



## RAND WATER

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### RAND WATER TARIFF CONSULTATION PROCESS

Dear Sir / Madam,

No	Customer / Stakeholder	Comment on Proposed Tariff	
1.	National Treasury	NT is in support of the proposed tariff increase on the basis that the tariff is sufficient to cover costs incurred for the production and sale of potable water.	✓
2.	Joburg Water	Johannesburg Water welcomes the 4.9% increase which is below the current CPI. This will significantly assist in providing the much-needed relief to our customers.	✓
3.	SALGA	SALGA fully supports the 4.9% of the proposed tariff increase.	✓

#### 1 Timelines for Consultation

Rand Water must, at least 40 (forty) days before making final submission to the Department of Water and Sanitation, request SALGA and National Treasury to provide comments on the

proposed tariff increase. Thereafter the Department of Water and Sanitation (DWS) must table proposed tariff increases by all water boards with National Parliament on or before 15<sup>th</sup> March 2024, for implementation on 1<sup>st</sup> July 2024.

DWS / TCTA raw water pricing	30 <sup>th</sup> September 2023
Board Approval of Proposed Tariff	6 <sup>th</sup> October 2023
Preliminary Consultation with DWS and National Treasury	13 <sup>th</sup> October 2023
Consultation with SALGA	17 <sup>th</sup> October 2023
Customer Consultation	18 <sup>th</sup> October 2023
Submission to National Treasury and SALGA for input	26 <sup>th</sup> October 2023
Consultation with Mining and Industries Forum	26 <sup>th</sup> October 2023
Customer notification	01 <sup>st</sup> December 2023
Board Approval of Submission to DWS	23 <sup>rd</sup> January 2024
Submission to DWS for Parliamentary approval	23 <sup>rd</sup> January 2024
Parliamentary approval	15 <sup>th</sup> March 2024
Implementation of tariff increase	1 <sup>st</sup> July 2024

## **2 Structure of Submissions**

Please find attached:

### **Attachment 1. Letter to SALGA - Proposed Tariff Submission**

Please find attached:

### **Attachment 2. Proposed Tariff Presentation**

Preliminary Consultation with DWS and National Treasury	13 <sup>th</sup> October 2023
Consultation with SALGA	17 <sup>th</sup> October 2023
Customer Consultation	18 <sup>th</sup> October 2023
Submission to Treasury and SALGA for input	26 <sup>th</sup> October 2023
Engagement with Mines and Industries	26 <sup>th</sup> October 2023

**Attachment 3. Rand Water Capital Expenditure Programme - Made at all engagements**

**Attachment 4. Minutes of Meeting With DWS and National Treasury**

**Attachment 5. Minutes of Meeting With SALGA**

**Attachment 5a Attendance Register - Water Services Forum**

**Attachment 6. Minutes of Meeting at the Mining and Industries Forum**

**Attachment 7. Johannesburg Water Response**

**Attachment 8. National Treasury Comments**

**Attachment 8a. Rand Water Response to National Treasury Comments**

### **3 Proposed Tariff**

In line with Rand Water's methodology, Rand Water therefore proposes the following tariff.

<b>Rand Water Tariff = Rand Water Internal Inflation for Financial Year Ending 30th June 2025</b>				
	<b>%</b>	<b>Forecast</b>	<b>Percent</b>	<b>Weighted</b>
<b>Year-End ~ 30 June</b>	<b>Increase</b>	<b>2025</b>	<b>of total</b>	
	<b>%</b>	<b>R m</b>	<b>%</b>	<b>%</b>
DWS	-0.8%	1622	9.2%	-0.1%
TCTA	-3.7%	5593	32.8%	-1.2%
<b>Raw Water</b>	<b>-3.1%</b>	<b>7215</b>	<b>42.0%</b>	<b>-1.3%</b>
Energy - Eskom	12.0%	2772	14.0%	1.7%
Energy - Municipalities	13.5%	2298	11.4%	1.5%
Chemicals	29.0%	926	4.0%	1.2%
<b>Multi-Partnered Uncontrollable Costs</b>	<b>4.4%</b>	<b>13211</b>	<b>71.4%</b>	<b>3.1%</b>
Labour	6.1%	3095	16.5%	1.0%
Depreciation	13.3%	694	3.5%	0.5%
Other	4.3%	1598	8.6%	0.4%
<b>Total</b>		<b>18598</b>	<b>100.0%</b>	<b>4.9%</b>
				<b>4.9%</b>

Rand Water’s current gazetted tariff is 1268 cents per kilolitre. Therefore, Rand Water’s new proposed gazetted tariff is 1331 cents per kl - a 4.9 per cent tariff increment.

<b>Municipalities</b>	<b><i>Current Tariff</i></b> <b><i>(1 July 2023 – 30 June 2024)</i></b>	<b><i>New Tariff</i></b> <b><i>(1 July 2024 – 30 June 2025)</i></b>
<b>Tariff Increment</b>		<b>4.9%</b>
	<b><i>C/kl</i></b>	<b><i>C/kl</i></b>
<b>Tariff</b>	<b>1268.398034</b> <b><i>Excluding VAT at 15 per cent</i></b>	<b>1330.549538</b> <b><i>Excluding VAT at 15 per cent</i></b>

## **RECOMMENDATION**

Rand Water proposes the following:

- Rand Water proposes a 4.9 per cent tariff increment.
- This tariff may be significantly affected by the energy tariff increment. This is a pass-through cost that will affect Rand Water’s proposed tariff if it is different from current energy tariff increment projections.
- Rand Water submits these documents to the Department of Water and Sanitation that demonstrate Rand Water’s extensive engagement with stakeholders and customers.

#### 4 Water Demand Management Fund

Non revenue water among Rand Water's municipal customers has continued to worsen rather than improve. The table below shows that non revenue water in Gauteng has worsened from 21.8% in 2005 to 35.9% in 2011 to 42% in 2020. According to DWS, this has deteriorated to 45% in 2022. There is no detailed information per each municipality.

Name	2005 <sup>#</sup>	2011 <sup>#</sup>	2020 <sup>*</sup>
<b>Joburg Metro</b>	20.6%	38.2%	43.2%
<b>Ekurhuleni Metro</b>	23.8%	39.8%	31.7%
<b>Tshwane Metro</b>	14.0%	26.5%	36.3%
<b>Emfuleni</b>	47.6%	44.4%	64.6%
<b>Mogale</b>	18.2%	26.0%	62.4%
<b>Metsimaholo</b>	35.2%	17.2%	19.5%
<b>Rustenburg</b>	32.3%	39.0%	34.4%
<b>Midvaal</b>	23.0%	26.2%	35.9%
<b>Merafong</b>	2.9%	26.0%	27.4%
<b>Randfontein</b>	12.5%	21.9%	40.5%
<b>Westonaria</b>	10.3%	29.7%	40.5%
<b>Lesedi</b>	14.9%	8.2%	33.4%
<b>Ngwathe</b>	1.2%	24.9%	67.6%
<b>Kungwini</b>	28.7%	43.0%	43.0%
<b>Gauteng</b>	<b>21.80%</b>	<b>35.90%</b>	<b>42.0%</b>

Source: # ~ Water Research Commission, *The State of Non-revenue water in South Africa, 2012*

\* ~ Department of Water and Sanitation – Water Use Efficiency Directorate

Therefore, a concerted effort is needed to undertake more solutions to deal with non-revenue water.

Rand Water continues to be challenged in its application to increase its abstraction license that the organisation should provide specific plans to manage demand.

It is because of this important reason that the alternative available to Rand Water is heavily weighted towards creating a Water Demand Management Fund. The volume bought by each municipality in the previous year (2023 - 24 financial year) will determine the allocation to each municipality. In line with the same thinking, Rand Water proposes that an additional 1% tariff increment above the 4.9% is allocated to this fund.

	Project 1600 License target	YTD July 22-June 23 (Ml / d)	kl per annum	Revenue		WDM Fund (R m)
				4.9% Tariff Increase	5.9% Tariff Increase	
Joburg Metro	1356	1731	631 886 994	8 407 569 475	8 487 717 897	80 148 422
Ekurhuleni Metro	1022	1003	366 077 668	4 870 844 715	4 917 277 934	46 433 219
Tshwane Metro	667	757	276 380 454	3 677 112 742	3 712 166 248	35 053 506
Emfuleni	239	293	106 776 378	1 420 712 599	1 434 256 094	13 543 495
Mogale	93	97	35 538 873	472 862 305	477 370 048	4 507 744
Metsimaholo	51	41	15 132 717	201 348 298	203 267 729	1 919 431
Rustenburg	68	97	35 236 734	468 842 203	473 311 624	4 469 420
Govan Mbeki	106	87	31 901 630	424 466 993	428 513 390	4 046 397
Mid Vaal	28	35	12 601 497	167 669 154	169 267 525	1 598 371
Merafong	86	70	25 583 934	340 406 919	343 651 980	3 245 061
Rand West	91	74	26 883 540	357 698 814	361 108 716	3 409 903
Lesedi	23	22	8 194 635	109 033 676	110 073 082	1 039 406
Ngwathe	7	8	2 926 615	38 940 066	39 311 277	371 211
Victor Khanye	17	16	5 986 410	79 652 147	80 411 462	759 315
Royal Bafokeng	10	15	5 572 668	74 147 110	74 853 946	706 836
Madibeng	8	14	4 998 362	66 505 685	67 139 676	633 991
Thembisile Hani	31	32	11 722 283	155 970 779	157 457 631	1 486 852
<b>Grand Total</b>	<b>4172</b>	<b>4393</b>	<b>1 603 381 390</b>	<b>21 333 783 678</b>	<b>21 537 156 258</b>	<b>203 372 580</b>

This requires that all municipalities participate. This is because of the inter-connectedness, economies of scale and financial implications that Rand Water will face by charging different tariffs to different municipalities.

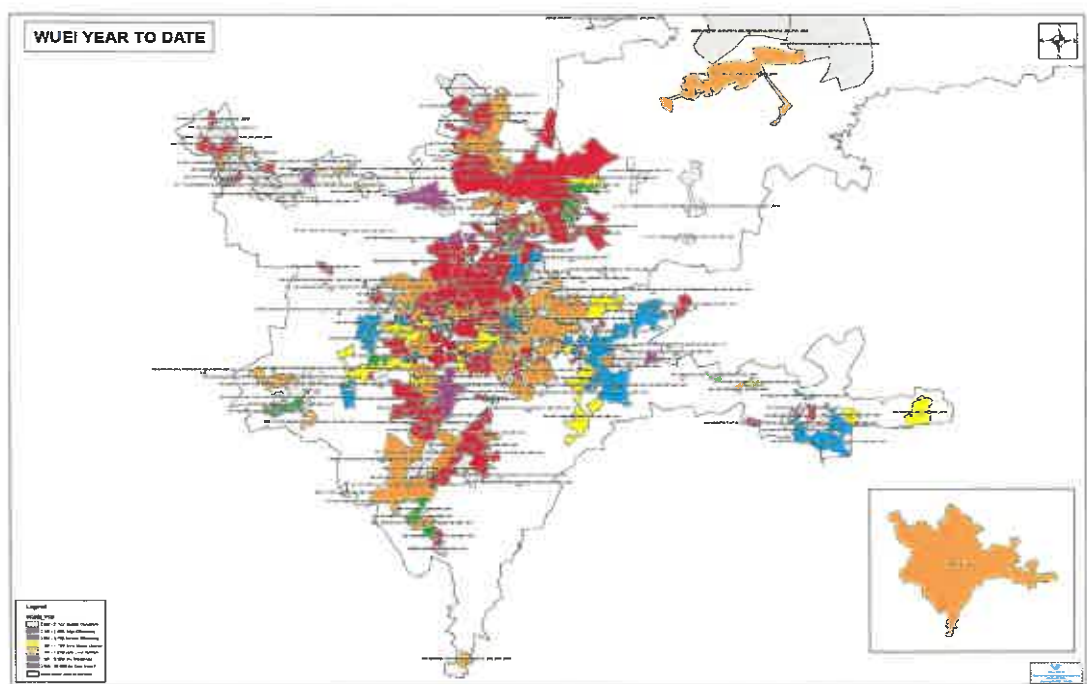
In total Rand Water proposes a 5.9 per cent tariff increment applicable to ALL customers.

<b>Current Tariff</b> <i>(1 July 2023 – 30 June 2024)</i>	<b>New Tariff</b> <i>(1 July 2024 – 30 June 2025)</i>	<b>New Tariff with Water Demand Management</b> <i>(1 July 2024 – 30 June 2025)</i>
	<b>4.9%</b>	<b>5.9%</b>
<b>C/kl</b>	<b>C/kl</b>	<b>C/kl</b>
<b>1268.398034</b>	<b>1330.549538</b>	<b>1343.233519</b>
<b>Excluding VAT at 15 per cent</b>	<b>Excluding VAT at 15 per cent</b>	<b>Excluding VAT at 15 per cent</b>

#### 4.1 Water Use Efficiency Assessment

Water Use efficiency (WUE) has become a critical indicator for Rand Water to understand its customers demand and to determine levels of wastage or unnecessary demand. A statistical model was developed in-house to assess the efficiency of water use and it incorporates factors such as population, levels of water and sanitation service, development type, income levels, erf sizes and land use categories to determine 'normal' usage for a wide range of categories of domestic end user properties, which is then compared to the actual usage.

## Water Use Efficiency Assessment for Rand Water Area of Supply



Analysis conducted using minimum night flow analysis confirms the areas, and municipal reservoir wastage levels. Interventions aimed at curtailing water losses in these categories should be prioritised and would typically entail pressure management. This forms the basis for projects for each municipality. In addition, the municipality will also be able to highlight through their own plans additional or priority areas.

### 4.2 Monitor Customer's Performance against Demand Targets

On a monthly basis individual municipal performance is monitored against these set targets. The overall year-to-date performance for all municipalities is currently 9% above the license target. This indicates an upward trend in the inefficient use of water when compared with same previous years. The consumption by Rand Water's top customers continues to increase. The information gathered thus far indicates

- The year-to-date consumption in City of Tshwane has stabilized at around 18% above the



license target, even though some months did peak at around 25% above the license target.

- In comparison to the previous year, Emfuleni's consumption stabilised, after years of significant increase.
- City of Johannesburg has made no progress in achieving their reduction targets.

### **4.3 Regional Water Demand Management Forum**

The Project 1600 Water Demand Management forum was established with DWS, municipalities, COGTA and SALGA for the Region and convenes quarterly. The forum was established to provide support, guidance and oversight of the progress made by the municipal sector to reduce their water demand for Rand Water to comply with the abstraction limit of 1600 Mm<sup>3</sup>/annum from the IVRS, which was set by DWS, until the next phase of the Lesotho Highlands Scheme comes in operation.

As per the National Strategy developed by the DWS, one of the key roles for Rand Water is to assist Water Services Authorities in the implementation of WC/WDM measures. The setting aside of fund will go a long way to alleviate the challenges of each municipality.

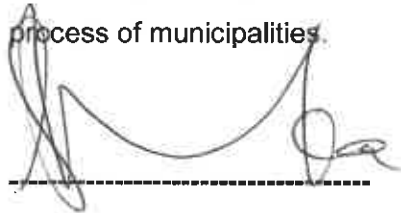
### **4.4 Conclusion**

The implementation of a holistic and integrated water conservation and water demand management plan, and close co-operation of the relevant water sector institutions in accordance with their mandates, will contribute significantly towards achieving the objectives for the region to ensure water for an equitable and sustainable future and to serve the affected communities better. Therefore, Rand Water proposes an additional 1 per cent increment allocated to the Water Demand Management Fund.

## **5 Stepped Tariff**

### **5.1 Potential Drought**

Erratic weather patterns continue to affect South Africa. In the event of a drought being announced by the Honourable Minister, Rand Water will be informed of measures to restrict water demand. In the event these physical water restrictions fail to yield results, the Minister may impose a stepped tariff. It is important for local municipalities to inform their councils, customers, and stakeholders of this possibility. This possibility must be included in the planning process of municipalities.



**VUSI KUBHEKA**

**CHIEF STRATEGY OFFICER**