in an ethical and professional manner, in line with legislation and generally accepted accounting practices.

Human Resources, Finance and Administration Committee

The Human Resources, Finance and Administration Committee ensures that LEWA discharges its responsibilities of attraction, learning, development and retention of the required staff competencies. In respect of its financial and administrative responsibilities, the Committee ensures that Executive Management has created and maintained an effective environment for financial management.

Customer Services Committee

The role of the Customer Services Committee is to assist the Board in the discharge of its responsibilities to ensure that proper quality standards are adhered to in the provision of services.

Pricing and Tariffs Committee

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



Dr. Leboli Thamae
Chairperson of Board of Directors

"The Authority continued implementing transparent and participatory processes in its decision making."

CHAIRPERSON'S STATEMENT

ON BEHALF OF THE BOARD of LEWA, I am delighted to present this Annual Report which gives an overview of the strategic issues that the Authority dealt with during the Financial Year ending 31 March 2017. This Statement further reports on the challenges and outlook for the future.

The LEWA Board continued to oversee the implementation of the Authority's regulatory functions, so the organisation realised its vision of becoming a world class utilities regulator. LEWA therefore must adopt inventive approaches, and practical interventions to address the coverage and pro-poor regulation of water and electricity services. A total of 15,606 new electricity connections, 5,027 new water connections and 298 new sewerage connections were realised. A responsive and responsible LEWA cannot ignore the impact of the regulated ESI and UWSS on the country and on the well-being of the same stakeholders. As such, the Authority approved the DoE's application for a licence exemption extension for the EAPPs at Ha Sekake, Qholaqhoe and Dilli-Dilli/ Sixondo for a period of two years effective from 01 October 2016 to 30 September 2018. The extension of the exemption was congruent with the Lesotho Energy Policy's goal that advocates for promotion of access to energy to all especially the people living in rural areas.

A big effort to roll out electricity services to unserved areas was sustainably undertaken through the administration of the Universal Access Fund (UAF). In the period under review, electrification projects were undertaken in the districts of Qachas Nek, Mokhotlong and Maseru, which connected over 937 households with electricity. The budget for UAF project for the year stood at over M24.6 million.

The Authority continued implementing transparent and participatory processes in its decision making. LEWA undertook open participatory processes, as required by law, to determine LEC's and WASCO's tariffs. The Authority also continued to educate and raise awareness of its mandate to the public through platforms such as the media, meetings and workshops.

In line with renewable energy endeavours LEWA developed the templates on the Electricity Generation Licence (EGL), Electricity Transmission Licence (ETL), Electricity Distribution and Supply Licence (EDSL) and Standardised Power Purchase Agreement (SPPA) which will be applied as the situation demands. The development is an attempt to realise the United Nations' Sustainable Development Goal (SDG) No. 7 that advocates for the promotion of the use of modern, clean and sustainable energy for all.

With regard to the security of the supply for electricity services in the country Lesotho is bound to import electricity from two outside sources, ESKOM of South Africa and EDM of Mozambique. Currently the country's demand is 161 MW, while the sole local generation plant ('Muela Hydropower Plant) only produces 72 MW. Lesotho should not rely entirely on grid electrification to enhance access to electricity services. It is therefore imperative for the country to generate more power to meet its optimal demands.

In as far as the UWSS security of supply is concerned, most urban areas do not yet enjoy adequate services, except for areas that are served by the Metolong Dam Water Supply Project (MDWSP). To address this an urgent execution of the Lesotho Lowlands Water Supply (LLWS) is necessary.

CHAIRPERSON'S STATEMENT


On LEWA's participation in international and regional events, it should be noted that the Authority successfully hosted the 13th Regional Energy Regulators Association for Southern Africa (RERA) Annual Conference and General Meeting in Maseru in November 2016. LEWA took part in the 10th ESAWAS conference and AGM in Dar es Salaam, Tanzania. Both RERA and ESAWAS should be commended for enhancing the regulatory best practices in the Sub-Saharan Region.

Reflecting on challenges and way forward, it should be noted that improving access to electricity and water services for both urban and rural communities is truly a mammoth task because of limited resources. As of 2017/18 WASCO must endeavour to improve on the quality of service and supply, to enhance economic efficiency and to ensure operational sustainability in line with set Key Performance Indicators (KPIs). Moreover the increasing NRW trend from WASCO's infrastructure must be addressed, more so because it is a legal requirement. The public is requested to collaborate with all relevant authorities to curb vandalism and theft of electricity, urban water and sewerage services equipment, by reporting the culprits to law enforcement agencies and concerned utilities.

With regard to the Board membership in 2016/17, two new Board members Messrs. Pashu Mochesane and Thabo Nkhahle joined the Authority to fill the vacancies created by the departure of Mr. Retšelisitsoe Motlojoa and Dr. 'Mampho Kotelo-'Molaoa who had served the Authority for a period of eight (8) years. The Authority unreservedly wishes the two former Board Members success in their future endeavours. The Authority also wishes the new Members to LEWA Board a successful tenure.

At this juncture, allow me to acknowledge the immense contribution of the former Chief Executive, Assoc. Prof. Ntoi Rapapa to LEWA. Assoc. Prof. Rapapa served LEWA selflessly from April 2004 until 30 September 2016 in the capacity of a Board Member and later as the Chief Executive. During his tenure as CE, Prof. Rapapa was a member of the Ministerial Steering Committee for the development of Lesotho Energy Policy that was launched in 2015. He further played a significant role in the conceptualisation and execution of the Peer Review Mechanism amongst the members of RERA and ESAWAS. Prof. Rapapa also championed the participation of LEWA in continental and global platforms such as the World Energy Council (WEC), African Forum for Utility Regulators (AFUR) and the World Forum for Energy Regulation (WFER). His interim successor, Mr. Thuso Ntlama, took over a fully functional institution with a dedicated and dynamic team that continued to deliver for the remainder of the reporting year. I must express our gratitude to Mr. Ntlama for his stewardship of LEWA after the departure of Prof. Rapapa.

I would like to express my sincere thanks to the Government and other stakeholders for creating a favourable environment for the Authority to realise its functions effectively and efficiently. I wish to extend LEWA's special indebtedness to all the Honourable Ministers who served in the Ministry of Water (MoW) and the Ministry of Energy and Meteorology (MEM), for their relentless support to the Authority during the reporting period.

Finally, let me take this opportunity to congratulate the Board Members, Management and Staff for their unrivalled commitment, devotion and hard work during the year under review 



Leboli Thamae (Dr.)
Chairman of the Board



Mr. Thuso Ntlama
Chief Executive Officer a.i.

"The Authority continued implementing the legal and regulatory frameworks to boost governance and licencing mechanisms."

CHIEF EXECUTIVE'S STATEMENT

ON BEHALF OF MANAGEMENT and Members of staff of LEWA, it is with a great sense of honour and humility that I report on the achievements of the Authority in the execution of its Annual Business Plan (ABP) for the period under review. Furthermore, I wish to provide an overview of the challenges that were met during the period. I will also propose the way forward. Although LEWA recorded many achievements and had some challenges during the year, only the main highlights are reported in that regard.

Acceleration of Access to Electricity, Water and Sewerage Services

Overseeing accelerated provision of electricity, water and sewerage services by the licensed service providers remained one of the key goals of the Authority. This is one of the key Government priority areas. By the end of the year the Authority had disbursed around M 16.9 million, from the Universal Access Fund (UAF), for electrification projects. To alleviate water shortages the Metolong Dam Conveyance system (main transmission pipelines) is being used to augment water supply to villages close to the pipelines. To develop the water sector, LEWA continues to be a member of the Steering Committee that oversees the implementation of the project. Regarding the development of strategies of increasing coverage of sewerage services, LEWA is developing a proposal for future consideration by WASCO.

Since the security of electricity and water supplies remained very important in the economic development of the country, LEWA also continued to participate in the Energy Sector Coordination Forum (ESCF) and Electricity Subsector Committee (ESC) Meetings.

LEWA has advised LEC to participate in the SAPP for the purchase of external power to meet the Lesotho electricity demands. The idea is for LEC to have stable power purchases.

The Authority attended the high level Southern African Development Community (SADC)-joint workshop for Ministers responsible for Water and Energy in Gaborone, Botswana in June 2016 to deliberate on matters pertaining to security of supply of water and electricity in the SADC region. The workshop, amongst others, recommended that as a matter of urgency, SADC Member States should embark on intensive energy and water demand side management strategies which combine the use of high efficiency technologies, methodologies and better awareness creation to promote the security of supply.

LEWA took part in the 10th ESAWAS Annual Conference and General Meeting which was held in Dar es Salaam, Tanzania. One of the focal points during the discussions was ensuring water supply availability in the region, as well as the implementation of the measures that can be deployed to mitigate the consequences of climate change on regional water supplies.

Determination of Electricity, Water and Sewerage Services Tariffs

One of the key functions of the Authority is to determine electricity and water and sewerage services tariffs. Electricity and water tariffs for 2016/17 were determined and the approved tariffs were published. The approved tariffs became effective on 1st April and 1st May 2016 for WASCO and LEC respectively. The detailed tariffs determination reports are published in the Authority's website.

CHIEF EXECUTIVE'S STATEMENT

The Authority initiated the process of determining both WASCO's and LEC's new applications for tariffs reviews for 2017/18. In the determination of the WASCO and LEC tariff applications the Authority involved the stakeholders through public consultations (media event, and public hearings). The process and tariff deliberations as well as the approved tariffs are in the main report.

At the end of the reporting period the Authority was analysing both WASCO's and LEC's applications and the public comments and inputs before making determinations on the two respective applications for the Financial Year 2017/18.

The Authority commenced with the steps towards the acquisition of consultancy to undertake the Cost of Service Study (CoSS) for the ESI, with the funding from the African Development Bank (AfDB). The study aims the determination of the long-term least cost generation, transmission, distribution and supply programs to meet the forecasted electricity demand in over the medium to long term; price evolution from generation through to end-user level; the appropriate tariff structure and level of the social life-line tariffs.

To promote private sector participation and regulate the development of renewable power sources, LEWA had developed the following documents for Renewable Energy Projects: Tender Documents, Procedures for Tendering, Model Implementation Agreement and Procedures for Off-Grid Concessions. These had been submitted to the MEM for consideration and approval. The documents will provide guidelines that govern the procurement of power. The availability of the documents will facilitate the much needed investment in the sector. As at end of March 2017, a template model for the determination of Renewable Energy Feed-In Tariffs had been prepared and would be sent to MEM for consideration.

Monitoring Licensees' Performance and Compliance

The Authority conducted inspections on LEC's transmission substations to monitor ESI Licensees' performance and adherence to regulatory tools. The detailed findings on the inspections are outlined under the ESI performance section. Some of the findings were that fire extinguishers were not serviced and some transformers were leaking. The substations security fencing was poorly maintained and there were no warning signs. The Authority audited power quality on some parts of LEC's network and reports thereof indicated that power quality was within prescribed standards.

LEWA's assessments of the REU performance reports indicated that although EAPPs continued providing electricity services to Dilli-Dilli/ Sixondo, Qholaqhoe and Ha Sekake villages, there were huge backlogs of unconnected customers coupled with high energy losses. As a result, the Authority has requested the REU to implement corrective measures in that regard.

On the monitoring of WASCO's performance, inspections were carried out on WASCO's service areas in the country. From the inspections, it was found that most of the processes that took place in the WASCO offices were being documented; however, records such as dates of issuance of quotations and meter readings were not available at some of the centres. The compliance to the QOSSS requirement revealed that comprehensive water quality monitoring for both potable water and wastewater was done accordingly.

CHIEF EXECUTIVE'S STATEMENT

To improve WASCO's performance, the Authority has issued ten (10) Key Performance Indicators (KPIs) for water and sewerage services were prepared and issued to the Company. In a nutshell, the KPIs are aimed at assessing WASCO on three (3) key performance areas of Economic Efficiencies, Operational Sustainability and Quality of Service.

Apart from the inspections, the Authority mandate is to implement the customer complaints rules and procedures for the purpose of resolving customer complaints. The details of these are reported elsewhere in this report. LEWA also reviewed LEC's Code on Customer Complaints Handling Procedure and WASCO's Connection Policy.

On the EAPPs customer complaints overview, the REU had been able to meet the set regulatory minimum standard of 90% on customer complaints resolution, scoring 95%, 90% and 92% success rate on customer complaints resolution in Dilli-Dilli/Sixondo, Qholaqhoe and Ha Sekake respectively. More information concerning EAPPs performance are further outlined under the ESI Licensee Performance section.

Regulatory Compliance by Licensees

The Authority assessed the Licensees' compliance to regulatory tools and instruments. The compliance audits revealed that there were many regulatory compliance issues that needed to be addressed. For instance, LEC was yet to provide the Authority with representations on customer complaints within specified timeframes.

In the case of WASCO, we note that the utility did establish a Contingency Fund for Emergencies. The Authority will be able to monitor the expenditure from the Fund. The Authority will continue to engage WASCO to ensure that the Company improves its regulatory compliance.

The Authority will also engage REU to observe some regulatory provisions of the Licence Exemption.

Development and Implementation of Regulatory Frameworks

The Authority continued implementing the legal and regulatory frameworks to boost governance and licencing mechanisms. The Authority had requested policy clearance from MEM for the review of the LEA Act, 2002, as amended. Furthermore, the Electricity Supply Rules (ESR) were developed and submitted to MEM for consideration. The development of the subsidiary legislation for electricity, namely, the SPPAs, EGL, ETL and EDSL templates was finalised, and the documents were operational. In order to align itself with best practice regulatory models, the Authority had benchmarked its water tariff setting procedure with that of the other ESAWAS member regulators. As a way forward, the Authority will seek to obtain policy clearance from the relevant Ministries for the review of the Act. In addition LEWA is to engage the MEM to finalise the publication of the ESR.

CHIEF EXECUTIVE'S STATEMENT

Advocacy, Collaboration and Communication with Other Stakeholders

Throughout the year LEWA, parent Ministries and other Government Ministries such as Trade and Industry collaborated on the issues pertaining to ESI and UWSS regulation and service provision.

Apart from the above, LEWA's communication plan was implemented through the holding of public meetings, radio programs and television programs and effecting of regular updates of the website. The Authority developed a customer awareness survey form to determine public awareness about LEWA. The exercise revealed that the Authority must further enhance its outreach and communication programmes with the stakeholders.

Collaboration with other regulatory bodies locally and in the region was sustained, wherein LEWA participated in RERA Structures' meetings that were held in Namibia and Tanzania. In November 2016, LEWA hosted the 13th RERA Annual Conference and General Meeting on the theme *"Providing Universal Access and Sustainable Development through Renewable Energy: Challenges and Opportunities for the SADC Region"*. LEWA presented on the topic *"Lesotho Renewable Energy Regulatory Framework"*. The Authority also participated in the Technical Task Team Committee Meeting of the ESAWAS held in Rwanda to review the second 2014/15 Benchmarking Report. Following this exercise, a new Technical Committee of ESAWAS was instituted and LEWA was elected its Secretary. LEWA also collaborated with ESAWAS counterparts in technical regulatory exchange workshop on tariff setting in Zambia in June 2016. The Authority attended the 10th ESAWAS Conference and AGM in Dar-es-Salaam, Tanzania, in November 2016.

Consultations with the parent Ministries were also undertaken wherein the Chairperson of the LEWA Board held meetings with the Minister of Energy and Meteorology and the Minister of Water to discuss governance, UAF and Licensees' performance. The LEWA Chief Executive also held meetings with senior officials of the Parent Ministries to discuss among other things, the UAF projects, Water Sector developments and the 13th RERA Annual Conference and Meeting. LEWA Board also met with LEC and WASCO Boards discussed regulatory compliance. At the operational level LEWA Staff and their counterparts from regulated entities deliberated on issues such as customer complaints, connections and security of supply.

Building a Sustainable Organisation

LEWA participated in the peer review of water services regulatory systems in Mozambique convened under the auspices of ESAWAS so as to build a sustainable organisation. The Peer Review of the water service regulatory system in Mozambique was carried out in partial fulfilment of the objectives of the ESAWAS of fostering capacity building and information sharing. The lessons drawn from the exercise, amongst other things, are that there is a need to increase customers' participation in regulatory processes, increase the accountability of regulators to their stakeholders and help increase coverage of regulated services.

The review of internal governance and administrative policies, processes and procedures was sustained. The Information Communication Technology (ICT) Policy was started in September 2016, and will be finalised in 2017/18. The Authority initiated a process to scale up risk mitigation by initiating training on risk management. Annual Financial Statements for 2015/16 were audited and an unqualified audit report was issued. The 2015/16 Annual Report was published.


CHIEF EXECUTIVE'S STATEMENT

Challenges and the Way Forward

Some challenges were experienced during the reporting period. Although the Authority had intended to finalise the ESR with MEM, the publication of the relevant Regulations was yet to be finalised. The Parent Ministries are yet to issue the policy clearance on the revision of the principal law. To ascertain that LEC was not under recovering or over recovering from the cost of buying electricity from its suppliers the LEC will have to implement the Pass -Through Charging Principle for Bulk Supply Tariffs and Procedure for Implementation Mechanism.

The Lesotho Highlands Development Authority (LHDA) was being engaged to provide the Cost Allocation Manual (CAM) to LEWA.

One of the challenges in the UWSS, is the loss of water from the ageing WASCO infrastructure which is a result of the increased pressure resulting from the MDWSP. WASCO has to devise and submit a leakage reduction strategy to LEWA. The Authority must ensure that WASCO complies with its licence requirements regarding information provision, submission of the reports on network management (GIS mapping and Hydraulic models for all WASCO water supply networks) and a leakage reduction program.

In conclusion, I would like to express my heartfelt gratitude to the former LEWA Chief Executive Assoc. Prof Ntoi Rapapa who served LEWA diligently for over a decade. The organisational culture of excellence and service delivery that he instilled while at LEWA will go a long way towards ensuring that the Authority realises its mandate. My gratitude also goes to the cooperating partners, such as World Bank, AfDB and United States Agency for International Development (USAID) for support in areas such as capacity building, development of regulatory tools and others. Government Ministries, Consumers, Licensees, potential investors and ESI and UWSS sectors players are acknowledged for their steadfast support to the Authority. The Members of the Board and LEWA's Staff are commended for demonstrating commitment and competence in the execution of their duties during the year 



Thuso Ntlama (Mr.)
Chief Executive (a.i)

HIGHLIGHTS OF DEPARTMENTAL DEVELOPMENTS

In this section we report on the major events and activities undertaken by lead Departments in collaboration with others. In the introductory part for each for Departmental developments the Report also ties the activities mentioned therein to a relevant LEWA Strategic Objective.

TECHNICAL REGULATION – ELECTRICITY

In the pursuit of the Strategic Objective No. 2 that focuses on Ensuring Security of Supply, the Authority established the Grid Code Review Panel and also became an active member of the country's preparation to participate in an international exhibition in Astana, Kazakhstan. The Authority was exploring ways of developing monitoring tools for the regulated ESI Licensees.

Issues Investigated Under the Grid Code

The Grid Code is a document specifying technical requirements for connection to, and use of the transmission system. Compliance with the Grid Code is a regulatory requirement. The Composite Electricity Licence issued to LEC inter alia, requires the Licensee to prepare the Grid Code and submit it to LEWA for approval. During its inaugural year of operation, the Grid Code was implemented without major incidents except for one in May 2016, when there was a blackout that lasted close to 90 minutes. The Grid Code Review Panel-a body that keeps the Grid Code and its implementation under incessant scrutiny and review convened a meeting to determine the cause of the problem. The Panel, the Panel's findings were that the blackout was caused by faulty 40 MVA transformers at Mabote Substation.

Preparations for Astana Expo 2017

In preparation for the Astana Expo 2017 LEWA attended activity planning meetings organised by the Ministry of Trade. ASTANA Expo 2017 is an international exposition which is to take place from June 10 and September 10, 2017 in Astana, Kazakhstan under the theme "Future Energy". The Expo aimed to create a global debate between countries, nongovernmental organisations, companies and the general public on the crucial question: "*How do we ensure safe and sustainable access to energy for all while reducing carbon dioxide emissions?*" Various stakeholders from Government, regulatory bodies and private sector would form the Lesotho delegation to the Expo.

Development of the KPIs for the ESI

The Authority had decided to develop the KPIs for regulating the ESI entities. As a result, the Authority would engage a consultant to develop the KPIs in 2017/18. The development of KPIs would be part of the deliverables of the Cost of Supply Study (CoSS), whose purpose is outlined on page 22.

TECHNICAL REGULATION – WATER

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

Development of KPIs for WASCO

LEWA collected baseline data for use in developing the selected ten (10) KPIs for WASCO in 2017/18 and prepared a report on the selection and definition of the KPIs. In August 2016, the Authority organised a workshop in which the report was presented to stakeholders. The Authority will use the indicators to assess WASCO's performance from 2017/18 onwards. The targets and weights which are illustrated in Table 1 below, will be reviewed on an annual basis.

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

ECONOMIC REGULATION

The Authority determines tariffs of electricity, urban water and sewerage services. The Authority undertakes the function to attain the Strategic Objective No.1 of Determining the Tariffs and Charges. In this section the 2016/17 electricity, urban water and sewerage services tariffs are published. The processes leading to the determination of 2017/18 electricity, urban water and sewerage services are stated. This sub-section further highlights the developments on the implementation of the CoSS.

Table 2: LEC Energy Charges

Customers Categories	2015/16 Energy Charges Excluding Levies (M/kl)	Percentage change (%)	2016/17 Energy Charges excluding levies (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 Charge (M/ kWh)	Energy Charges including levies (M/ kWh)	Final Tariff Percentage increase (%)
Industrial HV	0.1595	12.6 %	0.1796	0.2219	0.2419	0.2419	0.2155	12.3%
Industrial LV	0.1766	12.6 %	0.1989	0.2423	0.2412	0.2412	0.2326	12.3%
Commercial HV	0.1595	12.6 %	0.1796	0.2229	0.2219	0.2219	0.2155	12.3%
Commercial LV	0.1766	12.6 %	0.1989	0.2423	0.2412	0.2412	0.2326	12.3%
General Purpose	1.3043	12.6 %	1.4688	1.5195	1.5111	1.5111	1.3753	12.4%
Domestic	1.1539	12.6 %	1.2994	1.3491	1.3417	1.3417	1.2249	12.4%
Street Lighting	0.6550	12.6 %	0.7376	0.7841	0.8149	0.8149	0.7260	12.2%

Table 3: LEC Maximum Demand Charge

Categories	Charge (M/kVA)	Change	Charges (M/kVA)
Industrial HV	224.7040	12.6 %	253.0388
Industrial LV	262.4547	12.6 %	295.5498
Commercial HV	224.7040	12.6 %	253.0388
Commercial LV	262.4547	12.6 %	295.5498

The 2016/17 urban water and sewerage services tariffs are reflected in Tables 4, 5 and 6 below. The figures in the Tables exclude VAT.

Table 4: Water Volumetric Tariffs

Customers Categories	2015/16 Unit Cost Excluding Levies (M/kl)	Percentage change (%)	2015/16 Unit Cost Excluding Levies (M/kl)	Adding Customer Levy @ M0.2311/ kl (M/kl)	Final unit cost (M/kl)	2016/17 unit cost including customer levies of M0.2054/kl (M/kl)	Final Tariff Percentage Increase (%)
Domestic Customers							
Band A (0 - 5 kl)	4.3046	8.6%	4.673	4.9041	4.90	4.51	8.7%
Band B (>5 - 10 kl)	7.4346	8.6%	8.0765	8.3076	8.31	7.64	8.7%
Band C (>10 - 15 kl)	13.2146	8.7%	14.3615	14.5926	14.59	13.42	8.7%
Band D (>15 kl)	18.2946	8.7%	19.8854	20.1165	20.12	18.50	8.7%
Non Domestic Customers							
Government Non Domestic	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
(Business, Industry)	12.0046	8.7%	13.0458	13.2769	13.28	12.21	8.7%
Schools	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Religious Institutions	11.9046	8.7%	12.9370	13.1681	13.17	12.11	8.7%
Standpipes	5.9046	8.6%	6.4128	6.6439	6.64	6.11	8.7%

ECONOMIC REGULATION

Table 5: Standing Charges		
Customers Categories	2015/16 Charges (M month)	2016/17 Standing Charges (M/month)
Domestic Customers		
Band A (0 - 5 kl)	21.93	0.0
Band B (>5 - 10 kl)	40.9	40.90
Band C (>10 - 15 kl)	40.9	40.90
Band D (>15 kl)	40.9	40.90
Non Domestic Customers		
Government	272.35	272.35
Non Domestic		
(Business, Industry)	393.39	393.39
Schools	272.35	272.35
Religious Institutions	196.70	196.70
Standpipes	0	0

The Charges in tables 4, 5 and 6 exclude VAT.

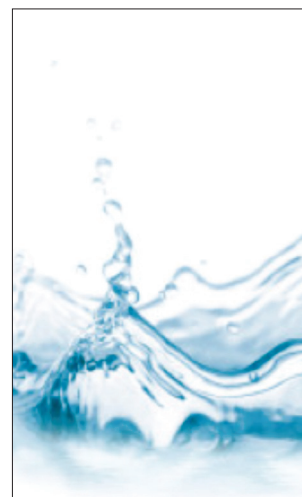


Table 6: Sewerage Services Tariffs			
Customers Categories	2015/16 unit charges (M/kl)	percentage change (%)	unit Charge (M/kl)
Domestic Customers			
Water borne sewerage customers 1	8.92	8.7%	9.70
Non Water borne sewerage customers 2	8.92	8.7%	9.70
Non Domestic Customers			
Standard Non-Domestic	8.92	8.7%	9.70
Lesotho Brewing Company	8.92	8.7%	9.70
Likotsi and Qoaling Clinics	44.94	8.7%	48.86
C and Y Sewer	0.93	8.7%	1.01

The Charges in tables 4, 5 and 6 exclude VAT.

Review of LEC and WASCO Tariffs Applications for 2017/18

In January 2017 WASCO and LEC submitted their tariff adjustment applications to the Authority. In its application, WASCO requested a tariff review application adjustment of 10% on the existing volumetric tariffs and standing charges for all customer bands except for Band A. The Company applied for no increase in sewerage charges. The Company indicated, amongst other things, the revenue would enable it to undertake preventive maintenance for its aging infrastructure to reduce water losses (non-revenue water), to operate Metolong Dam Water Treatment Plant and to improve its performance.

LEC was requesting a tariff adjustment of 16.9% on both Energy and Maximum Demand (MD) charges., LEC stated that the proposed tariffs were intended to cover, amongst other things costs for buying electricity in bulk from suppliers, operating expenditure costs, repair and maintenance costs and depreciation.

The Authority publicised both Licensees' applications on the print and electronic media from 16-27 January, 2017 to invite stakeholders' and public comments. In February and March 2017 public hearings were held in Maseru, Hlotse and Hoek to enable the Licensees to present their applications to the Authority and the public. The latter made comments, inputs and observations on the reasonableness of the two applications at the public hearings and through submitted comments.

ECONOMIC REGULATION

In all three (3) public hearings, on WASCO's application, UWSS stakeholders and consumers requested the Authority to consider the reasons they advanced before making the final decision on the proposed tariffs adjustment application by WASCO. They maintained, amongst other things, that:

- There is high unemployment rate amongst ordinary consumers of water services;
- WASCO was negligent and losing a lot of water from its infrastructure. They opined that Company must stop leakages first before burdening customers with increases in tariffs for water and sewerage services;
- WASCO must come up with latest business techniques to expand so that it can stay financially healthy;
- The Company has not explored numerous sources from which it may draw water so that it can save money used for pumping and cleaning water; and
- The Company must educate consumers on their roles and responsibilities on conserving water.
- The Consumers and UWSS stakeholders recommended, inter alia, that WASCO should:
- Request funding from donors and external sources so that it can improve its ability to alleviate water shortages experienced especially during dry seasons;
- Ensure that all debtors such as Government Departments and the public pay their bills;
- Requests financial assistance from the Government to undertake its expansion;
- Ensure that the wet industries are not forced to close down due to high water costs;
- Be allowed an increase of between 5% and 13% so it can improve its service provision and coverage.

On LEC's tariff proposal consumers and ESI stakeholders in all three (3) public hearings, requested that before making the final decision on the proposed tariffs adjustment application by the Licensee, the Authority must consider, amongst other things, the following reasons:

- The Company was not protecting its infrastructure from vandalism;
- LEC was yet to address the issue the increasing illegal electricity connections;
- The Company did not to maintain electricity supply to consumer especially in adverse weather conditions;
- The Company's call centre was not functional and customer queries were not being attended to; and
- LEC should improve its information dissemination methods so that customers may be aware of the problems it may encounter in service delivery.


The Consumers and ESI stakeholders recommended amongst other things, that:

- The Government should play a major role in facilitating and financing expansion of electricity services in the country;
- An increase in electricity tariffs should be in line with the costs of living (inflation). Such increases were considered fair and just for the Company;
- There should be targeted subsidies in society to ensure continued access to electricity services by the poor;
- The Company should enhance its operational efficiency and reduce staff costs; and
- The electricity tariffs should only be increased by between 0% and 7%.

At the end of the reporting period, the Authority was analysing both applications.

ECONOMIC REGULATION

Electricity Cost of Service Study

LEWA engaged a service provider to undertake a Electricity Cost of Service Study (CoSS) and the Design of Economic Electricity Cost Reflective Tariffs with the assistance of the AfDB. The study aims to determine long-term least cost generation, transmission, distribution and supply programs to meet the forecasted electricity demand in over the medium to long term; price evolution from generation through to end-user level; the appropriate tariff structure and level of the social life-line tariff 

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

The Strategic Objective No.5, of the Authority relates to building and operating a sustainable organisation. In terms of this objective, the Authority reports on the key developments in this regard. Furthermore, the Report outlines the developments pertaining to the LEWA Strategic Objective No.7 of increasing access to Electricity, Water and Sewerage Services through the administration of Universal Access Fund (UAF).

HUMAN RESOURCES

Recruitment and Training

During the reporting period, the Authority's staff complement went from 25 to 22. There were three (3) vacancies. One Manager acted in the Chief Executive's office. Staff turnover slightly decreased from 4.2% in 2015/16 to 4 % in 2016/17.

To enhance employees' skills and knowledge, the Authority implemented its 2016/17 Training Plan. Some of the training programs that were attended include: Effective Strategy Execution; International Financial Reporting Standards (IFRS) for Accountants; Fraud Detection; Prevention and Control; Cash-flow Analysis and Interpreting IRFS; Remuneration and Benefits Management; Leadership skills for Enhanced Performance; Power Quality Benchmarking and Reporting and Regulatory Impact Assessment. The Annual Training Plan was successfully implemented for the year.

The professional staff undertook in-house training on risk management. The purpose of the training was to capacitate staff to identify, mitigate and manage risk that LEWA may be exposed to. The training will be continued in 2017/18.

To benchmark and learn best practices from similar regulators, employees were attached to Electricity Regulation Board (ERB), Zambia and Energy and Water Utilities Regulatory Authority (EWURA) Tanzania. The training at ERB was on inspections of hydropower plants. The attachment at EWURA was to gain experience on regulatory compliance enforcement. Furthermore, to inculcate the spirit of continuous development and to encourage employees to improve their skills and knowledge in order to remain competent in their job and also to be updated on the latest trends in their respective career paths, the Authority paid for their membership in their respective Professional Bodies or Associations.

Staff Wellness and Health Issues

A consultant was engaged to develop a wellness policy for the Authority. The policy provides a framework and guidelines for the LEWA employees' wellness activities as well as enhance their well-being by providing a confidential referral system. In order to promote physical and mental well-being of employees, the policy provides a framework for the staff participation in sporting and recreational facilities. The percentage of employees who were active participants at sporting and recreational facilities of their choice was 65%.

As part of Safety, Health and Environment, (SHE), the Authority continued to provide Personal Protective Clothing (PPE) for employees at the risk of exposure to hazardous chemicals and electrocution. The Authority continued its fight against the spread of HIV and AIDS at the workplace and participated in National AIDS Day activities. In order

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

to encourage healthy lifestyles, the Authority committed to pay for the employees to join the gym or sporting activity of choice.

ADMINISTRATION

The Authority reviewed the Corporate Governance Hand Book (CGHB) Section on Personnel Orders. The Information and Communication Technology (ICT) Policy of 2007 was reviewed to make it relevant to the short and medium term LEWA requirements and contemporary ICT developments. A consultant had been procured to assist in the development of the new policy.

LEWA's Performance Management System (PMS) it was implemented during the year and 100% of eligible employees received their merit awards.

FINANCE

Reported hereunder is the financial performance of the Authority together with the Universal Access Fund projects undertaken during the financial year.

The Authority's operations were funded by Customer levies and Licence fees from both LEC and WASCO. LEC customer levies constitute the largest portion of total levies at 91% while the WASCO contribution stands at 9%. Licence fees contribution from LEC, WASCO and LHDA stood at 12% of the total revenue. The Authority did not receive any funding from donors during the 2016/17 financial year. Although the income received from the Universal Access Fund appears on the face of the Statement of Comprehensive Income, it was matched with the expenditure on electrification projects undertaken.

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

Table 7: Revenue Received in 2016/17	
ITEM	Maloti
Customers' Levy	34,103,255.00
License Fees	6,756,688.00
Other Income	572,876.00
Universal Access Fund	17,100,326.00
Total	58,533,145.00

The total expenditure for the financial year was M51, 333,493.00. The major contributing factors to the expenditure were the staff costs, which stood at 41%. The Operating costs, electrification projects and other costs constituted 55% of the total expenditure. The Board expenses were at 4% of the total costs.

The Major Ratio Analyses for the Authority are outlined below:

Current Ratio

The Current Ratio, which measures the liquidity of the Authority, stood at 21. This is better than that of the previous financial year which was 4. The significant improvement in the Current Ratio was mainly due reduction in Authority's liabilities. This indicates that the Authority's cash position was good and could have easily met its short term obligations.

HUMAN RESOURCES, FINANCE AND ADMINISTRATION

Debt Ratio

The Authority's Debt Ratio was 13%, showing a significant improvement in performance from the previous financial year which was 29%. This ratio indicates that the Authority was not financed through debt instead its assets stood at 87% relative to its debts.

Profitability Ratio


While the financial statement reflected a profit of M7,199,652.00, the surplus realised had already formed part of LEWA's 2017/18 Budget.

Budgetary Performance

The LEWA Business Plan together with the Budget for 2016/17 were prepared and approved. Customer Levies and License Fees were to finance the 2016/17 budget.

The actual operational performance against the budget show favourable results of M5,609,107.00, (M51,333,493.00 – M56,942,600.00). The result was that some items like provision for gratuity as well as funds from the Sinking Fund (capital expenditure) do not appear in the Statement of Comprehensive Income. However, they appear as part of budgetary expenditure.

Universal Access Fund

The UAF budget for the reporting period was M24.6 million and it financed 15 electrification projects. The total amount spent was M16.9 million which included projects that were in progress from 2015/16. Projects financed were: Sebaki, Popa- Ha Moruti, Makeneng – Ha Palama, Linotsing- Ha Mokokoane, Khalahali- Berea, Ha Ramoloi, Ha Leneha, Ha Thaba-Bosiu, Ha Fusi, Ha Mothamase, Ha Monyane, Litlhatsaneng, Tloutle, Ha Sekoati, Liqhoeng, Mosaqane, Ha Nyatso, Masite Nek, Ha Mokati, 'Melikane and Melikane-Ha Nyatso. Out of the 1,500 projected connections, 937 (62.5%) were realised 

LEGAL SERVICES

The activities reported under the Legal Services were undertaken to attain Strategic Objectives Nos. 3, 4 and 5. These Strategic Objectives relate to the Development and Implementation of Regulatory Frameworks, Monitoring of Licensees' Performance and Compliance, and Building and Operating a Sustainable Organisation respectively.

Legislative and Regulatory Frameworks

The process of soliciting the policy clearance from Parent Ministries for the review of the Lesotho Electricity Authority Act, 2002 as amended, was on-going. The Act was reviewed to accommodate Lesotho Energy Policy 2015 – 2025, to address governance challenges, as well as adopt best regulatory practices obtaining in the region and globally.

The ESR which provide for the manner in which the construction, installation, operation, maintenance and protection of the electricity supply infrastructure should be carried out, were submitted to the MEM for consideration. The SPPA and licence templates for generation, transmission and distribution were finalised and have been posted on LEWA website for ease of access. The REGL template provides guidance on requirements for applying for a renewable electricity generation licence. The ETL template stipulates the procedures for applying for electricity transmission licence. The EDSL template details the requisite steps for obtaining electricity distribution and supply licence. The SPPA for Renewable Electricity template outlines the processes to be followed by prospective power producers and off-takers such as LEC in proposing their PPAs to LEWA for approval.

Regulatory Compliance

The internal compliance schedule was implemented. The Authority was not able to meet all of its timelines for the production of the Annual Report. The Authority will, in 2017/18 meet internal processes for the production of the concerned document.

On external compliance, the Authority continued to implement monitoring strategies to ensure compliance to the regulatory instruments and applicable laws. Licensees' non-compliance with some of the provision QoSSS and the Licensee conditions were identified and communicated to the Licensees to address. Non-compliance included the Licensees' reluctance to submit requested information on time, insufficiency of reported data and compromised technical, safety and customer care standards. The Authority will enhance the integrity of the information submitted by Licensees. As a step towards this the Authority will communicate any data discrepancies with Licensees promptly. The Authority was in the process of drawing a comprehensive external compliance program with a view to enforcing Licensees' improved compliance.

The Board and its Activities

According to the CGHB, the Board is responsible for all the regulatory decisions, code of conduct and strategic direction of the Authority. The Board met as scheduled to deliberate on strategic issues concerning the organisation. Those included tariff applications from LEC and WASCO for 2017/18 financial year, 2017/18 LEWA budget, resolution of complaints and administration of the UAF.

LEGAL SERVICES

During the period under review, two Board Members Dr. 'Mampho Kotelo 'Molaoa and Mr. Retšelisitsoe Motlojoa left LEWA after rendering their service to the Authority for eight (8) years. They were replaced by Mr. Thabo Nkhahle and Mr. Pashu Mochesane .

In an effort to enhance skills on regulatory issues, Board Members underwent training on, amongst other things, governance and technical regulation of services issues.

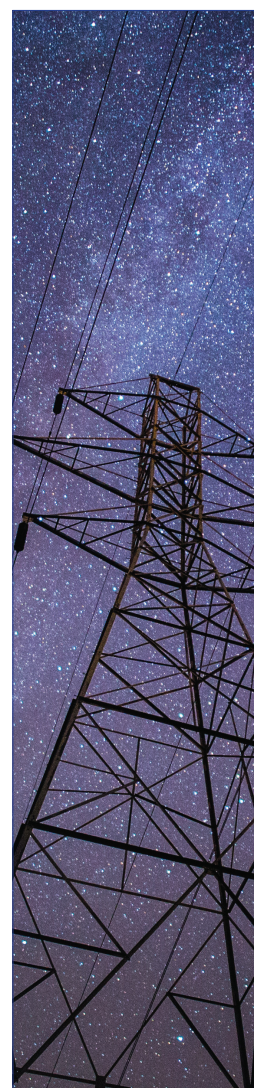
The Board held four (4) ordinary meetings and four (4) Extra-Ordinary meetings. A total of seven (7) meetings were convened by the Board Committees.

Table 5 below shows the Board Members' attendance of meetings, while Table 6 illustrates the attendance of Board Committee meetings.

Table 8: The Board Members' Attendance of Meetings		
Member	Meetings (attended/total held)	
	Ordinary meetings	Extra-ordinary meetings
Dr. Leboli Thamae	4/4	4/4
Dr. M'ampiti Matete	3/4	3/4
Mr. Karabo K. Mohau	2/4	4/4
Mr. Seretse Mohlouoa	4/4	4/4
Mr. Bokang Ramatsella	4/4	4/4
Mr. Thabo Nkhahle	2/2	2/2
Mr. Pashu Mochesane	2/2	2/2

Table 9: The Committees Members' Attendance of the Meetings			
Committee	Member	Meetings (attended/total held)	
		Meetings	Extra-Ordinary Meetings
Audit and Risk	Mr. Seretse Mohlouoa	2/2	2/2
	Mr. Retšelisitsoe Motlojoa	1/1	N/A
	Dr. 'Mampho Kotelo 'Molaoa	1/1	N/A
	Mr. Bokang Ramatsella	2/2	N/A
	Mr. Sebehela Selepe	2/2	N/A
Consumer Services	Dr. Leboli Thamae	N/A	1/1
	Mr. Karabo K. Mohau	N/A	1/1
	Dr. 'Mampho Kotelo 'Molaoa	N/A	1/1
Human Resource, Finance and Administration	Dr. M'ampiti Matete	1/1	N/A
	Mr. Thabo Nkhahle	1/1	N/A
	Mr. Pashu Mochesane	1/1	N/A
Pricing and Tariffs Committee	Dr. Leboli Thamae	N/A	2/3
	Dr. M'ampiti Matete	N/A	3/3
	Mr. Seretse Mohlouoa	N/A	3/3
	Mr. Karabo K. Mohau	N/A	2/3
	Dr. 'Mampho Kotelo 'Molaoa*	N/A	1/1

* Left the Board during the year.



CONSUMER AFFAIRS & COMMUNICATION

In this sub-section the Report focuses on activities taken under the Strategic Objective No.4 of Monitoring Licensees' Performance, and the Strategic Objective No.7 that relates to the Promotion of Stakeholder Awareness, Empowerment and Protection. Enquiries that were on all regulatory issues were received and customers advised on them. The most common enquiry was on the right procedures for lodging customer complaints.

CUSTOMER COMPLAINTS HANDLING

Customer Complaints Resolutions

The Authority dealt with a total of nine (9) complaints under ESI and UWSS subsector. This signifies that complaints brought for consideration by the Authority significantly dropped from the previous Financial Year's number by ten (10) and that represented a 53% decline.

Electricity Supply Industry (ESI) Complaints Resolution

Three (3) ESI complaints were brought forward from the previous reporting period and four (4) complaints were received during the year under review. That meant that for the period there were seven (7) complaints to deal with. Out of the seven (7) complaints, five (5) were resolved while two (2) were not yet finalised. No complaints were referred to the Board for final determination. The majority of the received complaints were on wayleave and electricity safety issues.

Urban Water and Sewerage Services (UWSS) Complaints Resolution

Two (2) UWSS complaints were brought forward from the 2015/16 Financial Year. One complaint was resolved, while the other was undergoing through the appellate process. Both complaints were on billing, where customers were dissatisfied with WASCO's bills. The Authority did not receive new complaints in the UWSS.

Mediation as an Alternative Dispute Resolution Mechanism

Mediation meetings were held for five (5) ESI complaints as an endeavour to expedite their resolution. This initiative had yielded positive outcomes in that, all complaints that underwent the mediation process were amicably resolved.

Review of LEC Customer Complaints Handling Code and WASCO Customer Disconnection Policy

The Authority received the LEC Customer Complaints Handling Code. The Authority subsequently engaged LEC with a view to finalising it. The Licencee is expected to submit a revised document in 2017/18 for approval. The WASCO Disconnection Policy was submitted to LEWA. The Authority has reviewed the document so that WASCO could refine and submit it for approval.

CONSUMER AFFAIRS & COMMUNICATION

Communication and Public Awareness Initiatives


The Authority continued to execute public awareness and outreach initiatives to empower stakeholders on regulatory, and consumer safety related affairs. Awareness campaigns were also carried out during public hearings on ESI and UWSS tariffs. Direct communication with stakeholders was made at open meetings such as educational workshops and public meetings. Electronic media radio and television were engaged to broadcast interactive scheduled and unscheduled programs and interviews. LEWA issued advertorials, notices and advertisements on the print media to communicate its messages to stakeholders and the public.

The Authority production and publication of quarterly newsletters and educational brochures. These publications covered pertinent regulatory issues and developments in the organisation. At the end 2017/18 the last newsletter for the year was in the final stage being prepared for publication.

The review of the LEWA website content was done on a regular basis. General notices, LEC and WASCO tariff application notices, notices on consultancy on the CoSS were uploaded on the website to name a few.

Corporate Social Responsibility (CSR)

The Authority presented awards of recognition to the National University of Lesotho's (NUL) two best performing students in the fields of Economics, Physics and Chemistry during the University's graduation ceremony in September, 2016. The aim of the endeavour is to render support and encouragement to deserving students in various specialities. This was the fourth year that the Authority had awarded prizes to best performing NUL students in the same academic fields.

Other CSR initiatives were taken wherein LEWA sponsored the Annual Queen Gala Dinner and made donations to several welfare and educational organisations as a contribution to their funds raising activities 

REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES

The LEA Act 2002, as amended places an obligation on the Authority to report on the regional and international developments that it took part in during the year. Reporting on participation in both regional and international activities is congruent with the Authority's Strategy Objective No. 7 of Promoting Stakeholder Awareness, Empowerment and Protection. LEWA is a member of the ESAWAS, RERA and the African Forum for Utility Regulators (AFUR).

The objectives of both RERA and ESAWAS include capacity building and information sharing through the enablement of information sharing, skills training at national, regional and international level, and increasing regional and regulatory cooperation. The objectives of AFUR can be summarised as assisting members in the development of effective utility regulation in Africa through facilitating and coordinating regulatory policies; exchanging of information and lessons of experience amongst regulators; and fostering capacity building in support of the socio-economic development of the African continent.

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

Regional Electricity Regulators' Association of Southern Africa (RERA)

LEWA made contributions in all RERA structures meetings and programmes held during the reporting year. Among the issues discussed by RERA Members were the harmonisation of regulatory policies, legislations, standards and policies such as communication strategies, consumer rights issues and PPAs.

LEWA hosted the 13th RERA Annual Conference and General Meeting in November, 2016. The theme of the conference was *"Providing universal access and sustainable development through renewable energy: Challenges and opportunities for the SADC region"*. The Annual Conference was preceded by two workshops on *"Women and Energy, Renewable Energy for Micro/Mini Grids and Capacity Building in Energy Regulation"*. LEWA Board participated in the 3rd RERA Commissioners'/ Board Members' Forum deliberating on, amongst others things, SDG No 7. The Conference provided a forum for regulators, industry leaders, development partners, policy makers, power utilities, investors, financiers and other stakeholders in the Southern African Development Community (SADC) region and other parts of the world to network.

The Conference further provided an opportunity for the above stakeholders to exchange information on pertinent electricity supply industry issues. Most importantly, stakeholders in the energy sector were urged to come together to forge practical and sustainable ways of enhancing financing for the renewable energy (RE) projects so that progress could be attained to reach universal access in renewable energy. During the AGM RERA members resolved, amongst other things, to:

- Hold the 2017 Annual Conference and AGM in Zambia;
- Further intensify their resource mobilisation efforts in the quest to aid the implementation of important regional regulatory programmes and activities; and

REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES

- Note and approve the work undertaken by various structures such as Subcommittees and Portfolio Committees during the year.

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

ESAWAS held its 10th Conference and Annual General Meeting (AGM) in Dar es Salaam Tanzania from 31 October – 04 November 2016 under the theme: *“Regulating for the Future – Incorporating Sustainable Development Goals (SDGs)”*. LEWA participated in the Conference and AGM. The AGM resolved that:

- The Zanzibar Utilities Regulatory Authority (ZURA) which is responsible for technical and economic regulation of electricity, petroleum, natural gas and water supply and sewerage services in that country, be admitted as the eighth (8th) member of ESAWAS;
- The Association must form a pool of experts from the member regulators for consultancy requirements;
- LEWA would be peer reviewed by other ESAWAS Member regulators in 2017; and
- The ESAWAS’s 11th Conference and AGM will be in Zambia in 2017.

In fulfilment of the ESAWAS Strategic Plan Objectives, and by recommendation of the 1st meeting of the ESAWAS Technical Committee on Regulatory Issues, the Association held a technical regulatory exchange workshop on tariff setting from 28th to 29th July, 2016 in Lusaka, Zambia.

The technical exchange workshop aimed at identifying good practices in key areas such as performance indicators in tariff setting, principles of setting tariff structure, tariff setting procedures and processes, revenue calculation, method of tariff/price calculation and tariff implementation.

The workshop recommended that ESAWAS should develop a handbook for tariff setting on existing good practices in the field. A working group composed of tariff experts from ESAWAS members will be established to draft the handbook. Furthermore, ESAWAS was urged to develop the Water and Sanitation Sector (WSS), and Regulatory Accounting Guidelines (RAGs) to harmonise cost items and their treatment.

The Authority took part in the second Regional Benchmarking exercise of Large Water Supply and Sanitation Utilities for 2014/15 in Mozambique under the auspices of ESAWAS. The aim of the exercise was to foster improvement service delivery in the Water and Sanitation Sector services.

WASCO was among the seven utilities that were benchmarked in terms of quality of service, economic efficiency, and operational sustainability.

African Forum for Utility Regulators (AFUR)

LEWA attended the 13th AFUR Annual Conference and Annual General Assembly (AGA) from 27 February to 03 March 2017 in Abidjan, Ivory Coast. The theme of the conference was, *“What Regulatory Environment is Required for the Development of Infrastructure, Improvement of Quality of Service and Supply and Promotion of Access to the Basic Infrastructure Services on the Continent of Africa”*.

REGIONAL AND INTERNATIONAL COOPERATION ACTIVITIES

The objective of the AFUR Annual Conference deliberations were threefold:

- To provide AFUR members with a useful networking opportunity that also allows them to benchmark progress/ development across the African continent;
- To provide an opportunity to academicians and experts to share research undertaken on developments – continentally and globally – in the infrastructure regulation fields;
- To provide a forum where members can strategize about ways to improve AFUR, expand membership among continental regulators and to discuss programs of interest to be implemented over the upcoming year; and
- LEWA made a presentation on the ESAWAS 2013/14 and 2014/15 benchmarking reports of large utilities to AFUR .

Matters Relating to Development and Cooperating Partners

The cooperating partners in Lesotho have committed themselves to providing technical and financial support for the attainment of some specific regulatory objectives. The highlights of such endeavours are can be illustrated in the interactions between LEWA and the partners mentioned below.

African Development Bank (AfDB)


The Authority, through the facilitation by Government, secured financing from the AfDB to finance the CoSS and the Design of Economic Cost Reflective Tariffs Project. The study aims at determining the long-term least cost generation, transmission, distribution and supply programs to meet the forecasted electricity demand in over the medium to long term; price evolution from generation through to end-user level; the appropriate tariff structure and level of the social life-line tariff. The study is expected to be finalised in 2017/18.

In the UWSS, the AfDB has provided funding for a design and construction of tertiary lines to all the villages where the conveyance system of Metolong Dam Water Supply Project (MDWSP) passes through. The aim is to provide security of water supply to the villages grouped into around 20 Demand Zones. LEWA has mandate to ensure security of supply.

United States Agency for International Development (USAID)

The United States Agency for International Development (USAID) provided assistance to LEWA through the Commissioner of Water (CoW) for the review of the LEA Act 2002 as amended. The exercise was finalised by LEWA and the Parent Ministries were requested to consider the proposed changes. The finalisation of the endeavour is expected.

World Bank

Through the CoW, the World Bank provided LEWA assistance for the Water Sector Improvement Project Phase 2 (WSIP2), whose objectives, among other things, included implementation of all the regulatory instruments, monitoring compliance and reviews of WASCO's performance. The Bank also provides funding for the execution of the Lesotho Lowlands Water Supply Project (LLWSP) 

REGULATED SECTORS' PERFORMANCE OVERVIEW

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

ELECTRICITY SUPPLY INDUSTRY

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

Lesotho Electricity Company (LEC)

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

(a) Demand Growth

The LEC's bulk energy purchases increased by 10% from 801.87 GWh in 2015/16 to 882.12 GWh in the reporting period. The energy sales on the other hand decreased by 6% from 699 GWh in 2015/16 to 737.9 GWh in the reporting period. The LEC's total system peak demand was around 161.84 MW, an increase of 8.86 MW from the previous year's figure. The energy growth trend is as shown in Table 10, while Table 11 indicates the MD profile.

Year	Energy Purchased (GWh)		Total Energy Purchased (GWh)	Bulk Supply Cost (Million Maloti)	Energy sold (GWh)	Energy loss (%)
	Local	Imports from ESKOM and EDM				
2013/14	516.4	285	801.44	256.91	705	12
2014/15	515.2	271.2	786.36	265.996	680	16
2015/16	520.8	281.1	801.86	339.07	699	13
2016/17	512.05	373.56	885.61	434.87	743.31	16

Year	Maximum Demand (MW)	Installed Capacity (MW)	Imported Capacity (MW)	Capacity Deficit (%)
2012/13	147.63	72	75.63	51
2013/14	143	72	71	50
2014/15	149	72	77	52
2015/16	152.98	72	80.98	53
2016/17	161.84	72	89.84	56

(b) Electrification

A total of 15,606 new connections were made in the reporting period and 14,751 of them were domestic. The new connections increased the total LEC customer base to 219,482. Using the National and Sub-National Population Projections from the 2016 population census presentation produced by the Bureau of Statistics (BOS), the total number of households (207,589) translates to 39% of Lesotho households connected to the main grid electricity.

(c) System Availability

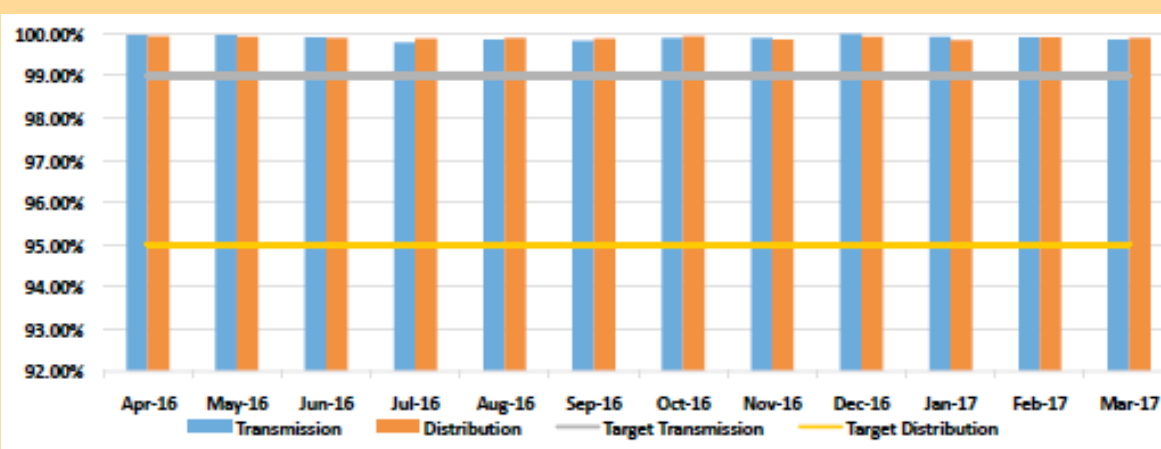
The monthly system availability for both transmission and distribution systems is depicted graphically in Figure 1 below, against the respective corporate target levels.

ELECTRICITY SUPPLY INDUSTRY

The transmission system availability has been consistently above the target for the reporting period. The average system availability for the year was 99.90% compared to the target of 99.00%.

Similarly, the availability of the distribution system was above target, with an average of 99.89% compared to an average target of 95.00% per annum.

Figure 1: Transmission and Distribution Systems Availability



Source: LEC Reports

(d) Inspections and Power Quality Audits

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

Table 12: Summary of Findings from Inspections of LEC Infrastructure

CONDITION CHECKED	TOTAL INSPECTED	NUMBER OF ABNORMALITIES	PERCENTAGE OF ABNORMALITIES (%)
Transformer Leakages	374	79	21
Trees Encroachment	435	118	27
Buildings Encroachment	435	90	21
Bushes Around Structures	374	133	36
Missing Pillar Box Locks	331	151	46
Pillars Boxes That are not Elevated	331	82	25
Poor Cable Terminations	331	30	9
Erosion Close to Structures	331	2	0.6
Vandalised Structures	331	75	23
Broken Lightning Arrestors	331	32	7

ELECTRICITY SUPPLY INDUSTRY

(e) LEC Customer Complaints Handling Synopsis

The total number of customer complaints received by LEC decreased by 1, 996 in 2015/16, to 3,898 in 2016/17. This represents a 34% decline in comparison with complaints received in 2015/16. The complaints that were resolved within two weeks stood at 48.5%, while 45.2% were resolved in over two weeks. The unresolved complaints constituted 6.3%. The majority of received complaints were on Prepayment Metering (PPM), Meter Accuracy, and Delayed Service Connections.

Lesotho Highlands Development Authority ('Muela Hydropower Plant)

MHP's Technical Performance

The technical performance of power plants is measured by a number of parameters, most of which are ratios. The ratios are indicators of how well a plant is utilised, operated and maintained. The indicators that have been selected and agreed on for the assessment of the performance of MHP are the following:

(a) Monthly Indicators

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

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

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

(b) Annual Indicators

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

Capacity Factor (CF) - refers to the ratio of the actual energy produced to the energy that would have been produced if the plant had run at rated power over the same year.

Energy Availability Factor (EAF) -refers to the ratio of the energy that the available capacity could have produced to the energy that the reference (rated) unit power could have produced during the same year. The energy that the available capacity could have produced is equal to the reference energy minus all the planned and unplanned (within and outside plant management control) losses.

ELECTRICITY SUPPLY INDUSTRY

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

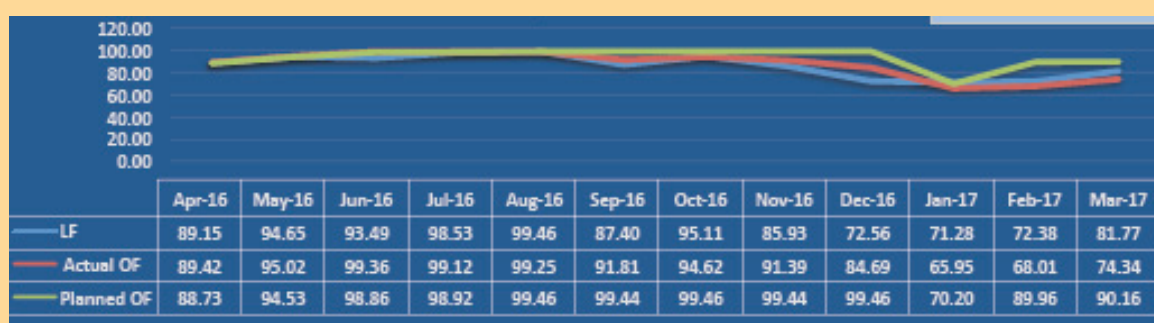
Planned Capability Loss Factor (PCLF) – refers to the ratio of planned energy losses to the reference energy.

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

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

The performance of MHP in the reporting period is given below by the graphical representations of the monthly indicators (LF and OF) in Figure 4 and the tabulation of the annual indicators in Table 13. The indicators are expressed in percentages. Figure 2 shows that the actual OF closely followed the LF throughout the reporting period. In particular during June to August, the OF was almost constant at around 99% while LF averaged around 97%. This goes to explain that the plant operated continuously for the winter peak months at almost its available capacity. With reference to Table 13 it is observed that Unit 2 produced the least energy as revealed by a relatively lower CF. Though Unit 1 produced the most energy, as evidenced by the highest CF, it also experienced the most unplanned energy losses as it recorded the highest UCLF. Unit 3 had the least of both unplanned and planned energy losses, whilst Unit 2 registered the highest planned energy losses, seen from the highest PCLF. Nonetheless all the Units' capacity was available most of the time as depicted by relatively higher values for, EAF and UCF. Figure 3 illustrates the bolumes of energy generated, sold to LEC and exported.

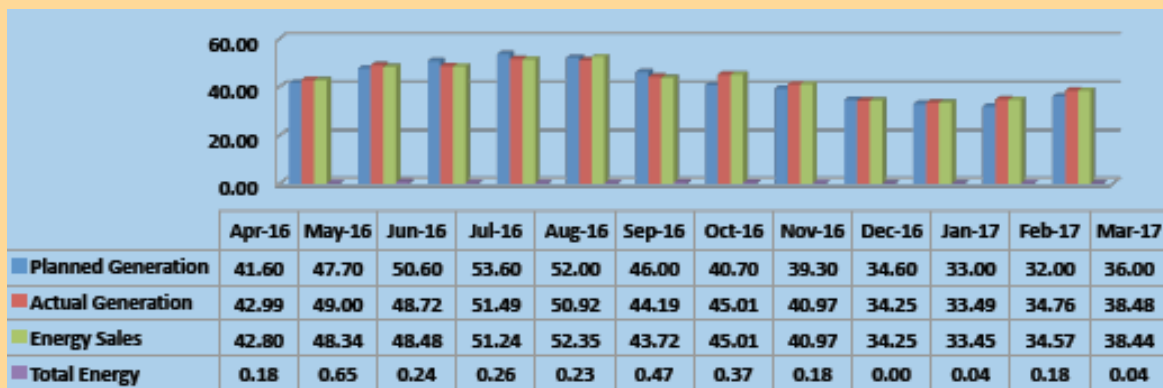
Figure 2: 'Muela Hydropower (MHP) Load and Operating Factors (Percentages)



Source: 'Muela Reports

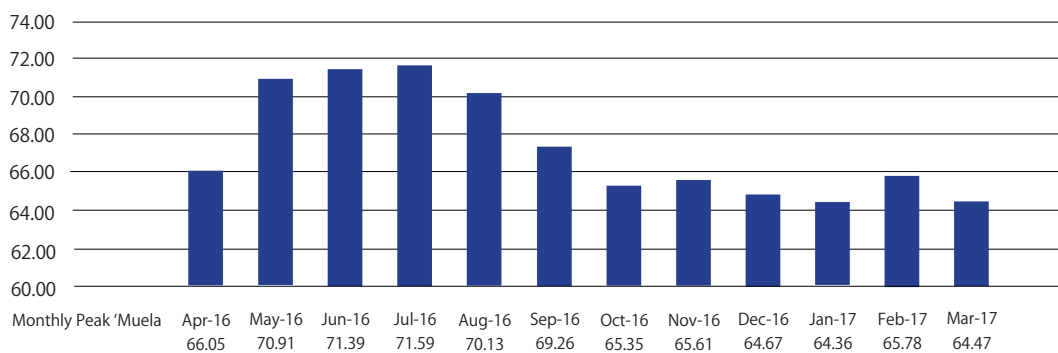
ELECTRICITY SUPPLY INDUSTRY

Figure 3: MHP Energy Generation, Sales and Exports



Source: 'Muela Reports

Figure 4: 'Muela Monthly Peak (MW)



Source: 'Muela Reports

Table 13: Performance of MHP Units in Ratios Expressed in Percentages

Unit Identifier	Capacity Factor (CF)	Energy Availability Factor (EAF)	Unit Capability Factor (UCF)	Unplanned Capability Loss Factor (UCLF)	Planned Capability Loss Factor (PCLF)
Unit 1	82.3	88.2	88.3	8.2	3.49
Unit 2	68.1	87.9	94.8	0.9	4.31
Unit 3	79.8	97.7	99.2	0.7	0.02

Source: LHDA Reports

ELECTRICITY SUPPLY INDUSTRY

(c) Safety and Environmental Incidents

The pertinent performance indicators that Muela uses for assessing the Plant's performance are: (i) Industrial Safety Accident rate per 200,000 man-hours, (ii) Number of Major Vehicle Accidents and (iii) Number of Undesired Environmental Incidents. In the reporting period there was only one (1) Minor Vehicle Accident and none for (i) and (iii).

Department of Energy (Rural Electrification Unit)

The REU has held a licence exemption for running three Electricity Access Pilot Projects (EAPPs) since October 2007. The exemption, which expired in September 2016 was further extended until September 30, 2018. REU had four commercial customers and these are (i) two (2) Econet communication towers at Qholaqhoe and Ha Sekake, (ii) Tebellong Hospital and (iii) Dilli-Dilli/ Sixondo clinic. No new commercial customers were connected during the reporting period.

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

The networks in the Qholaqhoe and Ha Sekake EAPPs are supplied from the LEC grid at 33 kV, while the network in the Dilli-Dilli/Sixondo EAPP is supplied from the ESKOM (Republic of South Africa) grid at 22 kV. As illustrated in Table 14 below a total of 2,460 customers were on record in the reporting year, and of these only five (5) were new connections. The number of registered customers stood at 2,418 at the beginning of the year.

Table 14: Customer Base for the EAPPs						
EAPP	Number of requests for new connections	Number of consumers at the beginning of year	Number of new connections during the year	Total number of registered consumers at the end of year(*)	Backlog from previous year	Total backlog at end of year
DILLI DILLI/ Sixondo	64	228	2	235	326	388
QHOLAQHOE	87	241	1	277	316	402
SEKAKE	257	1,949	2	1,948	97	352
TOTAL	408	2,418	5	2,460	739	1,142
*Some consumers were disconnected and reconnected during the year.						
Source: REU Reports						

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

Table 15: Energy Purchases and Sales for EAPPs					
EAPP	Bulk Energy Purchased (kWh)	Energy sold (kWh)	Max. Demand (kW)	Energy loss (kWh)	Energy loss (%)
DILLI DILLI	136,051.23	121,540.27	42.42	14,510.96	11%
QHOLAQHOE	402,873.40	308,401.19	96.51	94,472.21	23%
SEKAKE	1,004,055.00	820,962.56	25.20	183,092.44	18%
Source: REU Reports					

ELECTRICITY SUPPLY INDUSTRY

(b) REU Customer Complaints Handling Synopsis

The total number of received complaints at the three EAPPs was 200 which was lower than the 273 complaints received during 2015/16. This represented a 27% decline in the number of lodged complaints. Of these complaints, 184 (92%) were resolved while 16 (8%) were unresolved. The breakdown of resolved complaints per EAPP were as follows: Dilli-Dilli/ Sixondo - 95%, Qholaqhoe -90% and Ha Sekake - 92%. The complaints were mostly on Quality of Service, Disconnections and Customer Service¹.

Generation

Expansion of local electricity generation is important as it contributes towards security of supply and may contribute towards lowering of tariffs. It is for this reason that the Authority participated in several stakeholder meetings where the modalities of generating electricity in the country were assessed. Although generation of electricity is not one of LEC's core businesses, the company has two mini hydro plants at Semonkong and Mantšonyane. In Semonkong the mini hydro plant was not functional and hence the town's off grid network was dependent on diesel generation □

¹ REU has not categorised the resolved complaints into those resolved within two weeks and those resolved over two weeks as per QoSs.

URBAN WATER AND SEWERAGE SERVICES SUBSECTOR

This section of the Report looks at the performance of the sole Licensee - the Water and Sewerage Company (WASCO).

Water and Sewerage Company (WASCO)

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

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

The section of the Report below covers some of the indicators showing the Company's performance.

(a) Water connections:

At the end of 2015/16, there was a total of 90,544 water connections in the WASCO service areas. In the reporting period 5,027 new water connections were made against the WASCO's set target of 6,000. This brought the total number of water connections to 95,571 at the end of 2016/17. Connections in Maseru and its surroundings constituted 58.4% of all connections, and the other towns/ areas made up the rest.

(b) Sewerage Connections:

At the end of 2015/16, there was a total of 7,165 sewerage connections in the WASCO service areas. In the reporting period 298 new sewerage connections were made against the WASCO's set target of 400. This brought the total number of sewerage connections to 7,463 at the end of 2016/17. Connections in Maseru and its surroundings constituted 90% of all connections, and the other towns/ areas made up the rest.

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

The total volume of water produced in 2016/17 was 22,162 kilolitres (kl). Of these 13,230 kilolitres (kl) was billed, resulting in a NRW of 8, 058 kilolitres (kl). This means NRW was at 34% as opposed to WASCO's set target of 27%.

(d) Potable Water Quality

Of the samples that were tested in 2016/17, 94.9 % passed the microbiological test against WASCO's set target of 98%. On the chlorine test, 76.8% passed against WASCO's set target of 98%. A two -year comparison shows an improvement in WASCO's microbiological performance and a decline in the chlorine content results as reflected in Table 16 below. This meant that in the event of contamination some consumers might have been adversely affected.

URBAN WATER AND SEWERAGE SERVICES SUBSECTOR

Table 16: Treated Sewage Quality			
Quality Test	Percentage Passing in 2014/15	Percentage Passing in 2015/16	Percentage Passing in 2016/17
Microbiological	86%	94%	94.9%
Chlorine	89%	91%	76.8%
Source: WASCO Reports			

(e) Sewage Quality

Of the samples that were tested in the reporting period, 37.2% passed the Suspended Solids test, while 24% passed the Chemical Oxygen Demand (COD) tests. This is a slight improvement performance when compared to 2015/16 as illustrated in Table 17 below.

Table 17: Treated Sewage Quality			
Quality Test	Percentage Passing in 2014/15	Percentage Passing in 2015/16	Percentage Passing in 2016/17
Suspended Solids (SS)	65%	36 %	37.2%
Chemical Oxygen Demand (COD)	36%	24 %	24.9%
Source: WASCO Reports			

(f) Inspections Findings

In 2016/17, LEWA undertook inspections in the following ten (10) WASCO's centres; namely, Botha-Bothe, Leribe (Hlotse), Maputsoe, Mafeteng, Qacha's Nek, Thaba-Tseka, Maseru, Teyateyaneng, Peka and Semonkong. The inspections were helpful in enabling LEWA to assess the status of water and sewerage infrastructure. The findings indicated overall compliance with the QoSSS.

Availability of Records

Most of the processes that took place in the inspected WASCO offices were being documented. Below is a summary of the observations of the information gaps identified on records:

- All key stages of the process of new water connection applications were documented in most of the inspected centres, while the date of issuance of quotations was not recorded at some centres. New sewerage connections were not recorded at most centres;
- Records of meter readings were kept and sent to the Billing Office (in Maseru) accordingly. Records of metre accuracy queries and meter tests were kept at some centres;
- Records of disconnections and reconnections were kept, although the extent to which they were recorded varied across the centres;
- Records of leakages were kept at most of the centres, while sewage flooding records were recorded at only a few centres; and
- Records for planned and unplanned water supply interruptions were kept, however at some centres only records of unplanned interruptions were recorded.

URBAN WATER AND SEWERAGE SERVICES SUBSECTOR

Water Quality


The following were the findings from the water quality inspections:

- Process tests for water production are done every two hours at major water treatment facilities. At smaller facilities, tests are done at least once a day. Comprehensive water quality monitoring for both potable water and wastewater was done by the WASCO Central Laboratory daily in the centre of over 50,000 inhabitants (Maseru), weekly in the centres of 25,000 – 50,000 inhabitants (Lowland areas), and fortnightly in centres less than 25,000 inhabitants (Highland areas);
- There were no standard operating procedures for plant operation, as well as for carrying out the process tests at most centres;
- The results of most of the tested samples of the potable water adhered to the set standards for both the acute bacteriological risk determinants and the operational risk determinants; and
- Effluent quality from the wastewater treatment facilities remained a challenge. The results of majority of the tested samples failed to meet the set standards.

Facilities and Infrastructure

Findings on the requirement for QoSSS and the Water and Sewage Treatment Facilities Safety Standards (WSTFSS) revealed a number of irregularities at some of the centres as outlined below. These included:

- Failure to display information for customers;
- A leaking reservoir and a roof which was not intact at Ha Leburu (in Peka);
- Deteriorated clear water tank's roof and missing panels in Hlotse and a vandalised fence at the Tšifa-li-Mali reservoir;
- Exposed chlorine cylinders at the Peka and Hlotse Water Treatment Plants (WTPs);
- Non-functional components at the Maseru Water Supply Treatment Plant (MWSTP) and at Botha-Bothe. Two (2) out of four (4) trickling filters were not functional at at Ratjomose Wastewater Treatment Plant (WWTP);
- Unfenced wastewater treatment plants;
- Missing manholes covers and untidy state of the wastewater ponds; and
- The vandalised fence at Ratjomose WWTP.

Against the backdrop of these findings the Authority had alerted WASCO to take remedial measures in accordance with the proposed Implementation Schedule. Despite the above mentioned challenges being discovered it was found that in most areas, the overall conditions of WWTPs were within prescribed standards 

OTHER ELECTRICITY AND WATER SECTORS DEVELOPMENTS

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

Electricity Sector

(a) Sustainable Energy for All (SE4All) Project

The Sustainable Energy for All project titled “*Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) Progress*” worth US\$ 3.5 million (M47.2 million) was secured from Global Environment Facility (GEF) of the United Nations. The objective of the project is to speed investments in renewable energy-based mini grids and Energy Centres. This will reduce local greenhouse gases (GHG) emissions and contribute to the achievement of Lesotho’s Vision 2020 and SE4All goals. The project was conceptualised and submitted to GEF in 2014 and was launched in November 2016. LEWA is a member of the SE4ALL Project Steering Committee.

The project comprises four components namely:

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

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

Water Sector

(a) The Mokhotlong Catchment Management Plan

The project entails the development of an overall management plan of Mokhotlong Catchment as a trans-boundary water course.

The Terms of Reference (ToR) for the Plan had been approved by the Orange Senqu Commission (ORASECOM). Subsequently, the meeting of the ORASECOM Council was held in preparation for the meeting of the relevant ministers of both the Lesotho and South African Governments. The process was undergoing the normal processes for ratification by relevant ministers.

OTHER ELECTRICITY AND WATER SECTORS DEVELOPMENTS

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

The aim of the project is to investigate the possibility of supplying Botswana with water from Lesotho. The Memorandum of Understanding (MOU) was signed between the three countries, Lesotho, Botswana and South Africa in March 2013, following which the Joint Study Management Committee (JSMC) was formed. The MOU had three components the desk top study, pre-feasibility and feasibility studies. The desk top study has been completed and three partners have since agreed to combine the prefeasibility and feasibility studies. A Memorandum of Agreement (MOA) is due to be signed. Namibia is an observer.

(c) Ecological Reserve and Classification of Rivers

The Ecological Reserve and Classification of Rivers Project involved the determination and classification of the ecological reserve for the main water courses in the country. The purpose of the exercise is to classify the rivers according to their individual status. A draft report has been developed.

(e) Regulations for Water Quality Guidelines and Standards

The Water Sector resolved that the Water Quality Guidelines and Standards which were developed in 2013 be promulgated into regulations/law. Consequently, due process was underway in the reporting period. The Water Quality Guidelines and Standards which were developed in 2013 were:

- i. Water Quality Standards for Drinking Water Purposes;
- ii. Water Quality Standards for Wastewater or Industrial Effluent Discharge;
- iii. Water Quality Guidelines for Natural Aquatic Ecosystems;
- iv. Water Quality Guidelines for Irrigation Purposes;
- v. Water Quality Guidelines for Recreation; and
- vi. Water Quality Guidelines for Aquaculture.

(d) Asset Management Agency (AMA)

The Asset Management Agency (AMA) which is meant to provide assistance to the Commissioner of Water (CoW) in determining the contractual agreement with WASCO in operating the Metolong infrastructure was being contemplated. Before the establishment of AMA, a Memorandum of Understanding between the CoW and WASCO was being prepared. The CoW was in the process of procuring the service provider to assist with the development of AMA.

(e) The Lesotho Lowlands Water Supply Project (LLWSP) – Update and Review of the 2008 Designs

The Lowlands Water Supply Project (LLWSP) which is aimed at serving nine (9) water demand zones in the country with five (5) new Water Treatment Works (WTW) potential new dams/weirs, 138 new service reservoirs (potential bulk-treated water storages) and 760 km of new pipelines mostly in the lowlands of the country. The nine WTW zones covering the areas indicated below were as follows, with their respective projected capacity shown in brackets:

- Zone 1 – Botha-Bothe Region (28 Megalitres per day [ML /day];

OTHER ELECTRICITY AND WATER SECTORS DEVELOPMENTS

- Zones 2 and 3 – Hlotse, Maputsoe Region (42 Ml/day);
- Zones 4 and 5 – Greater Maseru, Roma, Mazenod, TY, Morija, Matsieng Region (750 Ml/day), which has already been constructed under Metolong Dam and Water Supply Programme (MDWSP);
- Zone 6 and 7 – Mafeteng and Mohale's Hoek Region (44 Ml/day);
- Zone 8 – Quthing Region (5 Ml/day); and
- Zone 9 – Semonkong (1,5 Ml/day).

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

(f) Technical Assistance (TA) on Regulation of Water and Sewerage Services, and the Implementation of Regulatory Instruments

The aim of the assignment was to offer assistance to LEWA for the development and the implementation of regulatory instruments for water and sewerage services. The final deliverables which were, Deliverable 9 - the Progress on the Implementation of Regulatory Instruments 2014/15 to 2015/16 Report, and, Deliverable 10 - Final Report on the Implementation of Water Regulation, were being developed.

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

The project was aimed at providing WASCO with institutional support and capacity development in the operation of the Metolong Dam and Water Supply Project (MDWSP) infrastructure. As of May 2016, WASCO's Technical Support (TS) team had mobilised and, the work was in progress.

(h) Detailed Design and Supervision of MDWSP Tertiary Pipelines and Reservoirs Consultancy

The consultancy is on the assessment of the existing water supply and sanitation services, the design and supervision of construction of MDWSP tertiary pipelines and reservoirs to villages along the main pipelines. The villages were grouped into about 20 Demand Zones. The Consultancy is funded by the AfDB.

At the end of the reporting period the detailed designs and tender documents for 10 Demand Zones had been developed.

(i) Lowlands Rural Water Supply and Sanitation (Construction of Tertiary Lines) Project

The tender documents for the construction of the four (4) Demand Zones had been approved and were ready for tendering.

(k) Five Towns Water Supply Project

The Five Towns Water Supply Project is financed by the Arab Bank for Economic Developments (BADEA), OPEC Fund for International Development (OFID) and Saudi Fund for Development (SFD). The project is meant to augment water supply in WASCO's service areas namely, Butha-Buthe, Hlotse, Mafeteng, Mohale's Hoek and Qacha's Nek. The designs for Butha-Buthe and Hlotse were developed ☐

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Members of the Board are required by law to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the results of its operations and cash flows for that period. The annual financial statements set out on pages 51 to 68 are the responsibility of the Members of the Board.

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

The Members of the Board are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities. The Members of the Board consider that, in preparing the financial statements for the year ended 31 March 2017 set out on pages 51 to 68, the Authority has used appropriate accounting policies, consistently applied, and were supported by, reasonable and prudent judgments and estimates. The Members of the Board also consider that all applicable International Financial Reporting Standards (IRFS) and risk management principles have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

The auditors' responsibilities are stated in their report on pages 49 to 50.

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

The Members of the Board have reviewed the Authority's cash flows forecast for the year ended 31 March 2017 and, in light of the review and current financial position, they are satisfied that the Authority has access to adequate resources to continue in operational existence for the foreseeable future.

Against this background, the financial statements set out on pages 51 to 68 which are stated in Maloti, the currency of Lesotho, have been approved and authorised for issue on 28 September 2017 by the Members of the Board and signed on its behalf by:



CHAIRPERSON



CHIEF EXECUTIVE OFFICER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

BOARD MEMBERS' REPORT

Directors

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

Dr. Leboli Thamae (Chairperson)
Mr. Retselisitsoe Motlojoa (Until 31. 07. 2016)
Dr. 'Mampho Kotelo-'Molaoa (Until 31. 07. 2016)
Adv. Karabo Mohau
Dr. 'Mampiti Matete
Mr. Pashu Mochesane (From 15. 08. 2016)
Mr. Thabo Nkhahle (From 01. 08. 2016)
Mr. Seretse Mohlouoa
Mr. Bokang Ramatšella
Associate Professor Ntoi Rapapa (Chief Executive) (Until 30. 09. 2016)
Mr. Thuso Ntlama (Chief Executive a.i.) (From 01. 10. 2016 - until 31. 05. 2017)
Prof. Lebohang Moleko (Chief Executive) (From 01.06.2017)

Disclosure of Interest

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

Auditors' Appointment

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



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

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
LESOTHO ELECTRICITY AND WATER AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2017

Opinion

I have audited the financial statement of Lesotho Electricity and Water Authority set out on pages 51 to 68, which comprise the statement of financial position as at 31 March 2017 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Lesotho Electricity Authority Act 2002 (as amended).

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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



Lucy. L. Liphafa (Mrs)

Auditor General

28 SEPTEMBER 2017



STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

ASSETS	Notes	2017 M	2016 M
Non - Current Assets			
Property, Plant & Equipment	8	4,231,048	3,253,499
Current Assets			
Cash & Bank	9	36,830,382	30,882,124
Trade & Other Receivables	5	7,759,807	7,463,326
		44,590,189	38,345,450
Total Assets		48,821,237	41,598,949
FUNDS & LIABILITIES			
Funds and Reserves			
Retained Surplus/(Deficit)	13	12,904,140	4,372,099
Revaluation Reserve	14	2,625,117	1,732,369
Universal Access Fund Balance	11	27,012,567	23,491,810
		42,541,824	29,596,278
Non-Current Liabilities			
Gratuity	6.1	4,104,947	2,017,910
Current Liabilities			
Bank Overdraft	9-10	597,683	684,592
Gratuity	6	789,761	8,387,958
Trade & Other Payables	6	787,022	912,211
		2,174,466	9,984,761
Total Funds and Liabilities		48,821,237	41,598,949

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 M	2016 M
INCOME			
Customers' Levy	4	34,103,255	27,842,631
License Fees	3	6,756,688	5,796,639
GoL & World Bank Grants	2	-	8,282,918
Universal Access Fund	11 & 15	17,100,326	32,247,307
		57,960,269	74,169,495
EXPENDITURE			
Staff Costs	16	21,180,572	21,471,662
Depreciation	8	1,300,941	1,285,044
Directors Expenses	16	1,900,281	1,135,495
Audit Fee		38,000	28,350
Universal Access Fund	11 & 15	17,100,326	32,247,307
Operating Costs	16	9,813,373	16,717,497
		51,333,493	72,885,355
Surplus /(Deficit) From Operations		6,626,776	1,284,140
Gain/(Loss) Assets Sale		(5,514)	-
Finance Income	12	529,286	513,931
Finance Costs		-	-
Sundry Income		49,104	7,500
Total Other Income		572,876	521,431
Surplus/(Deficit) for the year		7,199,652	1,805,571
COMPREHENSIVE INCOME			
Revaluation Reserve	14	1,332,389	477,744
Total Comprehensive Income/(Loss) for the Year		8,532,041	2,283,315

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 31 MARCH 2017

	Revaluations Reserve M	Capital Grants M	Universal Access Fund M	Retained Surplus M	Total M
Balance at 31/03/2015	1,332,389	-	35,483,298	2,088,784	38,904,471
Amortisation for the year	(477,744)	-	-	477,744	-
Grant	-	-	-	-	-
Revaluation Reserve	877,724	-	-	-	877,724
Universal Access Fund	-	-	(11,991,489)	-	(11,991,489)
Surplus/(Deficit) for the year	-	-	-	1,805,571	1,805,571
Balance at 31/03/2016	1,732,369	-	23,491,809	4,372,099	29,596,277
Amortisation for the year	(1,332,389)	-	-	1,332,389	-
Increase During the Year	2,225,137	-	-	-	2,225,137
Surplus/(Deficit) for the year	-	-	-	7,199,652	7,199,652
Universal Access Fund	-	-	3,520,758	-	3,520,758
Balance at 31/03/2017	2,625,117	-	27,012,567	12,904,140	42,541,824

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 M	2016 M
Surplus/(Deficit) for the Year Adjustment for:		7,199,652	1,805,571
(Increase)/Decrease in Receivables		(296,481)	(1,038,037)
Increase/(Decrease) in Payables		(7,723,386)	5,063,282
Depreciation		1,300,941	1,285,044
Capital Grant Amortisation		-	-
Gain /Loss on Disposal of Fixed Assets		5,514	-
Net Cash from Operating Activities		486,240	7,115,860
Investing Activities:			
Purchase of Fixed Assets	8	(209,439)	(1,051,438)
Disposal Proceeds		150,572	-
Net Cash Used in Investing Activities		(58,867)	(1,051,438)
Financing Activities			
Gratuity		2,087,037	(4,921,216)
Universal Access Fund		3,520,758	(11,991,489)
Net Cash Used in Financing Activities		5,607,795	(16,912,705)
Cash and Cash Equivalents:			
Net increase in Cash and Cash Equivalents		6,035,168	(10,848,283)
Cash and Cash Equivalents at the Beginning of the Year		30,197,532	41,045,815
Cash and Cash Equivalents at the end of the year		36,232,700	30,197,532

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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	4 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 and bank interest, and is recognized when invoiced or at the time of disbursement by the relevant institution.

1.5.2 Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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 2017

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 2017

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 2017

	2017 M	2016 M
2. World Bank / AfDB Grants	-	8,282,918
3. Licence Fees		
LEC	4,631,927	3,904,835
LHDA	1,113,612	950,541
WASCO	1,011,149	941,263
	6,756,688	5,796,639
4. Customer Levies		
LEC	31,168,495	25,140,193
WASCO	2,934,760	2,702,438
	34,103,255	27,842,631
5. Trade & Other Receivables		
LEC & WASCO – Customers' & Electrification Levies	6,831,164	6,059,353
Trade & Other Receivables	928,643	1,403,973
	7,759,807	7,463,326
6. Trade & Other Payables		
Falling due within 1 Year		
Gratuity	789,761	8,387,958
Trade & Other Payables	787,022	1,596,803
	1,576,783	9,984,761
6.1 Falling due after 1 year		
Gratuity	4,104,947	2,017,910
	5,681,730	12,002,671

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

	2017 M	2016 M
7. Operating Lease obligation		
Minimum lease payments due:		
- Within 1 year - (Fifth year)	3,614,140	3,285,582
- In fifth year inclusive	-	3,614,140
Present Value of minimum lease payments	3,614,140	6,899,722

Presentation on systematic basis in accordance with IAS 17.

This lease obligation relates to rented office space at Moposo House. The lease term is 60 months with escalation of 10% per annum.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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	M	M	M	M	M	M	M
Cost/Revaluation														
At April 1, 2016	514,193	70,833	4,022,784	33,330	1,016,097	508,999	6,166,236							
Additions	15,329	3,904	140,297	-	-	49,909	209,439							
Disposal/Adjustments	(32,420)	(2,534)	(3,648,321)	-	(372,335)	-	(4,055,610)							
Revaluation	-	-	2,049,650	-	175,487	-	2,225,137							
At March 31, 2017	497,102	72,203	2,564,410	33,330	819,249	558,908	4,545,202							
DEPRECIATION														
At April 1, 2016	-	-	2,902,243	10,494	-	-	2,912,737							
Charge for the year	105,694	17,709	736,138	6,666.00	254,025	180,754	1,300,941							
Adjustments	(6,484)	(634)	(3,638,382)	-	(254,025)	-	(3,899,525)							
At March 31, 2017	99,165	17,075	-	17,160	-	180,754	314,154							
CARRYING VALUE														
At April 1, 2016	514,193	70,833	1,120,541	22,836	1,016,096	508,998	3,252,499							
At March 31, 2017	397,937	55,128	2,564,410	16,170	819,249	378,154	4,231,048							

All assets were revalued on the 31 March 2016 in compliance with IAS 16 to reflect their fair values.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9. Cash & Cash Equivalents	2017	2016
	M	M
Cash and cash equivalents are measured at fair price and consists of:		
Petty Cash	2,500	2,500
Short-Term Deposits – (NedBank)	4,544,788	2,575,355
Short-Term Deposits – (StanLib)	7,443,550	6,971,152
Central Bank of Lesotho	2,032	548
	11,992,870	9,549,555
Current Accounts – UAF (Standard Lesotho Bank)	3,973,018	1,796,651
Short-Term Deposits – UAF (StanLib)	20,864,494	19,535,918
	36,830,382	30,882,124
Bank Overdraft – (NedBank)	(597,683)	(684,592)
Total	36,232,699	30,197,532

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 2017

11. Universal Access Fund (UAF) - Receipts & Payments	2017	2016
	M	M
Receipts		
Levies Collection	19,282,375	18,874,426
Finance Income (i)	1,338,707	1,381,393
TOTAL	20,621,084	20,255,819
Expenditure		
Electrification Projects	16,978,030	32,103,648
Bank Charges/Other Costs	122,296	143,659
TOTAL	17,100,326	32,247,307
Movement in UAF – For the year	3,520,758	(11,991,488)
Universal Access Fund –B/F	23,491,809	35,483,298
Universal Access Fund Balance (ii)	27,012,567	23,491,810

11.1 UNIVERSAL ACCESS FUND

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

11.2 UAF Receivables	2017	2016
	M	M
LEC - Electrification Levies	1,431,698	2,104,768
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 M17 million had been approved for electrification projects for the next financial year, while M8.8 million is committed to approve projects which are still in progress.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12. Investment Income	2017	2016
	M	M
	529,286	513,931
Interest received on short term investment with STANLIB Lesotho (Pty) Ltd & NedBank Lesotho Call Account.		
13. Retained Surplus / (Deficit)	2017	2016
	M	M
Income	40,859,943	41,922,188
Expenditure	34,233,167	40,638,048
Operating Surplus/(Deficit)	6,627,776	1,284,140
Loss on disposal	(5,514)	-
Total Other Income	578,390	521,431
Surplus/(Deficit) for the year	7,199,652	1,805,571
Revaluation Reserve Amortisation	1,332,389	477,744
Surplus B/F	4,372,099	2,088,784
Retained Surplus/(Deficit)	12,904,140	4,372,099
14. Revaluation Reserve	2017	2016
	M	M
Balance at the beginning of the year	1,732,369	1,332,389
Increase during the year	2,225,137	877,724
Amortised during the year	(1,332,389)	(477,744)
Balance at the end of the year	2,625,117	1,732,369

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

15. Universal Access Fund (UAF) Projects				
Villages Name/Projects	Name of Contractor	Approved Contracts	Payments Project	Balance
Sebaki	B & G Electrical	379,611	374,489	5,122
Popa Ha-Moruti	LR Construction	3,521,634	717,571	1,859
Makeneng Ha-Palama	Lesehe Constr.	134,879	-	134,879
Linotsing Ha Mokokoane	B & G Electrical	415,666	415,666	-
Ha Ramoloi	Power Factor	131,364	131,364	-
Khalahali Berea	Phaks Electrical	171,857	171,858	-
Ha Thaba Bosiu	LR Construction	302,821	302,821	-
Ha Fusi	Lesehe Constr.	195,076	-	195,076
Ha Mothamane	Electro Techno	137,763	-	137,763
Ha Sekaoti	LR Construction	178,104	178,104	-
Popa Ha Moruti	Ultimate	4,080,493	2,393,368	125,967
Liqhooeng	B & G Electrical	1,005,683	874,133	131,550
Mosaqane	Moramo Civils	9,000,000	5,099,720	3,900,280
Ha Nyatso	Moleko Elect.	3,100,000	2,081,972	1,018,028
Masitenek (Rothe)	B & G Electrical	4,700,000	4,236,964	463,036
Melikane Ha Nyatso		2,700,000	-	2,700,000
TOTALS		30,154,951	16,978,030	8,813,560
Committed Funds				8,813,560

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. Detailed Statement of Comprehensive Income	2017	2016
	M	M
INCOME:		
Customers' Levy	34,103,255	27,842,631
Licence fees	6,756,688	5,796,639
World Bank & AFDB Grants	-	8,282,918
	40,859,943	41,922,188
Universal Access Fund	17,100,326	32,247,307
Other Income		
Finance Income	529,286	513,931
Other Income	49,104	7,500
Gain/(Loss) Assets Sale	(5,514)	-
	572,873	521,431
Total Income	58,533,145	74,690,926
Less: Expenditure		
Directors' Expenses:		
Director's Fees	931,929	553,857
Other Costs – Board	269,669	154,527
Board Training	698,683	427,111
	1,900,281	1,135,495
Staff Costs:		
Staff Remuneration & Benefits	15,931,941	15,714,923
Staff Wellness Activities	20,732	28,879
Gratuity	3,972,962	3,991,768
Staff Training/Workshops	1,176,518	1,653,329
Health & Wellness allowance	69,767	31,861
Staff Uniform	8,652	50,902
	21,180,572	21,471,662
Operating Costs:		
Stationery	299,930	217,138
Advertising	189,966	199,922
Cust. /Stakeholder Empower.	349,729	402,190
Publications	-	9,064
Advocacy	-	5,812
LEWA Literature	7,406	3,846
International Technical Standards	-	18,970

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

16. Detailed Statement of Comprehensive Income (continued)	2017	2016
	M	M
Consumables assets below M1,500	3,580	-
RERA,ESAWAS & AFUR subscriptions	698,764	685,319
Public Relations	-	16,531
Office Expenses	199,798	242,750
Transport Costs	410,750	425,260
Bank Charges	60,683	96,897
Rent	3,285,708	2,986,893
Electricity	225,393	161,513
Telephone	134,910	137,236
Internet	48,000	48,000
Corporate Social Responsibility	84,460	145,323
Insurance	101,066	133,619
IT Expenses	181,554	206,603
RERA Meetings and Workshops	734,694	848,223
AFUR Meetings and Workshops	235,004	167,866
International Meetings and Workshops	254,766	463,143
Risk Consultant	-	301,800
ESAWAS Meeting and Workshops	405,811	102,239
LEWA House - Consultants	-	60,705
Annual Report	46,987	48,257
Inspection Costs	41,714	44,100
Promotional Items	197,330	336,932
Design of Regulatory Model/Framework	-	7,092,686
Increasing Access to Electricity	-	557
National Security of Supply	-	-
Public Hearing	231,890	204,207
Universal Access fund (Elect. Projects)	17,100,326	32,247,307
Casual Labourers	25,002	9,125
Peer Review	40,070	115,386
Complaints Resolution	-	-
RERA Conference	962,683	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

16. Detailed Statement of Comprehensive Income (continued)	2017	2016
	M	M
Security	6,409	5,586
Strategic Plan / Wellness Consultants	-	-
Web-site Support	-	31,236
Cost of Supply Study	95,404	-
Cost of Service Study	118,084	-
ICT Consultant	77,683	-
Workman's Compensation	47,700	-
Water Regulation Expenses		
Water Regulatory Instruments Consultancy	10,445	634,933
Water Regulation Tools	-	107,630
Other costs:		
Audit Fees	38,000	28,350
Depreciation	1,300,941	1,285,044
Operating & Other Expenses	28,252,640	50,278,198
Total Expenses	51,333,493	72,885,355
Surplus/(deficit) for the year	7,199,652	1,805,571

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