National Consultation Meeting

Proposed Raw Water Use Charges

for

2018/19 Financial Year

Date: 25 August 2017

Time: 10H00 to 16H00

Venue: Birchwood Hotel, Boksburg

PRESENTED BY: CFO (WTE)

Contents

- Purpose of the presentation
- Legislative process on raw water use charges
- Income and Expenditure of the Water Trading Entity for the year ended 31 March 2017
- Proposed budget allocation 2018/19 financial year
- Proposed raw water use charges

Purpose of the presentation

- To consult on the proposed 2018/19 raw water use charges

Legislative Process on Raw Water Use Charges

Legislative Process: Raw Water Charges

Legislative mandate: Section 56 – 60 of the National Water Act, requires DWS to establish a pricing strategy for raw water charges.

Raw water Pricing Strategy was first developed in November 1999.

Revised Strategy was approved for implementation with effective from April 2007.

Raw Water Charges

Types of raw water Charges:

- Funding water resource management by water management institutions (WMI)
- Funding of the development and use of waterworks
- Charging an Economic Charge
- Charging a waste discharge charge/levy
- Charging a Water Research Levy

Raw Water Charges

Registered water use sectors:

- Domestic/Industrial/Mining/Energy
- Irrigation
- SFRA (Forestry) [WRM Charge only]

Water Resource Management expenditure relates to those activities that are required to protect, allocate, conserve, manage and control the water resources and manage water quality located within Water Management Areas (WMA)

WATER MANAMENT AREAS FUNCTIONS

1	Catchment management strategy
2	Resource directed measures
3	Water use authorisation
4	Control and enforcement of water use
5	Disaster management
6	Water resources management programmes
7	Water related institutional development
8	Water weed control
9	Terrestrial Invasive Alien Plant (IAP)
10	Geo-hydrology and hydrology
11	Administration & Overheads

Water resource development and use of waterworks refer to the planning, design, construction, operation, maintenance, refurbishment and betterment (improvement) of Government water schemes

Water resource development and use of waterworks

- Applicable to Government Water Schemes
- Two charges applicable:
  - Capital Cost, comprising:
    - *Depreciation* component for the purposes of funding refurbishment cost
    - *Return on assets* component for the purposes of funding development and betterment of waterworks
  - O&M cost to sectors will be charged pro-rata on estimated annual water use.
- Capital unit charge (TCTA)

Capital Unit Charge (CUC)

- Tariff will be set to ensure that the debt is fully paid by the end user within a reasonable time period (not longer than the life of the asset), after considering affordability and future augmentation of the scheme.
- Debt will not overlap unreasonably to another project causing financial strain.
- The CUC may be phased in during the construction period and interest will generally not be capitalized after completion of the construction.
- Tariffs are based on water used from the scheme.

Capping of Charges and Subsidies

DETAILS	WRM Charge	WRI Charge	Comments
Domestic/ Industrial/ Mining/ Energy sector	-	Increases ≤ PPI + 10%	Until full cost recovery is reached
Agricultural sector (established irrigation farmers)	≤ 1.5 c/m3 Adjusted annually by PPI (1.5 c/m3 based on 2007/08)	O&M increases ≤ 50% Depr ≤ 1.5 c/m^3 Adjusted annually from 2007/08	Until full cost recovery is reached
Forestry sector	R 10/ha+PPI (basis yr: 2002/3)		Approximately Averaging 1.5 c/m3

Raw Water Charges

Budget planning process

- Cost of activities are based on zero based budgeting and economic fundamentals (such as CPI, PPI etc.)

Price setting process

- Demand, registered volumes, system yield, costs and asset values

Price setting process

- Regional; Sector Specific and National consultation meetings with stakeholders

Income and Expenditure of the Water Trading Entity for the year ended 31 March 2017

INCOME AND EXPENDITURE FOR THE WATER TRADING ENTITY					
FOR THE MONTH ENDED 31 MARCH 2017					
ECONOMIC CLASSIFICATION	YEAR-TO-DATE				
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL 2016/17	ACTUAL 2015/16	ACTUAL vs. BUDGET Var %
	R'000	R'000	R'000	R'000	
REVENUE	**8 683 829**	**9 121 489**	**9 369 844**	**12 499 615**	**3%**
National Water Resource Infrastructure	3 067 427	3 158 557	3 265 673	3 958 852	3%
Proto CMA's	403 385	415 369	474 567	454 156	14%
TCTA Revenue	4 991 077	5 045 574	5 334 178	7 395 255	6%
Construction Income	221 940	501 988	295 426	691 352	-41%
OTHER INCOME	**4 869 469**	**4 869 469**	**1 902 475**	**1 540 862**	**-61%**
Augmentation -Water Resources & Infrastructure(VAT Incl.)	1 709 462	1 709 462	1 709 462	1 522 038	0%
Bad debt recovered	3 084 827	3 084 827	115 979		-96%
Other	75 180	75 180	77 034	18 824	2%
TOTAL INCOME	**13 553 298**	**13 990 958**	**11 272 319**	**14 040 477**	**-19%**
OPERATING EXPENDITURE	**7 288 646**	**7 940 322**	**7 843 086**	**10 463 555**	**-1%**
Compensation of Employees	908 523	908 523	757 233	690 248	-17%
Goods and Services	1 167 106	1 538 734	1 244 924	3 707 437	-19%
Construction Costs	221 940	501 988	295 426	691 352	-41%
TCTA Payments	4 991 077	4 991 077	5 545 503	5 374 518	11%
PROJECTS EXPENDITURE	**6 229 124**	**6 015 108**	**4 749 201**	**3 662 329**	**-21%**
Augmentation Projects Only (VAT Incl.)	2 266 983	2 163 011	1 690 385	898 546	-22%
Revenue Projects (Metering, ROCS & Refurbishment & Rehabilitation)	1 075 119	749 119	646 351	630 797	-14%
Other Projects	2 887 022	3 102 978	2 412 465	2 132 985	-22%
TOTAL EXPENDITURE	**13 517 770**	**13 955 430**	**12 592 287**	**14 125 884**	**-10%**
Movable Assets	35 528	35 528	20 289	82 628	-43%
SURPLUS/(DEFICIT)	**0**	**0**	**-1 340 257**	**-168 035**	

Analysis of Financial Performance

Revenue Performance

•The revenue billing performance for the financial year 2016/17 is in line with the revised budget and this can be attributed to the efforts that the entity is making to improve on efficient and completeness of the revenue billing.

•Total amount for augmentation for the financial year 2016/17 has been claimed and received from Main Account.

• The bad debt recovery of R3,085 billion was not achieved due to non payment by Municipalities and Water boards

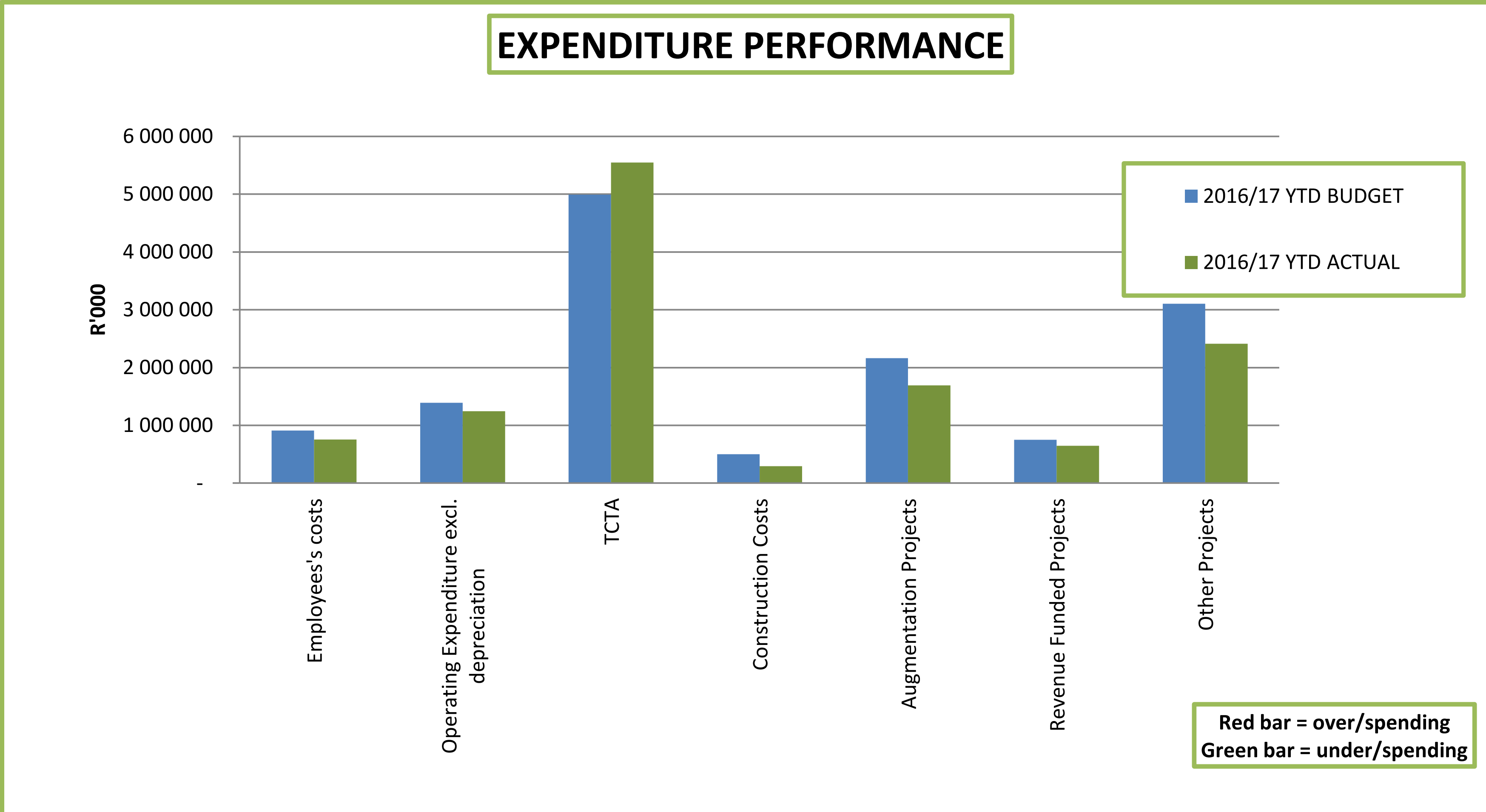
Operating Expenditure

• Employee costs reflects an under spending of 17% when compared to for the annual budget for the financial year 2016/17. The leave accrual that were reflected during the past periods has been reversed and the adjustment will be processed during the year-end activity. The under spending reflected will therefore be reduced once the leave accruals are processed.

• Goods and Services reflect an under spending of 10% against the revised budget. The expenditure for goods and services exclude the accruals.

•TCTA payments reflect an over spending of 11% against the annual budget.

Graphical Presentation of Expenditure Performance



Analysis of Debtor's Age Analysis 31 MARCH 2017

DEBTOR'S AGE ANALYSIS FOR THE WATER TRADING ENTITY									
FOR THE MONTH ENDED 31 MARCH 2017									
	Days								% to Total Debt
	Total	0 to 29	30+ Days	60+ Days	90+ Days	120+ Days	150+ Days	180+ Days	
CLASSIFICATION	R 0								
Bulk Payers (BP)	*2 540*	*-*	*-*	*-*	*-*	*-*	*-*	*2 540*	*0%*
Company (C)	*1 596 382*	*664 741*	*(252 897)*	*(17 872)*	*15 071*	*33 131*	*16 512*	*1 137 696*	*17%*
District Municipalities (DM)	*1 069 432*	*(1 811)*	*50 532*	*18 053*	*9 001*	*(10 068)*	*18 917*	*984 808*	*11%*
Individual (I)	*439 894*	*35 044*	*(29 311)*	*727*	*(310)*	*(181)*	*(116)*	*434 041*	*5%*
Irrigation Boards (IB)	*312 935*	*49 799*	*4 056*	*(3 724)*	*57*	*(11 483)*	*(1 009)*	*275 239*	*3%*
Local Municipalities (LM)	*2 399 315*	*175 926*	*57 146*	*33 327*	*2 739*	*33 936*	*25 197*	*2 071 044*	*25%*
Metro Municipalities (MM)	*33 303*	*30 076*	*(8 477)*	*1 321*	*397*	*547*	*69*	*9 370*	*0%*
National Department (N)	*126 650*	*7 776*	*500*	*570*	*144*	*457*	*455*	*116 750*	*1%*
Provincial Government (P)	*13 722*	*194*	*195*	*88*	*12*	*90*	*104*	*13 039*	*0%*
Water Boards (WB)	*2 711 218*	*515 154*	*436 758*	*28 082*	*6 898*	*31 982*	*31 007*	*1 661 336*	*28%*
Water User Association (A)	*880 611*	*110 952*	*22 165*	*10 095*	*1 223*	*8 975*	*2 843*	*724 358*	*9%*
TOTAL	**9 586 001**	**1 587 851**	**280 668**	**70 666**	**35 232**	**87 386**	**93 980**	**7 430 219**	**100%**
% to Total Debt	**100%**	**17%**	**3%**	**1%**	**0%**	**1%**	**1%**	**78%**	

Analysis of Debtor's Age Analysis 31 MARCH 2016 vs. 31 MARCH 2017

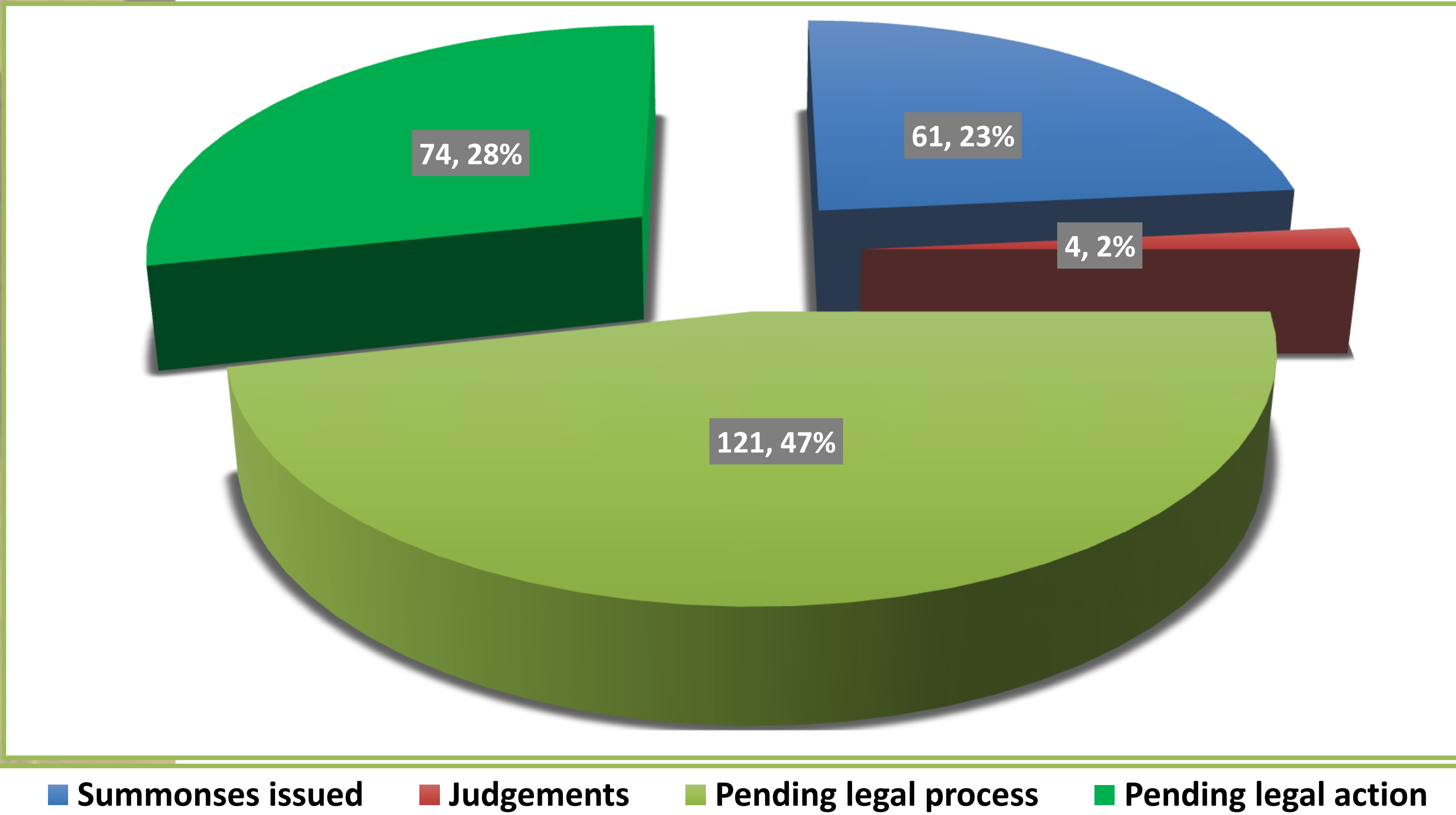
CUSTOMER CATEGORY	31 MARCH 2017	31 MARCH 2016	VARIANCE	CHANGES
	R'000			
Bulk Payers	2 540	3 193	653	
Company (C)	1 596 382	1 174 644	(421 738)	
Dist Municipalities	1 069 432	736 365	(333 067)	
Individual (I)	439 894	392 892	(47 002)	
Irrigation Boards (IB)	312 935	274 556	(38 379)	
Local Municipalities (LM)	2 399 315	1 888 261	(511 054)	
Metro Municipalities (MM)	33 303	77 728	44 425	
National Government (N)	126 650	106 544	(20 106)	
Provincial Government (P)	13 722	13 224	(498)	
Water Boards (WB)	2 711 218	2 537 820	(173 398)	
Water Service Provider	880 611	370 900	(509 711)	
GRAND TOTAL	**9 586 001**	**7 576 127**	**(2 009 874)**	

Municipalities Age analysis as at the 31 March 2017

LIST OF MUNICIPALITIES NOT PAYING ACCOUNTS								
Name	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	150+ Days	Total	Status
VHEMBE DISTRICT MUNICIPALITY	-22 709 342	10 517 528	5 520 175	5 458 564	-	498 577 296	497 364 221	Summonses issued defending
LEKWA LOCAL MUNICIPALITY	7 322 432	14 802 684	8 757 443	-	8 025 026	339 919 014	378 826 599	Summonses issued
MALUTI-A-PHOFUNG LOCAL MUNICIPALITY	108 851 146	3 251 987	3 085 010	-	2 227 015	188 331 543	305 746 702	Summonses issued
MOPANI DISTRICT MUNICIPALITY	3 039 271	7 292 895	4 207 454	3 525 909	1 953 301	203 812 115	223 830 945	Summonses issued, defending
MSUKALIGWA MUNICIPALITY	1 955 681	6 454 953	215 864	36 088	3 002 729	177 563 909	189 229 222	Summonses issued
LEKWA - TEEMANE LOCAL MUNICIPALITY	1 810 533	4 988 335	1 692 588	-	2 458 303	160 197 990	171 147 749	Summonses issued
OLIVER TAMBO DISTRICT MUNICIPALITY	3 681 234	8 189 336	2 517 815	-	-19 740 316	132 103 834	126 751 904	Court Judgement
MAFUBE LOCAL	2 191 801	4 383 601	2 191 801	-	2 191 801	123 853 187	134 812 190	Summonses issued
POTCHEFSTROOM LOCAL MUNICIPALITY (TLOKWE)	1 547 444	2 836 232	1 519 508	-	1 497 022	55 686 666	63 086 873	Summonses issued
EMALAHLENI MUNICIPALITY	323 413	623 708	292 289	109 530	356 834	128 739 750	130 445 525	Summonses issued
ERMELO MUNICIPALITY	3 868 885	7 737 764	3 868 885	-	10 751 101	90 015 911	116 242 546	Summonses issued
OTHER	92 308 140	28 121 624	18 831 701	3 007 109	11 693 260	1 010 603 863	1 164 565 698	
Total	**204 190 639**	**99 200 647**	**52 700 534**	**12 137 200**	**24 416 076**	**3 109 405 078**	**3 502 050 173**	

MUNICIPALITIES PER PROVINCE							
DEBTORS AGE ANALYSIS AS AT 31 MARCH 2017							
Metropolitan Name	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	150+ Days	Total
Mpumalanga	17 203 574	40 371 842	16 261 191	2 678 210	25 436 467	955 762 120	1 057 713 404
Limpopo	-11 294 933	27 250 587	11 112 918	8 679 443	2 334 997	751 583 460	789 666 472
FS	135 422 387	13 572 899	7 659 884	-	6 872 675	492 864 748	656 392 593
EC	17 375 001	-18 557 835	6 477 610	-392 184	-22 021 769	284 335 005	267 215 828
NW	3 832 278	8 656 171	3 626 352	371 763	3 999 041	287 047 843	307 533 447
KZN	3 843 201	20 600 959	4 453 847	-	5 065 407	203 496 984	237 460 399
NC	9 723 763	2 891 529	527 666	-7 590	821 391	76 188 431	90 145 192
WC	24 906 699	2 243 157	940 461	-80	1 238 361	15 709 430	45 038 027
Gauteng	3 178 668	2 171 339	1 640 605	807 639	669 505	42 417 055	50 884 811
Total	**204 190 639**	**99 200 647**	**52 700 534**	**12 137 200**	**24 416 076**	**3 109 405 078**	**3 502 050 173**

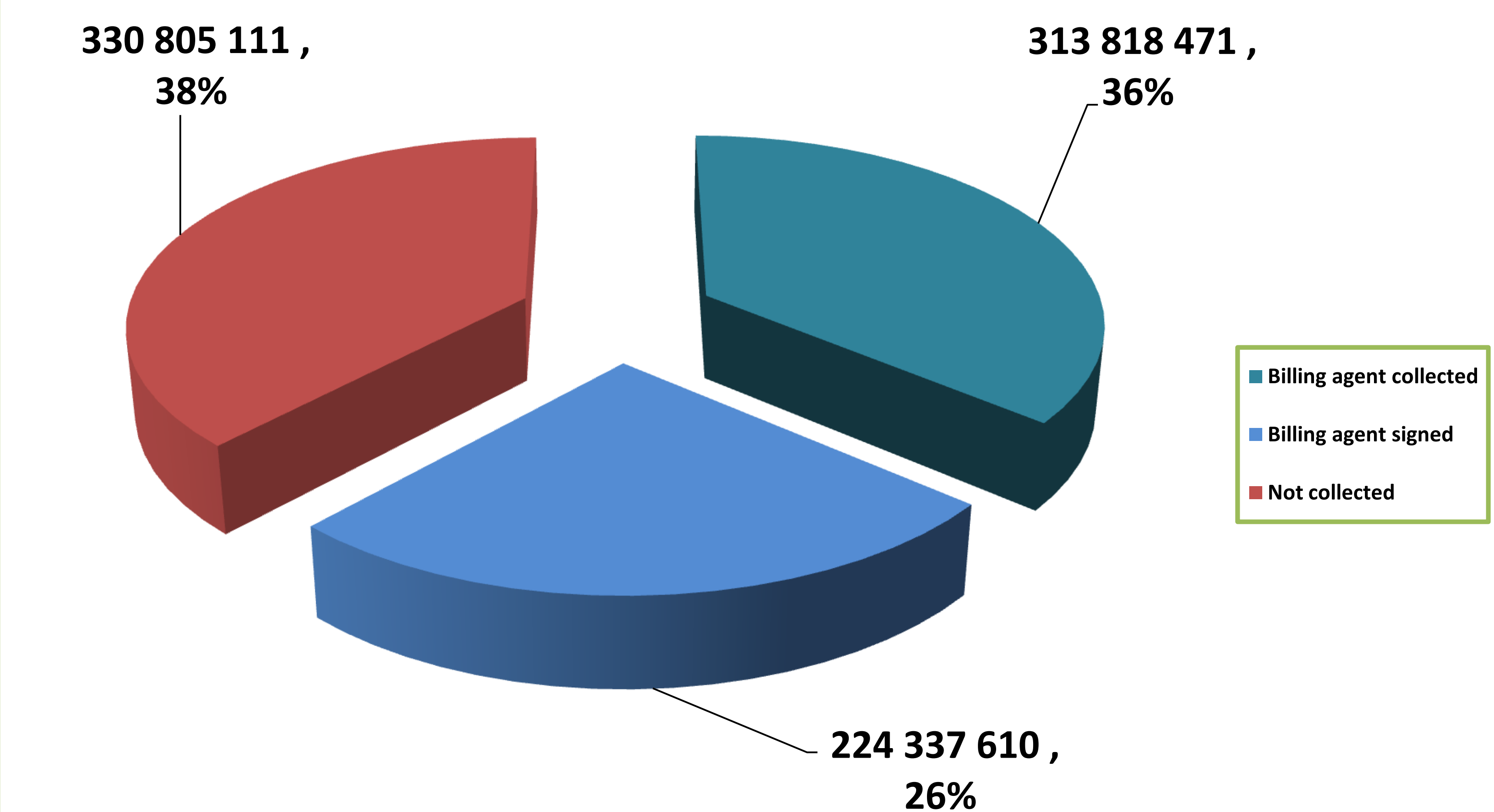
Legal status on municipalities



Water Boards Age analysis as at the 31 March 2017

Row Labels	Sum of Current	Sum of 30+ Days	Sum of 60+ Days	Sum of 90+ Days	Sum of 120+ Day	Sum of 150+ Day	Sum of Total	Comments
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
SEDIBENG WATER	28 970	59 383	21 903	2 458	30 478	1 611 959	1 755 150	Not paying
RAND WATER	409 736	328 477	69	83	-	52 685	791 051	Paying, Requested a write-off on old Bushbuckridge debt
UMGENI WATER	43 067	23 339	2	-	2	83	66 493	paying
LEPELLE NORTHERN WATER	11 364	1 370	2 738	4 357	-	10 297	30 126	Not paying as the DWS owes them money
MAGALIES WATER	7 799	15 266	4 675	-	-	-	27 739	paying
BLOEM WATER	2 003	4 208	-1 356	-	1 440	15 082	21 376	Paying but disputing some old debit noted
AMATOLA WATER BOARD	7 400	5 066	14	-	17	947	13 444	paying
MHLATHUZE WATER	4 721	-442	-	-	-	-	4 279	paying
OVERBERG WATER	95	92	38	-	45	1 289	1 559	PTP (payment was made in April)
Grand Total	**515 154**	**436 758**	**28 082**	**6 898**	**31 982**	**1 692 343**	**2 711 218**	

Status on Billing agent



List of WUAs/IRBs (Billing agent not collected)

List of WUA/IRBs	**TOTAL**
LEBALELO WATER USER ASSOCIATION	125 179 889
SENTRAAL-BREËRIVIER WGV	25 755 166
LETABA WATER USER ASSOCIATION	23 419 259
KOMATI RIVER IRRIGATION BOARD	22 683 280
HEXVALLEY WATER USER ASSOCIATION	19 904 568
LOMATI RIVER IRRIGATION BOARD	12 457 282
ZONDEREND RIVER WATER USER ASSOCIATION	10 141 685
GROOT DWARS RIVER IRRIGATION BOARD	8 502 091
KAT RIVER VALLEY WATER USERS ASSOCIATION	6 913 528
KLASERIE RIVER IRRIGATION BOARD	5 932 478
BUFFELJAGDSRIVIER IRRIGATION BOARD	4 869 312
FRIERSDALE IRRIGATION BOARD	3 479 359
EKSTEENSKUIL IRRIGATION BOARD	3 421 202
LAER SPEKBOOM RIVER IRRIGATION BOARD	3 358 538
KUBUSI IRRIGATION BOARD	3 180 183
INKASA IRRIGATORS	3 052 427
EUREKA IRRIGATION BOARD	2 794 750
HEIGHTS IRRIGATION BOARD	2 754 775
GAMKARIVIER IRRIGATION BOARD	2 401 203
OUKLOOF IRRIGATION BOARD	2 289 187
GOUSBERG IRRIGATION BOARD	2 045 207
Other	36 269 740
TOTAL	**330 805 111**

Comments

- The companies outstanding balance is R1.59 billion and individual is R 439 million.
  - ➢ Queries are being resolved and follow-up are made to collect outstanding balance.
  - ➢ Increase in company balance is due to licence captured that billed for the first time since the issuing of the licence
    - ❑ Mintails mining R72 million
    - ❑ Ezulwini Mining Company
- To improve collections individuals and companies needs to be listed with the credit bureaus as non-payers.
- Municipalities continue not to pay the accounts, however they were handed over to legal for summoning.
  - 45 summons issued (3 court judgment granted)
  - 138 still in legal collection process
  - 74 municipalities not handed-over as some of them were paying their accounts. Assessment is being done so that those that are not paying can be handed-over.

Customer Relations Management

Query Resolutions

Help Topic	Total	Resolved	Open	Resolution Rate
Invoice or Statement not Received	13 202	13 132	70	99.47%
Dispute of Customer Balance	2 291	2 125	166	92.75%
Payment not Reflecting on Statement	2 267	2 200	67	97.04%
Proof of Payment	1 827	1 820	7	99.62%
Account closure	1 767	577	1 190	32.65%
Billing Duplication	1 612	1 555	57	96.46%
Master Data Change	620	616	4	99.35%
Other WARMS	587	492	95	83.82%
Payment Allocation	504	319	185	63.29%
Refund of Credit Balance	479	415	64	86.64%
Tariffs	467	381	86	81.58%
Balance Enquiry	371	370	1	99.73%
Transfer of Credit Balance	356	288	68	80.90%
CMA Volumes	313	276	37	88.18%
Email address update	302	302	-	100.00%
Request for Banking Details	296	294	2	99.32%
Vat Number Update	272	269	3	98.90%
NWRI (Cluster) Volumes	111	99	12	89.19%
Interest Reversal	96	68	28	70.83%
Billing Frequency	39	37	2	94.87%
Reconciliation Request	37	37	-	100.00%
Water Restriction	18	18	-	100.00%
Abstraction Points	16	14	2	87.50%
Succession in Title	15	13	2	86.67%
OVERALL	**27 865**	**25 717**	**2 148**	**92.29%**

Proposed Budget Allocation for 2018/19

CMAs Budget Allocation

CMA'S	BUDGET	PRICING STRATEGY REVENUE	14.6% REVENUE	20% REVENUE	30% REVENUE
LIMPOPO	79 929	73 168	73 142	73 151	73 168
OLIFANTS	46 714	61 219	61 219	61 219	61 219
INKOMATI	118 405	43 439	37 028	37 828	39 205
PONGOLA	103 117	59 648	51 079	52 607	55 437
VAAL	94 373	80 074	64 375	66 743	71 128
ORANGE	55 876	47 931	40 166	42 059	44 440
MZIMVUBU	75 442	50 352	45 744	46 490	47 872
BREEDE	86 593	34 332	34 332	34 332	34 332
BERG	59 041	58 777	46 897	47 495	48 602
	719 490	**508 940**	**453 981**	**461 923**	**475 403**
		173 000	**173 000**	**173 000**	**173 000**
		-37 550	**-92 509**	**-84 567**	**-71 087**

CMA Economic Classification

CMA'S	COE R'000	G & S R'000	ASSETS R'000	TOTAL R'000
LIMPOPO	55 833	20 846	3 250	79 929
OLIFANTS	30 170	15 629	916	46 714
INKOMATI	68 014	49 287	1 103	118 405
PONGOLA	54 991	47 481	645	103 117
VAAL	50 725	42 588	1 060	94 372
ORANGE	25 427	24 790	5 660	55 876
MZIMVUBU	20 931	49 405	5 106	75 442
BREEDE	43 426	41 667	1 500	86 593
BERG	32 587	25 319	1 136	59 042
TOTAL	**382 102**	**317 011**	**20 377**	**719 490**

Water Resource Infrastructure

FULL COST							
OFFICE	OPERATION & MAINTANANCE			REVENUE CAPITAL PROJETCS			FULL COST
	BUDGET 2018-19	REVENUE O&M	BUDGET INPUTS VS REVENUE O&M	DEPRECIATION	RETURN ON ASSETS	TOTAL CAPITAL PROJECTS	
	R	R	R	R	R	R	R
SOUTHERN CLUSTER	187 398 857	154 075 800	-33 323 057	75 994 690	923 444 150	999 438 840	1 153 514 641
CENTRAL CLUSTER	1 000 000 000	859 585 297	-140 414 703	340 077 879	1 165 220 697	1 505 298 577	2 364 883 874
NORTHERN CLUSTER	442 538 601	282 573 542	-159 965 058	55 143 503	418 277 054	473 420 558	755 994 100
EASTERN CLUSTER	301 470 201	454 750 170	153 279 969	62 761 037	402 347 273	465 108 310	919 858 480
OPERATIONAL PROJECTS	1 200 000 000		-1 200 000 000				
TOTALS	3 131 407 659	1 750 984 810	-1 380 422 849	533 977 110	2 909 289 175	3 443 266 285	5 194 251 095
OPERATIONAL PROJECTS AND O&M BUDGET						1 380 422 849	
AVAILABLE FOR CAPEX						2 062 843 436	

Water Resource Infrastructure

OFFICE	PRICING STRATEGY							
	OPERATION & MAINTANANCE			REVENUE CAPITAL PROJECTS			REVENUE PROJECTIONS	FULL COST
	BUDGET INPUTS 2018/19	REVENUE O&M	BUDGET INPUTS VS REVENUE O&M	DEPRECIATION	RETURN ON ASSETS	TOTAL CAPITAL PROJECTS	PRICING STRATEGY	
	R	R	R	R	R	R	R	R
THERN CLUSTER	187 398 857	143 038 304	-44 360 554	58 640 178	143 038 304	201 678 481	573 763 614	1 124 002 657
TRAL CLUSTER	1 000 000 000	949 302 737	-50 697 263	328 693 334	949 302 737	1 277 996 072	1 911 384 220	2 364 883 874
THERN CLUSTER	442 538 601	319 823 910	-122 714 691	49 374 272	319 823 910	369 198 182	644 366 912	755 994 100
TERN CLUSTER	301 470 201	485 491 673	184 021 472	82 866 641	485 491 673	568 358 313	933 546 477	919 858 480
RATIONAL PROJECTS	1 200 000 000	-	-1 200 000 000					
ALS	3 131 407 659	1 897 656 624	-1 233 751 035	519 574 424	1 897 656 624	2 417 231 048	4 063 061 223	5 164 739 111
ERATIONAL PROJECTS AND O&M BUDGET						1 233 751 035		
AILABLE FOR CAPEX						1 183 480 013		

Water Resource Infrastructure

30%								
FICE	OPERATION & MAINTANANCE			REVENUE CAPITAL PROJETCS			REVENUE PROJECTIONS	FULL COST
	BUDGET 2018-19	REVENUE O&M	BUDGET INPUTS VS REVENUE O&M	DEPRECIATION	RETURN ON ASSETS	TOTAL CAPITAL PROJECTS	30.0%	
	R	R	R	R	R	R	R	R
UTHERN USTER	187 398 857	146 057 055	-41 341 802	54 495 739	372 085 132	426 580 871	572 637 927	1 153 514 641
NTRAL USTER	1 000 000 000	948 898 695	-51 101 305	328 071 038	633 388 148	961 459 185	1 910 357 881	2 364 883 874
RTHERN USTER	442 538 601	318 775 285	-123 763 315	38 161 886	275 168 731	313 330 616	632 105 902	755 994 100
STERN USTER	301 470 201	454 660 668	153 190 467	76 629 695	365 188 164	441 817 858	896 478 526	919 858 480
ERATIONAL OJECTS	1 200 000 000		-1 200 000 000					
TALS	3 131 407 659	1 868 391 704	-1 263 015 955	497 358 357	1 645 830 175	2 143 188 531	-3 131 407 659	5 194 251 095
PERATIONAL PROJECTS AND O&M BUDGET						1 263 015 955		
VAILABLE FOR CAPEX						880 172 577		

Water Resource Infrastructure

20 PERCENTAGE

OFFICE	OPERATION & MAINTANANCE			REVENUE CAPITAL PROJETCS			REVENUE PROJECTIONS	FULL COST
	BUDGET INPUTS 2018/19	REVENUE O&M	BUDGET INPUTS VS REVENUE O&M	DEPRECIATION	RETURN ON ASSETS	TOTAL CAPITAL PROJECTS	20%	
	R	R	R	R	R	R	R	R
UTHERN CLUSTER	187 398 857	138 693 038	-48 705 820	59 155 884	372 085 132	431 241 017	569 934 055	1 153 514 641
TRAL CLUSTER	1 000 000 000	948 240 668	-51 759 332	328 038 362	633 388 148	961 426 510	1 909 667 178	2 364 883 874
RTHERN CLUSTER	442 538 601	307 914 125	-134 624 476	41 442 432	275 168 731	316 611 162	624 525 287	755 994 100
TERN CLUSTER	301 470 201	449 366 302	147 896 102	76 629 695	365 188 164	441 817 858	891 184 161	919 858 480
RATIONAL PROJECTS	1 200 000 000		-1 200 000 000					
TALS	**3 131 407 659**	**1 844 214 133**	**-1 287 193 525**	**505 266 373**	**1 645 830 175**	**2 151 096 547**	**3 995 310 681**	**5 194 251 095**
ERATIONAL PROJECTS AND O&M BUDGET						**1 287 193 525**		
AILABLE FOR CAPEX						**863 903 022**		

Water Resource Infrastructure

OFFICE	14.6 PERCENTAGE							
	OPERATION & MAINTANANCE			REVENUE CAPITAL PROJECTS			REVENUE PROJECTION	FULL COST
	BUDGET INPUTS 2018/19	REVENUE O&M	BUDGET INPUTS VS REVENUE O&M	DEPRECIATION	RETURN ON ASSETS	TOTAL CAPITAL PROJECTS	14.6%	
	R	R	R	R	R	R	R	R
SOUTHERN CLUSTER	187 398 857	137 697 851	-49 701 007	58 628 828	372 085 132	430 713 961	568 411 811	1 153 514 641
CENTRAL CLUSTER	1 000 000 000	947 865 086	-52 134 914	327 650 786	633 388 148	961 038 934	1 908 904 020	2 364 883 874
NORTHERN CLUSTER	442 538 601	310 291 776	-132 246 824	40 624 461	275 168 731	315 793 191	626 084 968	755 994 100
EASTERN CLUSTER	301 470 201	446 507 345	145 037 144	76 629 695	365 188 164	441 817 858	888 325 204	919 858 480
OPERATIONAL PROJECTS	1 200 000 000		-1 200 000 000					
TOTALS	3 131 407 659	1 842 362 058	-1 289 045 601	503 533 770	1 645 830 175	2 149 363 945	-3 131 407 659	5 194 251 095
OPERATIONAL PROJECTS AND O&M BUDGET						1 289 045 601		
AVAILABLE FOR CAPEX						860 318 344		

Proposed Raw Water Charges for 2018/19 FY

- **Water Resource Management Charges:**
- Domestic and Industrial sector proposed charges:
  - **Ranges from 0% - 14.6% Increase**
- Irrigation sector charges be capped by April PPI (4.6%) for charges that exceeds 1.5 c/m3 from the previous financial year (2016/17)
  - **Ranges from 4% - 14.6% Increase**
- Forestry sector limited at maximum of R10.00 per hectare plus April (4.6 %) increase
  - **Ranges from 0% - 14.6% Increase**

Proposed Raw Water Charges for 2018/19 FY

- **Water Resource Infrastructure Charges:**
  - **Domestic & Industrial:**
    - Annual increase is limited to PPI (April 4.6 %) plus 10% up until the target for development charge is achieved on state GWS
    - **Tariffs increase range from: 0% to 14.6%**
  - **Irrigation charges:-**
    - Depreciation charge capped at 1.5c/m3 plus PPI
    - Operation and maintenance cost increases limited to 50% p.a.
    - **Tariffs increase range from: 0% to 14.6%**

Combined Augmentation and State Schemes

	2018/19 Tariff R/m³	2017/18 Tariff R/m³	Weighted Average Increase %
a) Costs:			
i) State Schemes Existing Vaal O&M AMD O&M	R 0.7694 R 0.0830	R 0.6405 R 0.0790	20,9% 5,1%
	R0.8524	R0.7154	18,47%
ii) Augmentation schemes CUC BO&R	R 2.354 R 0.701	R 2.1720 R 0.5410	8,4% 29,6%
	R 3.055	R 2.1731	12,6 %
Total State and Augmentation Schemes	R 3.9074	R 3.4326	13,83%
b) Water Pricing:			
i) Total development and use of waterworks	R 3.9074	R 3.4326	13,83%

Notes to Augmentation Schemes Tariffs 2018/19

- **Capital Unit Charge (CUC)**
  - May 2017 CPI was 5.4% y-o-y
  - Proposed increase of 8.4% as a result of the following uncertainties:
    - implementation and funding costs of LHWP-II and AMD
    - future demand as a result of potential water restrictions
    - TCTA's borrowing limit and government guarantee limitations
    - Government's limited ability to increase/issue additional government guarantees
- **Bulk Operating and Royalties Charge (BO&RC)**
  - Proposed Increase of 29.6% is a result of the following:
    - Temporary discount reversed to base level from previous year
    - Input costs in 2016/17 were higher than expected
    - Resulting under recoveries have been effected into the BO&RC calculation

Thank You

Key Issues

Item	Issue raised	Response
Billing	Water users willing to pay but they are not receiving invoices consistently. They only hear about their debt when they receive calls from NICS	The Department is currently in the process of developing an Electronic Bill Presentation System, where customers will be able to download their billing documents from the DWS website. In the interim, customers are encouraged to contact the call centre or walk-in to verify their contact details and submit their email addresses so that their bills can be forwarded electronically. The department will reverse any interest that has been erroneously charged.
CMA Establishment	When is the CMA process going to be finalised?	DWS is reviewing the current governance form for CMAs. The stakeholders will be consulted on what will be suggested as the most appropriate model.
Pricing Strategy	When is the revised pricing strategy going to be implemented?	The department is dealing with the National Treasury comments in order to obtain concurrence thereafter the strategy will be implemented. The target is to use the strategy for 2020/21 FY tarrif seeting process.

Key Issues

Item	Issue raised	Response
Involvement of Municipalities in the consultation process	Were Municipalities invited to the meetings because they are the main culprits in terms of pollution of water resources through their inefficient waste water treatment plants?	Yes they were invited as key stakeholders in the Water resource management business but unfortunately they choose not to attend. Further attempts will be made at CMA level to ensure that they attend these meetings. National office will be urged to engage SALGA at a National level to encourage Municipalities to participate in raw water tariff consultation meetings
WTE overdraft	Can the Department give assurance to the stakeholders that the finances are managed properly , stakeholders disturbed by media reports about Department's financial status	The Department is working closely with National Treasury to resolve the matter. The Department has met all the requirements put by the National Treasury thus far.

Key Issues

Item	Issue raised	Response
Municipal Debts	What is the Department doing to recover the debt from Municipalities? The impression other stakeholders get is that the Department is too soft on Municipalities.	The Department has adopted a harder stance towards Municipalities. Some are being taken to court and positive results are starting to show. National Treasury proposed that DWS should align debt collection with the license conditions
Drought	The Department should provide relief for users because of the current drought problems, most sectors are affected The Minister should consider approving lower tariffs to curtail the effects of the drought particularly in the Western Cape. A delay in the implementation of rebates after drought has been declared.	Section 10.2.2 of Pricing Strategy addresses drought but cover those abstracting from GWS. The issue of the drought in the Western Cape will be escalated to the National Consultation meetings The issue of the delays will be escalated to national office. Usage of the customer care and walk in centres encouraged as it allows for proper monitoring of progress. National Treasury recommended that DWS should develop a policy on disaster management and an approach to provide grants for all the sectors farmers and municipalities.

Key Issues

Item	Issue raised	Response
License condition	Delay in licensing and not sticking on the 300 days as some has been waiting as of 2009	The Department has appointed staff to expedite the process
Agricultural proposal	AgriSA proposed that the infrastructure tariff for irrigation be increased by 14.6% (10% plus PPI)	

Issues raised in Sector Specific (Irrigation and Forestry)

Issue raised	Response
Metering regulation published even though agriculture does not have meters. How is it going to apply if V&V is not complete	Users will continue to be charged on registered volumes until the new pricing strategy is in place. Once revised pricing strategy is in place the issue of metering will be remedied.
Users are concerned about the roles and responsibilities of Regions and Proto CMAs on water resource management	This was said to be a Departmental issue. It will be addressed before the next cycle consultation
Tariff proposed is much higher than the full cost estimate.	The issue of full recovery for water resource management needs to be discussed with users.
AgriSA proposed that the infrastructure tariff for irrigation be increased by 14.6% (10% plus PPI). Agri SA requests an urgent meeting with Minister and DG to discuss their concerns from previous year’s consultations that are still not addressed. Preferably before the National Consultation meeting.	The tariff presented was not final, request to be considered and brought to Management attention. The request was noted, but due to tight timeframe it may not be possible to arrange such a meeting. Agri SA was requested to be patient until after the National Consultation meeting.
The licenses differ from the data that is in DWS’s possession	Registrations will be corrected within 3 working days on the WARMS section. V&V will also assist in remedying the situation

Issues raised in Sector Specific (Domestic and Industry)

Issue raised	Response
Concerned about the AMD additional costs to the tariff for the Vaal users.	
Users wanted to verify the statement allegedly made by the Minister that there will not be any price increase for the next financial year.	Departmental representatives were not aware of the statement, but will enquire with the Executive of the Department
Raw water contracts between water boards and Department	There are no raw water contracts, there are only water licenses. The Department committed to looking into the issues that may not be covered by the license and develop the model contracts if needed.
Is the Department going to introduce the punitive charges when over abstraction occurs	There are no punitive measures on the pricing strategy, but the matter will be considered with subsequent revisions of the strategy.