



Tariff Consultation

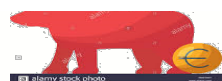
# Tariff Consultation

Rand Water must, at least 40 (forty) days before making final submission to the Board, also request SALGA and National Treasury to provide written comments on the proposed tariff increase.

DWS / TCTA raw water pricing	30 <sup>th</sup> September 2022
Board Approval of Proposed Tariff	7 <sup>th</sup> October 2022
Preliminary Consultation with DWS and National Treasury	10 <sup>th</sup> October 2022
Customer Consultation	12 <sup>th</sup> October 2022
Consultation with SALGA	14 <sup>th</sup> October 2022
Submission to National Treasury and SALGA for input	18 <sup>th</sup> October 2022
Mining and Industries Forum	20 <sup>th</sup> October 2022
Customer notification	9 <sup>th</sup> December 2022
Board Approval of Submission to DWS	23 <sup>rd</sup> January 2023
Submission to DWS for Parliamentary approval	23 <sup>rd</sup> January 2023
Parliamentary approval	15 <sup>th</sup> March 2023
Implementation of tariff increase	1 <sup>st</sup> July 2023

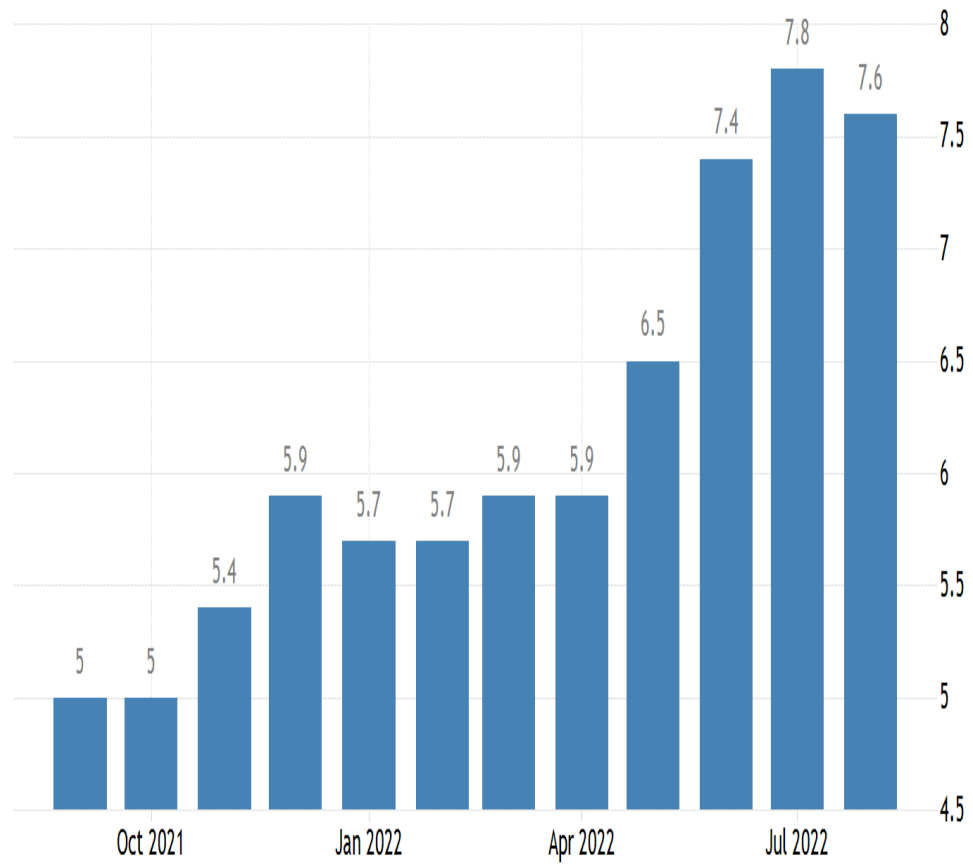


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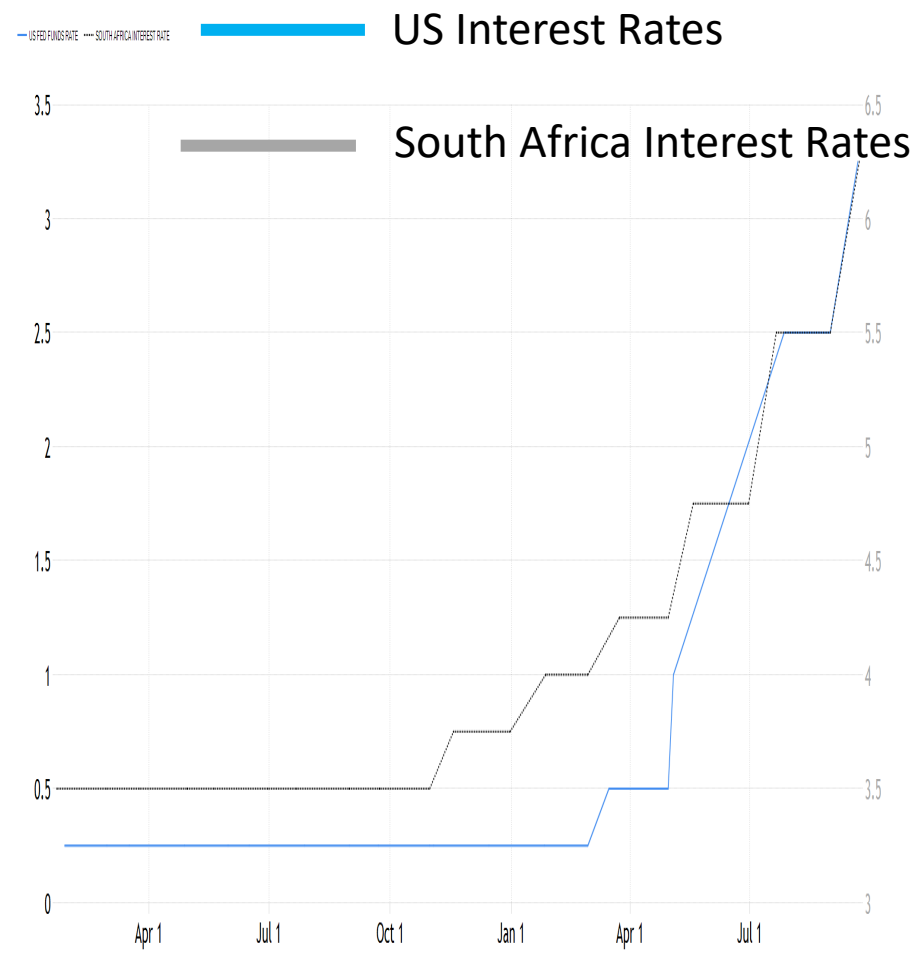
Finding New Ways

# South Africa - CPI



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# South Africa Interest Rates vs US Interest Rates



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RAND WATER



# Bulk potable water tariff increase effective from 1<sup>st</sup> July 2023



## Raw Water

VRS	2022/23 Actual	2023/24 Proposed	Weighted Average Increase %
<b>i) State Schemes</b>			
Existing Vaal O&M	R 0,8872	R 0,8950	0,88%
AMD O&M	R 0,0860	R0,0860	0%
	<b>R 0,9732</b>	<b>R0,981</b>	<b>0,80%</b>
<b>ii) Augmentation Schemes</b>			
CUC	R 3,094	R 3,094	0 %
BO&RC: incl under-recoveries	R 0,616	R 0,808	31 %
	<b>R 3,710</b>	<b>R 3,902</b>	<b>6,4 %</b>
<b>Total State and Augmentation Schemes</b>	<b>R4,6832</b>	<b>R 4,883</b>	<b>4,27%</b>

The changes in the raw water tariff are implemented from the 1st April each year to 31st March the following year. The financial years for water boards commence from 1st July to 30th June the following year. Given these mismatches, a raw water tariff affects not one, but two years.



# Bulk potable water tariff increase effective from 1<sup>st</sup> July 2023

## Energy

Energy consists over 20 per cent of Rand Water's cost structure, second only to raw water. Therefore, it has a significant impact on Rand Water's proposed tariff.

- The concern with Eskom's application to NERSA is the significant difference between Eskom's application and NERSA's eventual approved energy tariff increment. This makes the business planning process more difficult. In some years, Rand Water has had to revise its proposed tariff due to the revision of the energy tariff increment.
- NERSA will commence public hearings in October to deliberate on Eskom's tariff application for the 2024 and 2025 financial years. The tariff application forms part of Eskom's fifth Multiyear Price Determination that was originally submitted in June last year. If awarded this would result in annual standard tariff increases of about 32% in 2023 and 9% in 2024.
- The other difficulty for Rand Water is that the Eskom tariff application is not aligned to the water sector tariff consultation cycle. In some years Eskom has applied for its tariff increment in November or December and received approval in February.



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■ NATIONAL

# Inside Eskom's 32% tariff increase application

Power utility prepares to strip hard-pressed South Africans

🔒 BL PREMIUM

15 SEPTEMBER 2022 - 18:51 by DENENE ERASMUS





# 1. Growth of the organisation looking into various markets

## 1.1 50% of milestones towards the construction of a chemical manufacturing plant

This KPI may be dependent on a Section 54 Application, which is approved by DWS and National Treasury beyond the pilot stage

Year ending 30 June	Unit	2020	2021	2022	2023	2024
Actual						
Projections			Approved business case for the production of chemicals	Completion of relevant planning, approvals, and procurement for the production of chemicals	50% of milestones towards the construction of a chemical manufacturing plant	100% of milestones towards the construction of a chemical manufacturing plant





# 1. Growth of the organisation looking into various markets

## 1.1 50% of milestones towards the construction of a chemical manufacturing plant

This KPI may be dependent on a Section 54 Application, which is approved by DWS and National Treasury beyond the pilot stage

Year ending 30 June	Unit	2020	2021	2022	2023	2024
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# 1. Growth of the organisation looking into various markets

This KPI may be dependent on a Section 54 Application, which is approved by DWS and National Treasury

## 1.2 35% of milestones towards construction of a hydropower plant

Year ending 30 June	Unit	2020	2021	2022	2023	2024
Actual						
Projections			Completion of relevant planning, approvals, and procurement	25% of milestones towards construction of a hydropower plant	35% of milestones towards construction of a hydropower plant	75 % of milestones towards construction of a hydropower plant



# 1. Growth of the organisation looking into various markets

## 1.2 35% of milestones towards the installation of Solar Photovoltaic panels across all sites



Year ending 30 June	Unit	2020	2021	2022	2023	2024
Actual						
Projections		Approval of business case by June 2020	Completion of relevant planning, approvals, and procurement	25% of milestones towards the installation of Solar Photovoltaic panels across all sites	35% of milestones towards the installation of Solar Photovoltaic panels across all sites	75% of milestones towards the installation of Solar Photovoltaic panels across all sites





# 1. Growth of the organisation looking into various markets

## 1.3 25% of milestones towards the construction of a unit for a new source of water by June 2023

This KPI may be dependent on a Section 54 Application, and Water Use Applications, which is approved by DWS and National Treasury

Year ending 30 June	Unit	2020	2021	2022	2023	2024
Actual						
Projections		Approval of business case by June 2020	Completion of relevant planning, approvals, and procurement	15% of milestones towards the construction of a unit for a new source of water by June 2022	25% of milestones towards the construction of a unit for a new source of water by June 2023	1 new plant by June 2024



## 2.1 Products and projects developed by the Innovation Hub



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Year ending 30 June	Unit	2020	2021	2022	2023	2024
Actual						
Projections			Completion of relevant planning, approvals, and procurement	Products and projects developed by the Innovation Hub	Products and projects developed by the Innovation Hub	Products and projects developed by the Innovation Hub





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# Bulk potable water tariff increase effective from 1<sup>st</sup> July 2023

## Proposed Tariff

Rand Water Tariff = Rand Water Internal Inflation for Financial Year Ending 30th June 2024				
	%	Forecast	Percent	Weighted
Year-End ~ 30 June	Increase	2024	of total	
	%	R m	%	%
DWS	0.8%	1359	8.8%	0.1%
TCTA	5.1%	5659	35.0%	1.8%
<b>Raw Water</b>	<b>4.3%</b>	<b>7018</b>	<b>43.7%</b>	<b>1.9%</b>
Energy - Eskom	11.2%	2214	12.9%	1.4%
Energy - Municipalities	12.2%	1827	10.6%	1.3%
Chemicals	11.0%	577	3.4%	0.4%
<b>Multi-Partnered Uncontrollable Costs</b>		<b>11636</b>	<b>70.6%</b>	<b>5.0%</b>
Labour	7.1%	2950	17.9%	1.3%
Depreciation	18.2%	600	3.3%	0.6%
Other	5.3%	1333	8.2%	0.4%
<b>Total</b>		<b>16520</b>	<b>100.0%</b>	<b>7.3%</b>
				<b>7.3%</b>





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# Bulk potable water tariff increase effective from 1<sup>st</sup> July 2023

## Proposed Tariff

Rand Water's current gazetted tariff is 1162 cents per kilolitre. Therefore, Rand Water's new proposed gazetted tariff is 1246 cents per kl - a 7.3 per cent tariff increment.

Municipalities	Current Tariff (1 July 2022 – 30 June 2023)	New Tariff (1 July 2023 – 30 June 2024)
Tariff Increment		7.3%
	C/kl	C/kl
Tariff	1161.536662 <i>Excluding VAT at 15 per cent</i>	1246.032177 <i>Excluding VAT at 15 per cent</i>





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# Bulk potable water tariff increase effective from 1<sup>st</sup> July 2023

## Recommendation

Rand Water engages with stakeholders and customers on the following proposals

- Rand Water proposes a 7.3 per cent tariff increment (*subject to BER projections*).
- 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 is given an opportunity to implement a stepped tariff (or a package to manage exceeding set limits) in the event of a drought announced by the Honourable Minister.
- Rand Water starts engaging with local municipalities with regards to factors that may lead to the introduction of a stepped tariff, for example, limitations on the amount of raw water that Rand Water is able to abstract.
- Rand Water engages with National Parliament's Portfolio Committee(s) at the earliest opportunity.





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Thank you

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