



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



Major Vaal River Stakeholder's Consultation Meeting

Raw Water Use Charges for 2024/25 Financial Year

18 & 26 October 2023

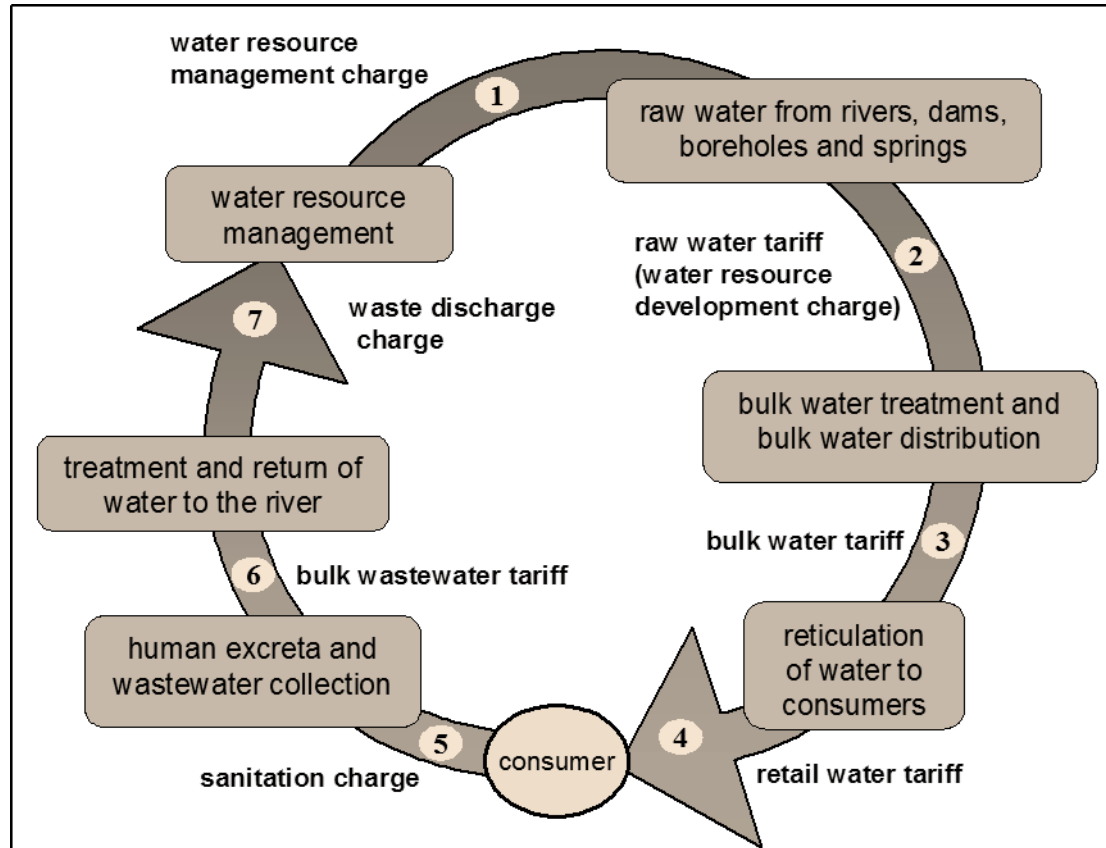
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Purpose

To provide overview on the legislative process and consult with water users on the proposed raw water use charges for 2024/25 financial year

Water Value Chain





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 Resource Management Activities

- 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

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

	WRM Charge	WRI Charge	Comments
Domestic/ Industrial/ Mining/ Energy sector	-	Increases \leq PPI + 10%	Until full cost recovery is reached
Agricultural sector (established irrigation farmers)	\leq 1.5 c/m ³ Adjusted annually by PPI (1.5 c/m ³ based on 2007/08)	O&M increases \leq 50% Depr \leq 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/m ³

Raw Water Use Charges Process

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

Consultation process

- Regional; Sector Specific and National consultation meetings with stakeholders



Proposed Raw Water Use Charges

Proposed Water resource charges for 2024/25

Sector's	Approved charges 2023/24	Approved charges 2024/25	Approved WDCS charges 2023/24	Approved WDCS charges 2024/25
	c/m3	c/m3	c/m3	c/m3
	Domestic & Industrial	2,87	3,11	0,34
Agriculture	2,43	2,64		
SFRA	2,43	2,64		

Combined Vaal River Raw Water Tariff 2024/25 – CUC

VRS	2023/24 Actual	2024/25 Approved	Weighted Average Increase %
i) State Schemes			
Existing Vaal O&M	R 0,8950	R 0,9120	1,90%
AMD O&M	R0,0860	R 0,0939	9,23%
	R0,981	R 1,0059	2,54%
ii) Augmentation Schemes			
CUC	R 3,094	R 2,805	-9,35%
BO&RC: incl under-recoveries	R 0,808	R 0,920	13,88%
	R 3,902	R 3,725	-4,54%
Total State and Augmentation Schemes	R 4,883	R 4,73	-3,12%

Thank you ...

