



INKOMATI-USUTHU

CATCHMENT MANAGEMENT AGENCY

ANNUAL 2024/25 TARIFF CONSULTATIONS

Usuthu





ANNUAL 2024/25 TARIFF CONSULTATIONS PROGRAMME

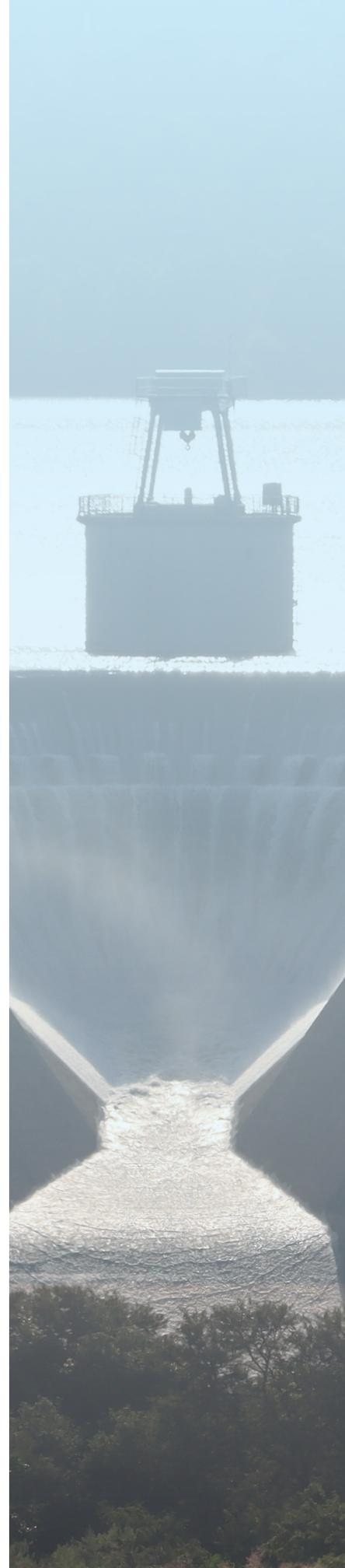
STAKEHOLDER CONSULTATION MEETING ON ANNUAL PERFORMANCE PLAN AND TARIFF SETTING FOR 2024/25 FINANCIAL YEAR

Date: 26 July 2023 | Time: 10:00 to 14:00

Venue: Usuthu Sub-Catchment

**Programme Facilitator: Advocate MB Shabangu
(Executive Corporate Services)**

Item:	Proposed Time:	Person Responsible:
Registration and Morning Tea	9:30 – 10:00	All
Opening and Welcome	10:00 – 10:10	Governing Board Member: Dr T Kelly
Annual Performance Plans for 2024/25	10:30 – 11:00	Chief Executive Officer
Water Quality and Quantity Status Report	11:00 – 11:30	Executive Water Resource Management
2024/25 Proposed Budget and Tariff	11:30 – 12:00	Chief Financial Officer
Infrastructure Tariffs for 2024/25	12:00 – 12:30	Department of Water and Sanitation
Question and Answers	12:30 – 13:00	All
Closure	13:00 – 13:10	Governing Board Member: Dr T Kelly
Lunch	13:15 -14:15	All





1

INTRODUCTION

- ❑ Established in terms of Section 78 of the National Water Act 36 of 1998.
- ❑ The IUCMA is mandated for the protection, conservation, development, use and management of the water resources at a localised area.
- ❑ Stakeholders are considered a critical component of decentralised water resources management.
- ❑ Water use activities include: Strategic use (ESKOM and Sasol Secunda Complex), Transboundary International Obligations (Mozambique and eSwatini), Agriculture, Forestry, Mining, Industry, Domestic, and Tourism.
- ❑ Funded through Parliamentary Grant and Water Resources Charges.
- ❑ The IUCMA is Schedule 3A Public Entity .

2

VISION, MISSION AND VALUES

VISION
Sufficient, equitable and quality water resources for all in the Inkomati-Usuthu Water Management Area

MISSION
To efficiently manage water resources by empowering our stakeholders in our quest to contribute towards transformation by promoting equal access to water and protecting the environment

VALUES
Integrity
Batho Pele (Stakeholders Orientation)
Accountability
Diversity
Transparency



3

OUTCOMES



Outcome 1:
Increased stakeholder satisfaction



Outcome 2:
Enhanced human resources capabilities



Outcome 3:
Maintain Financial Sustainability



Outcome 4:
Protection and use of water resources



4

OUTCOMES ALIGNMENT

Outcome	Programme	Output	Output indicators
Outcome 1: Increased stakeholder satisfaction	Programme 1: Administration and Governance	Stakeholder satisfaction	Percent implementation of a stakeholder engagement plan
Outcome 2: Enhanced human resources capabilities	Programme 2: Human Resources and business support	Employee safety Optimal employee retention	Disabling Injury Frequency Rate Rate of Employee turnover
Outcome 3: Maintain financial sustainability	Programme 3: Finance	Cost control Revenue enhancement	Working ratio Debt collection ratio
Outcome 4: Protection and use of water resources	Programme 4: Water resource management	Effective resource management Water use authorisations Regulative compliance	Percent compliance to Resource Quality objectives Percent compliance to international obligations Percentage of water use authorisations processed within the regulated timeframe Percent of reported cases of non-compliance cases investigated



5

2023.24 PERFORMANCE TARGETS

OUTPUT INDICATORS	ANNUAL TARGET	QUARTERLY TARGETS			
	2023/24	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Percent implementation of a stakeholder engagement plan	100%	-	100%	100%	100%
Percent implementation of a communication plan	80%	20%	20%	20%	20%
Percent implementation of human Resource management plan	80%	20%	20%	20%	20%
Percent implementation of the ICT strategy	30%	-	10%	20%	30%
Percent of identified COBIT gaps addressed	100%	25%	25%	25%	25%
Working ratio (cash based)	≤80%	≤80%	≤80%	≤80%	≤80%
Debt collection ratio: Healthy book	65%	15%	30%	45%	65%
Debt collection ratio: Toxic book	6%	1.5%	3%	4.5%	6%
Debtors' payment period in days (Healthy book)	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days	D&I: ≤ 100 days Irrigation: ≤540 days Forestry: ≤540 days



6

2023.24 PERFORMANCE TARGETS

OUTPUT INDICATORS	ANNUAL TARGET 2023/24	QUARTERLY TARGETS			
		QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4
Ratio	≥1:1	≥1:1	≥1:1	≥1:1	≥1:1
Resource Quality (Quality, Quantity and BIOTA) status report	Annual resource quality status report	1X Quarterly resource quality status report 1X Annual Resource quality (Quality, Quantity & BIOTA) status report	Quarterly resource quality status report	Quarterly resource quality status report	Quarterly resource quality status report
Percentage monitoring of compliance to Resource Quality Objectives	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage monitoring of compliance to International obligations	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage of planned inspections for quality used	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage of planned inspections for quantity used	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage of enforcement action taken against non-compliant users	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage of approved water use authorizations registered on WARMS	≥90%	≥90%	≥90%	≥90%	≥90%
Percentage of water use authorizations processed within the regulated timeframe	≥80%	≥80%	≥80%	≥80%	≥80%



7

**THANK YOU
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RESOURCE MONITORING OBJECTIVES

- **IUCMA** has the following Monitoring Programme(s):
 - ❖ Water Quantity
 - ❖ Water Quality
 - ❖ River Eco-status Monitoring programme (REMP)
- IUCMA conducts regional monitoring within the Inkomati-Usuthu WMA which feeds into the national monitoring system.
- Regional resource monitoring objectives is to **measure, assess** and **report** on water resource compliance status and trends.
- Relating to **quantity, quality** and **aquatic ecosystem** in a manner that support balanced decision-making and planning for management, protection and sustainable use of water resources.




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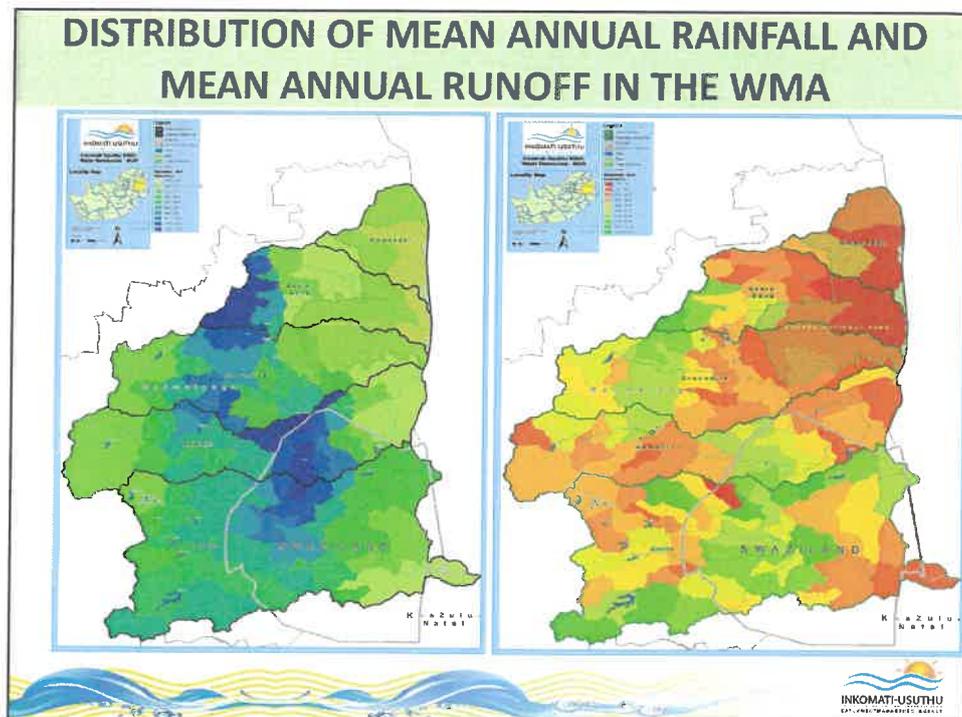
RESOURCE AVAILABILITY STATUS

Surface and Groundwater Quantity Status

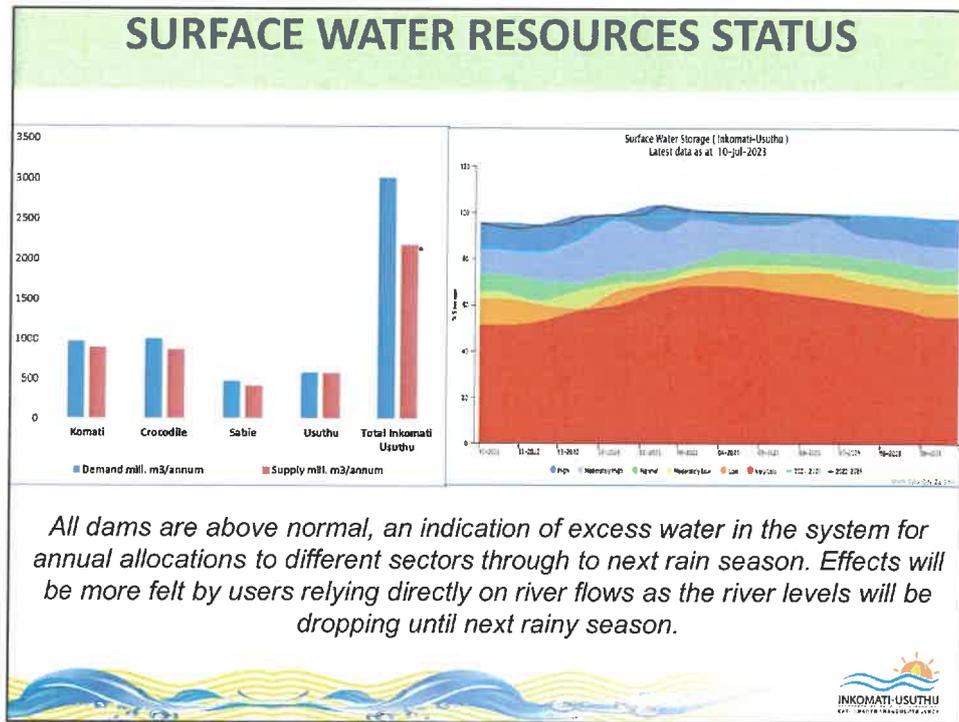


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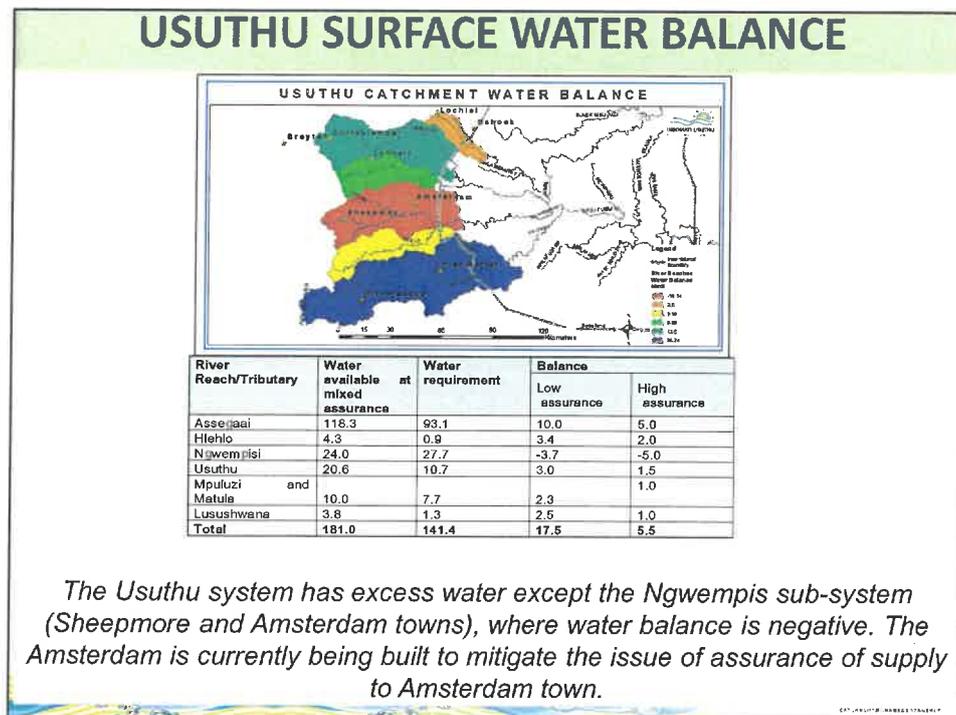
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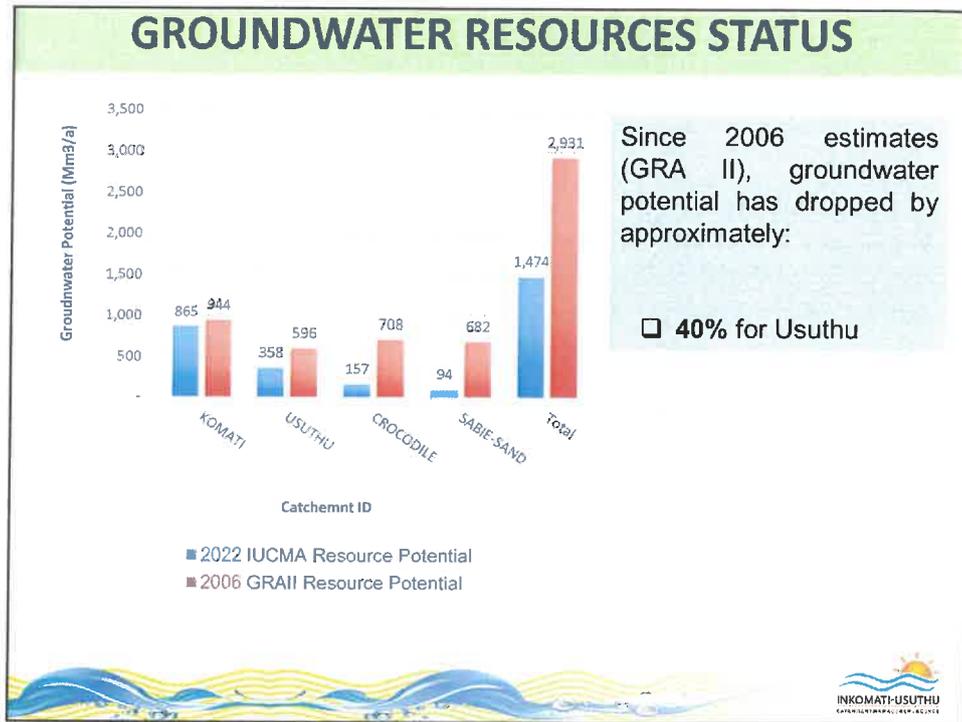
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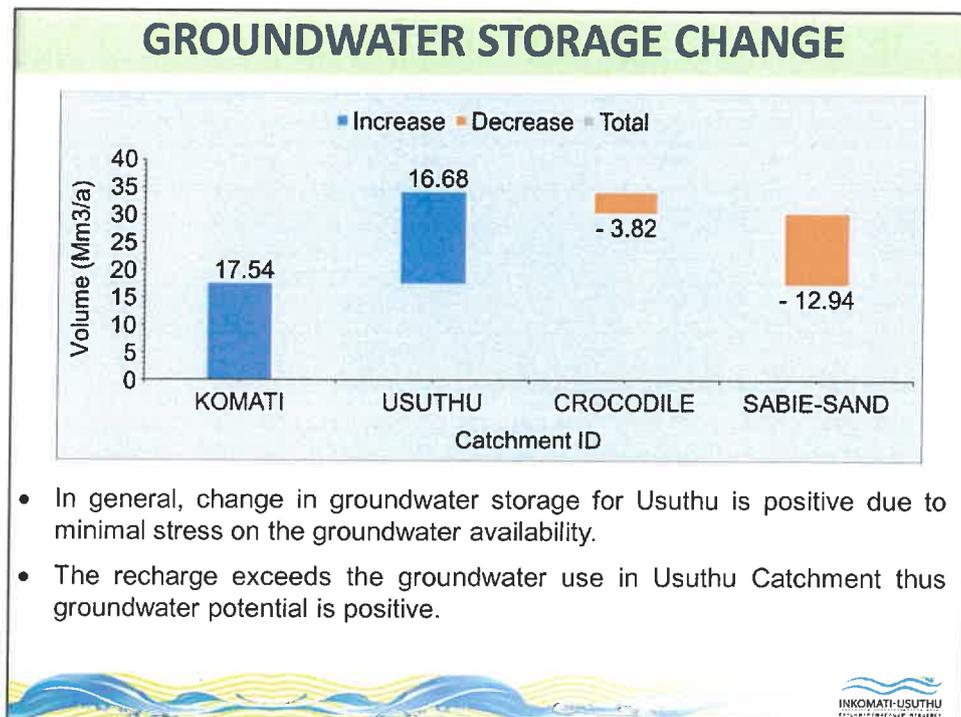
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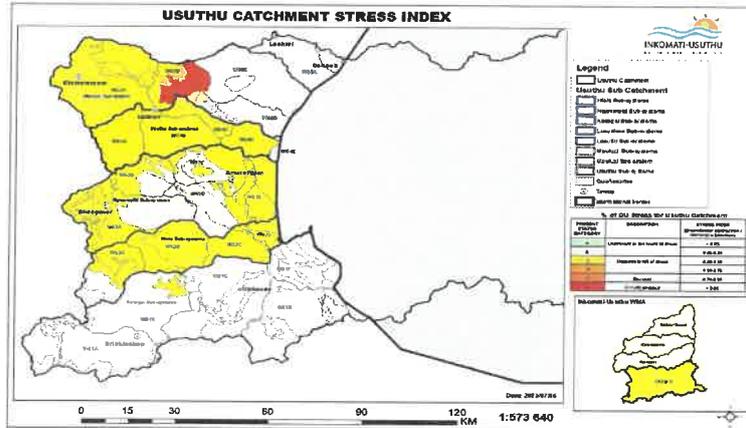


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USUTHU GROUNDWATER STRESS INDEX CONDITION



In the Usuthu catchment the groundwater resources are still adequate, just as surface water resources and socio-economic developments must be promoted in these areas.

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RESOURCE QUALITY STATUS

Surface Water Quality Status



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WATER QUALITY DATA REPORTED

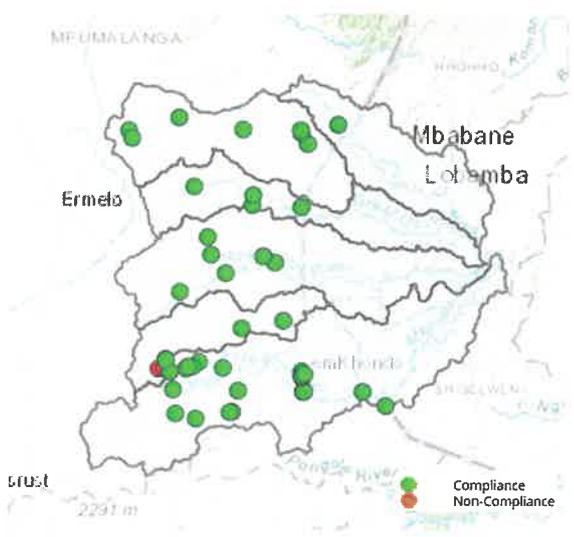
- The data reported for Usuthu Catchment ranges between April 2022– March 2023 within the WMA.
- The compliance of indicator variables tabulated were compared with TWQG.
- The selected indicator variables are as tabulated below:

Classified Water quality variables	Indicator Variables	Statistical analysis of data
System variable	pH	Average
Salts	Electrical Conductivity	Average
Nutrients	Phosphate	Median
Microbial	E coli	Average
Eutrophication	Chlorophyll-a and Total Phosphorus	Median




11

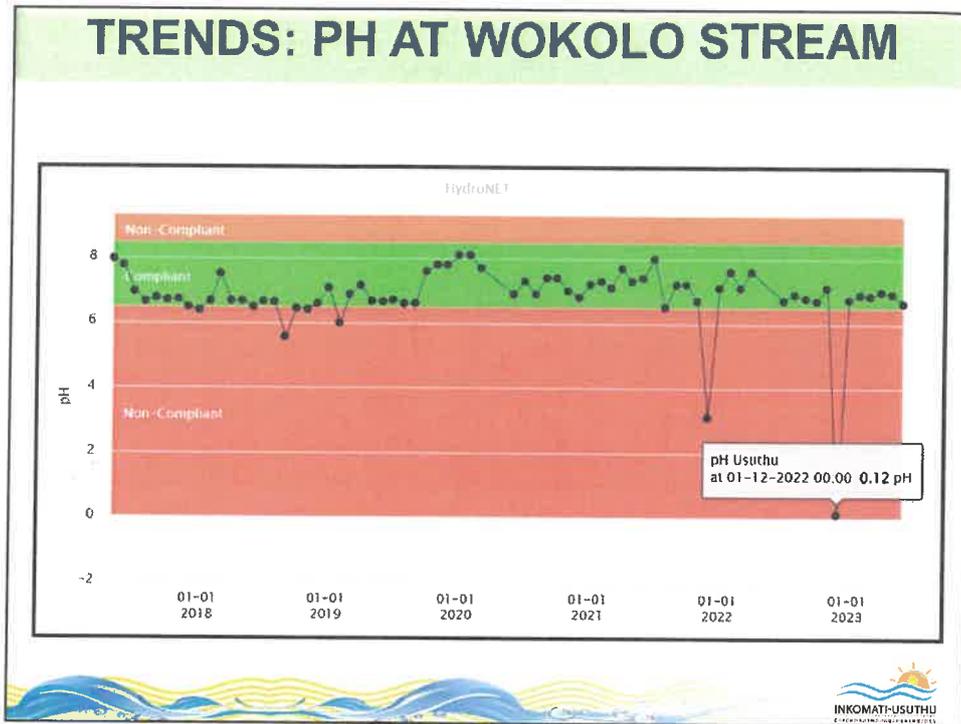
WATER QUALITY STATUS: PH



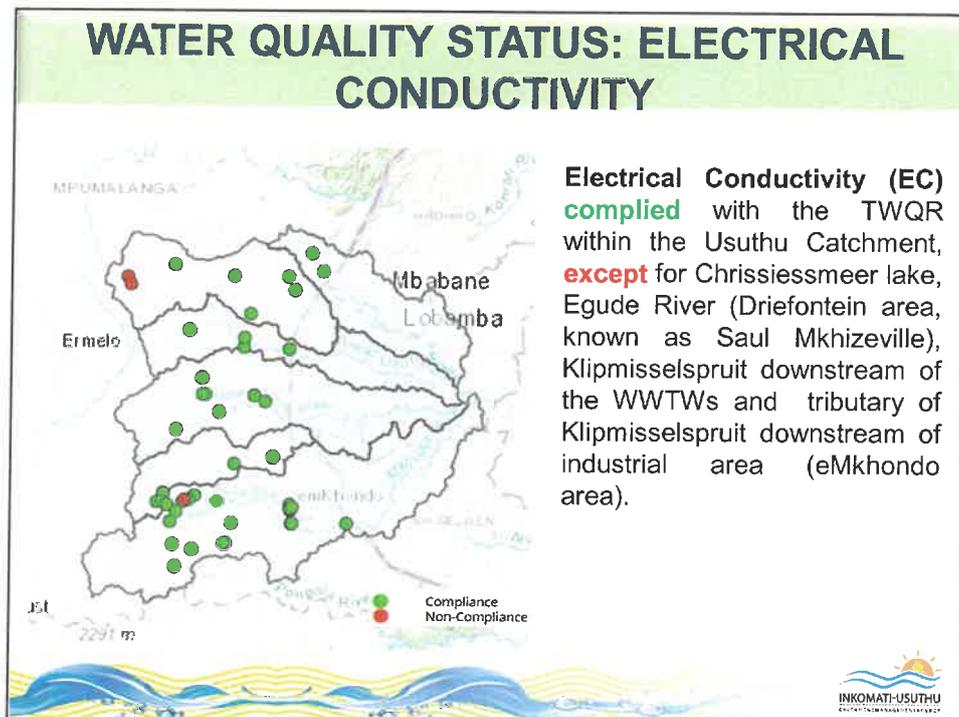
pH complied with the TWQR throughout the reporting time within the Usuthu Catchment, **except** for Ntanta and Wokolo Streams at Nooitgesein due to coal mining activities within the which where acid in in December 2022.



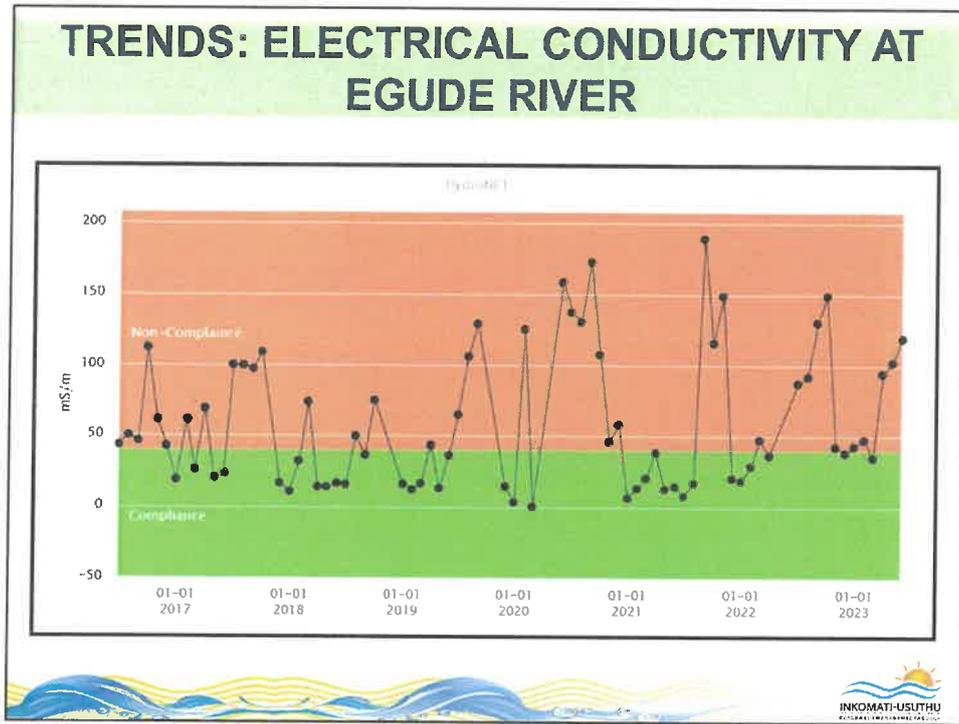

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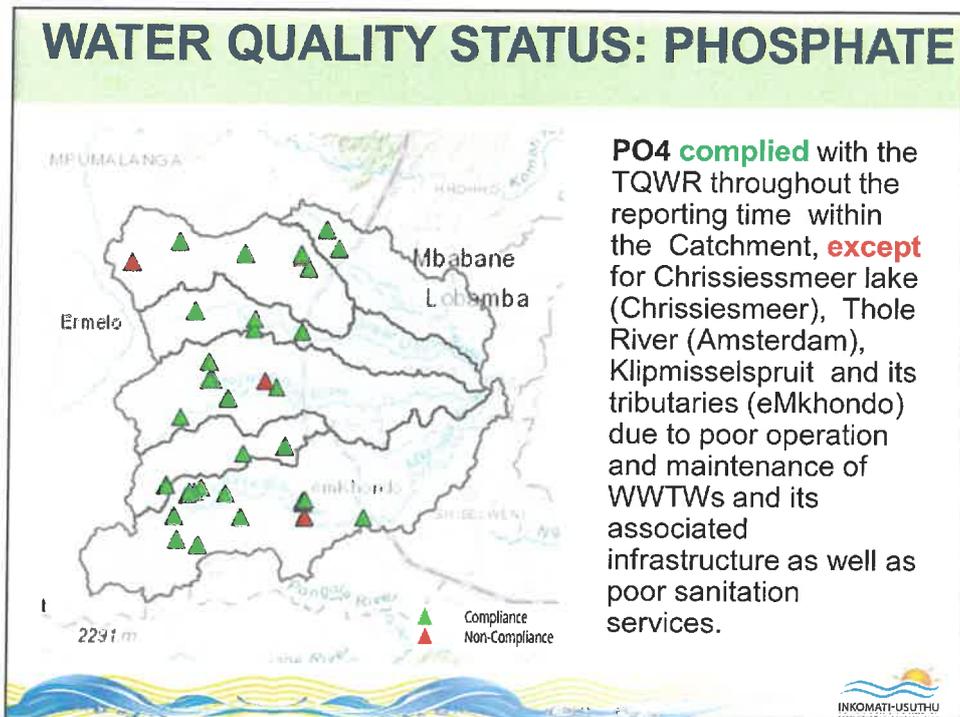
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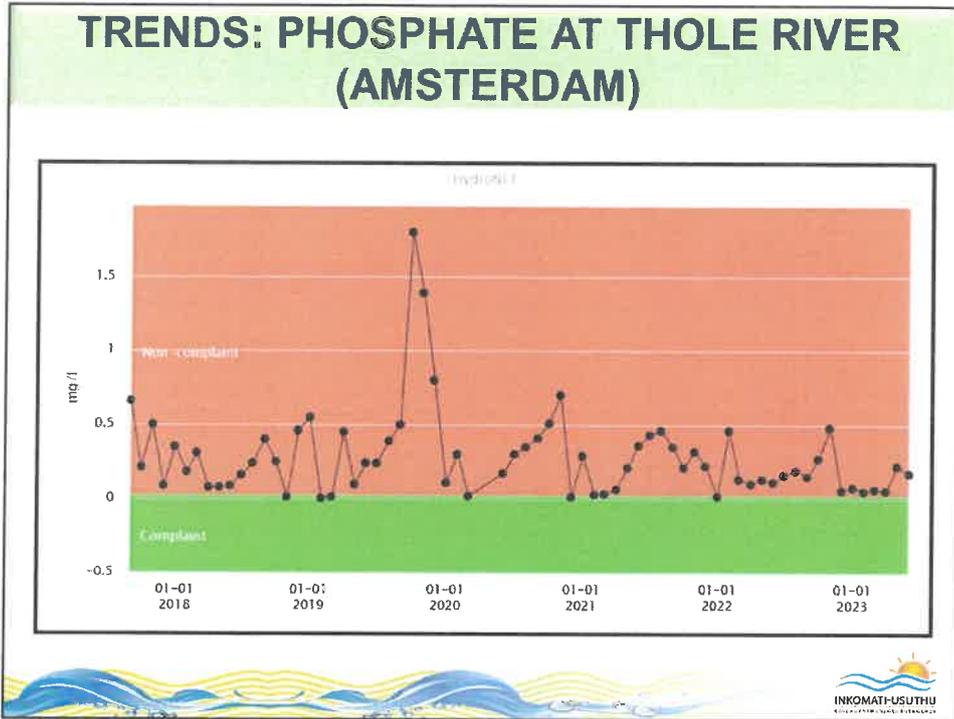
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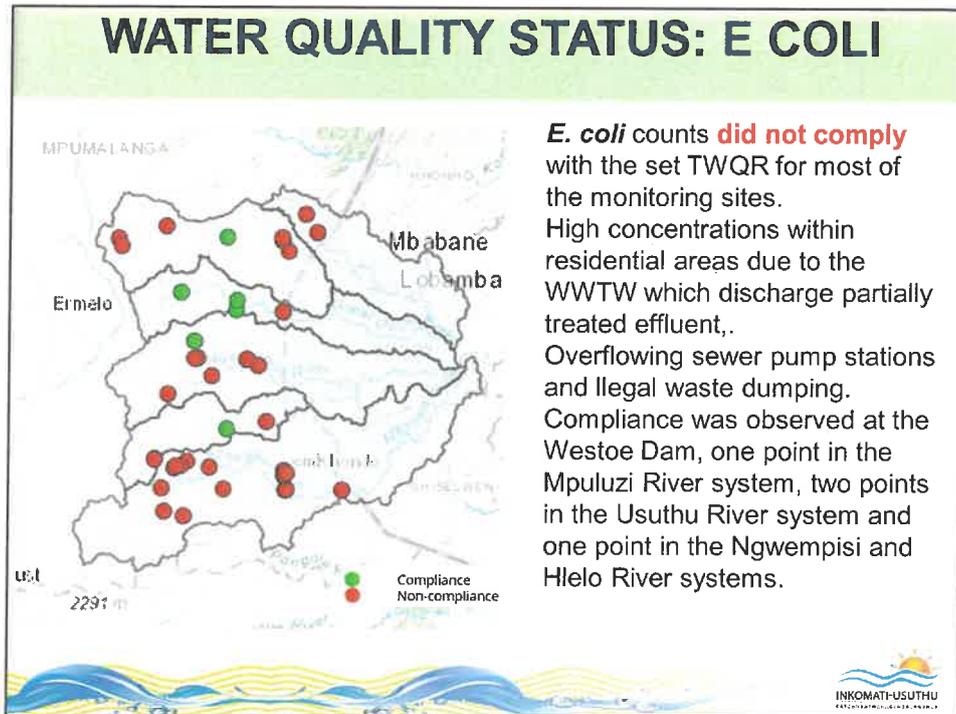
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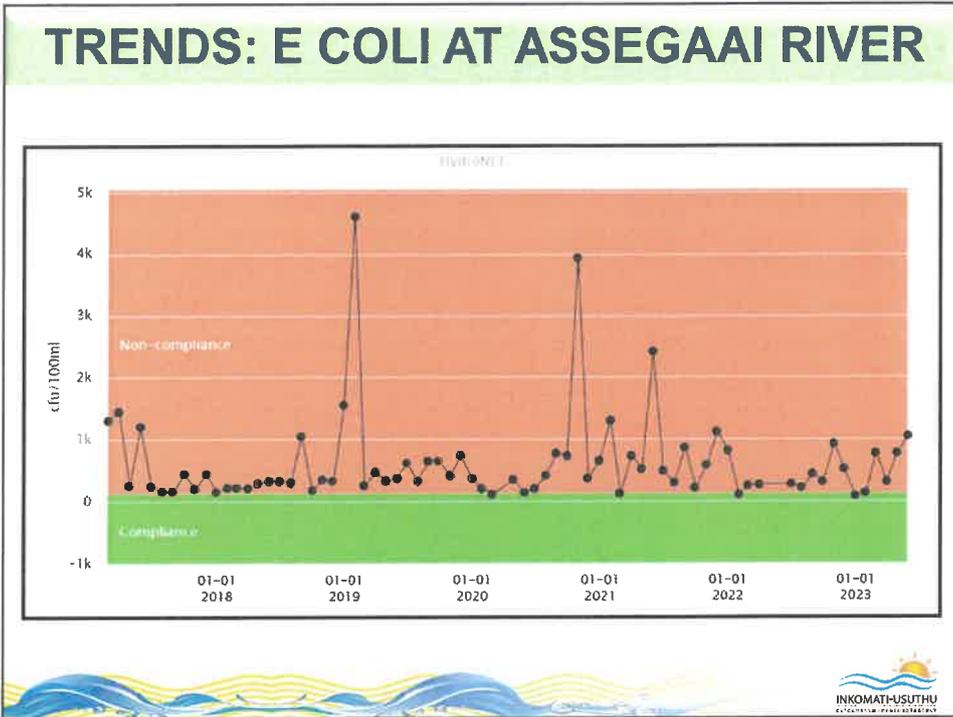
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17



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19

RESOURCE QUALITY STATUS

EUTROPHICATION STATUS OF THE MAJOR DAMS WITHIN THE WMA

Eutrophication

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EKOLOGICAL INTEGRITY

20

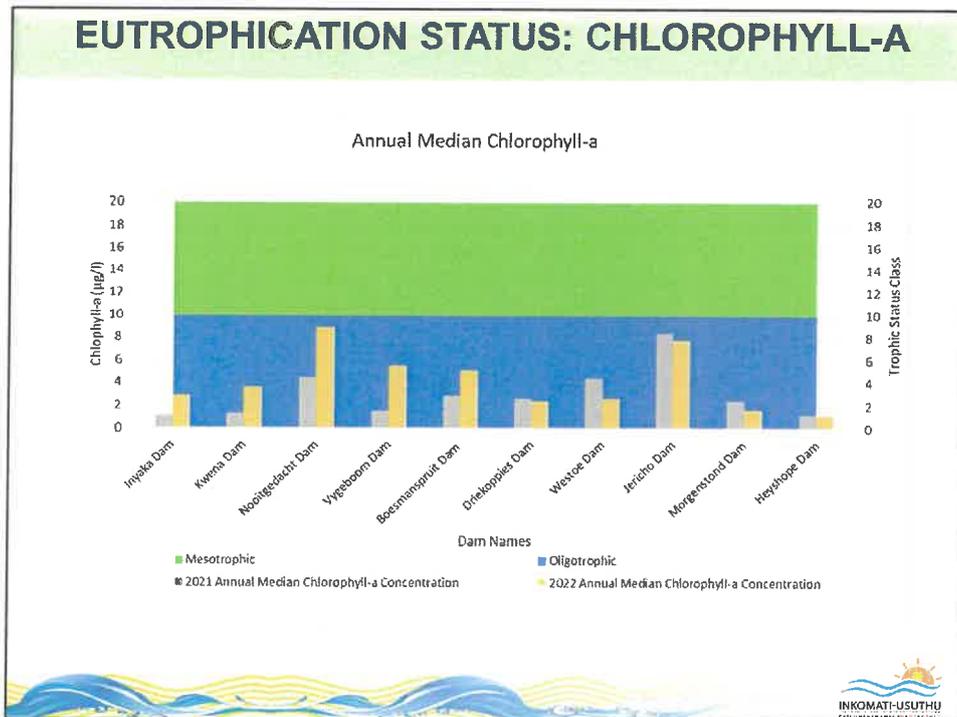
TROPIC STATUS

- **Trophic Status** is the degree of nutrient enrichment and of the associated eutrophication problems of an aquatic ecosystem.
- Trophic status classes used for assessment of dams in South Africa.

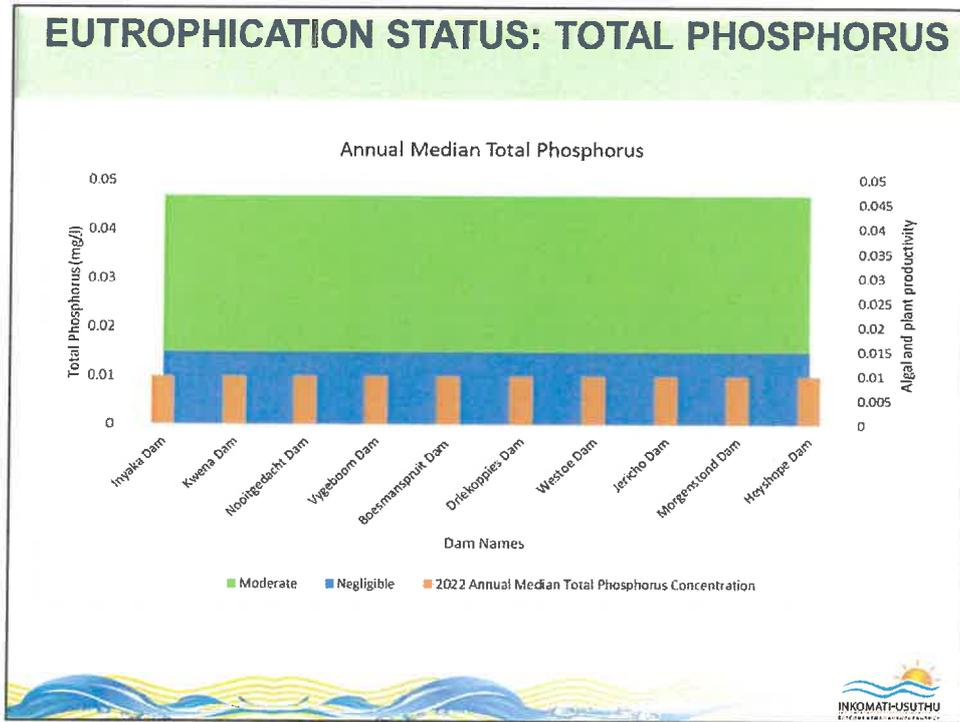
1. Oligotrophic	low in nutrients and not productive in terms of aquatic and animal plant life;
2. Mesotrophic	intermediate levels of nutrients, fairly productive in terms of aquatic animal and plant life and showing emerging signs of water quality problems;
3. Eutrophic	rich in nutrients, very productive in terms of aquatic animal and plant life and showing increasing signs of water quality problems; and
4. Hypertrophic	Very high nutrient concentrations where plant growth is determined by physical factors. Water quality problems are serious and can be continuous.




21



22



23

KEY ISSUES RAISED BY STAKEHOLDERS: 2022/23 CMF

No.	Issue raised	Sub-catchment	Proposed Action	Progress and recommendations
1.	A stakeholder from Driefontein, a beneficiary of the Land Restitution programme requested assistance with the processes of getting a water use license	Usuthu	The Piet Retief IUCMA office was mandated to assist the stakeholder in applying for a water use authorization.	The stakeholder was assisted to obtain a General Authorization (GA)
2.	The prevalence of mining applications in Mkhondo was raised as a serious challenge for the agriculture sector. The challenge about illegal mining activities in the rehabilitated Kangra property, a communal property association (CPA) land in Ngema area. This issue was reported to DMRE, but nothing has happened so far	Usuthu	The Chairperson of the forum, Mr Peter Venter will send the list of mines to the IUCMA for further investigation..	The list was assessed by the Water Use Authorisation division, and it was discovered that only two mines were falling under the Inkomati-Usuthu water management area, and they are all authorised
3.	The Swallownest community in Ward 6 in Mkhondo Local Municipality requested the IUCMA to conduct an education and awareness campaign on Water Resources Protection with focus on wetlands	Usuthu	The Institutions and Participation from IUCMA to plan a campaign around the area	The awareness campaign was conducted

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24

KEY ISSUES RAISED BY STAKEHOLDERS: 2022/23 CMF				
No.	Issue raised	Sub-catchmen	Proposed Action	Progress and recommendations
4.	Mining applications at Mkhondo was raised as a serious challenge for the agriculture sector. Mining activities taking place at Kangra land where they have rehabilitated was reported to DMRE, but nothing is happening (Ngema Area up to Dirkiesdorp) where mining is taking place on the CPA land.	Usuthu	The former chairperson submitted a list of mines to for the IUCMA to investigate the WUL status and was referred to the relevant division. The findings were that most of the mines on the list falls under Pongola catchment. Except two with the following WUL status: <ol style="list-style-type: none"> 1. Variswane Investment (Pty) Ltd- licence issued on 2022/09/30 and the application date 07/06/2022 WU24717. 2. Notre Coal application -- prospecting application: Pre-application WU27528. 	WUA Manager provided feedback
5.				

25

CONCLUSIONS AND RECOMMENDATIONS

- **Water Quantity**
- The Usutu catchment has limited surface water surplus, but this is a low assurance surplus relating to the large number of underutilized farm dams in the catchment.
- The implementation of the EWR will result in a deficit in the Ngwempisi catchment and in the future, it may be necessary for the Morgenstond and Jericho dams to contribute to the EWR of this catchment.
- More measures can be used to enhance the yield in the catchment:
 - I. Construct off-channel dams and fill these dams when there is surplus water available (wet season).
 - II. Construct in-channel dams, but the release of water is required to ensure that downstream users are not negatively impacted.
 - III. Groundwater use in catchments where this does not impact the baseflow.

26

CONCLUSIONS AND RECOMMENDATIONS

Water Quality

- The identified issue of concern concerns Chrissiessmeer lake, Egude River (Driefontein area, known as Saul Mkhizeville) and Klipmisselspruit and its tributaries (eMkhondo area) where salts and nutrients, mostly downstream of WWTWs pose a challenge (EC & PO4).
- Eutrophication status for all the dams within the WMA is good.
- Municipalities, mines to implement long term solution to resolve noncompliant poorly operated and maintained WWTW's and its associated infrastructure i.e., sewer pump stations, manhole.
- It is recommended that the land use activities impacting on water resources quality be efficiently controlled by all relevant stakeholders / users through Source Directed Controls (SDC) as per the provision.

27

THANK YOU

28



INKOMATI-USUTHU
CATCHMENT MANAGEMENT AGENCY



**CATCHMENT TARIFFS CONSULTATION FOR 2024/25
FINANCIAL YEAR**

Presented by: Ms. Sandra Mabunda - CFO

1

LEGISLATIVE MANDATE

The purpose of the meeting is to consult with stakeholders on the proposed water resource management charges for the 2024/25 financial year as per the following legislation:

- ✓ Section 57 of the National Water Act 36 of 1998
- ✓ Pricing Strategy of April 2007*
- ✓ Public Finance Management Act (PFMA) 1 of 1999
- ✓ National Treasury Regulations 2005

* Strategy undergoing review



2

OUTCOME OF TARIFF CONSULTATION

✓ **Tariff determination cycle:**

- i. The tariff consultations within the Catchment Management Area (CMA) of the IUCMA serve as the first process in tariff determination.
- ii. Following catchment-based sessions, the IUCMA will participate in sectoral tariff consultations where tariffs will be further deliberated.
- iii. All recommendations from (i) and (ii) will be formally submitted to the Minister of Water and Sanitation as the final determiner of applied tariffs for 2024/25.

✓ **Tariffs, as presented today, are influenced by the following factors:**

- i. Water Pricing Strategy;
- ii. Proposed budget for 2024/25; and
- iii. Currently registered water volumes.

3

WATER PRICING STRATEGY

1. FORESTRY (*capped by pricing strategy*)

The application of the strategy requires the Agency to apply the following computations:

- ✓ Capped at R10 per hectare. The Agency has not yet reached this tariff therefore any increment is applicable. The Agency has reviewed 4-year trend and found that a 7% increment is within acceptable limits given the projected registered volumes.

2. IRRIGATION (*capped by pricing strategy*)

The application of the strategy requires the Agency to apply the following computations:

- ✓ Capped at 1,5c per cubic meter. The Agency has reached the cap therefore the applicable increment rate should be PPI of 8.6%.

3. DOMESTIC (*not capped by pricing strategy*)

The Agency has reviewed 4-year trend and found that the application 13.6% is within acceptable limits given the projected registered volumes.

4

PROJECTED BUDGETED EXPENDITURE BY NATURE FOR 2024/25

- ✓ The budget has been formulated to respond to strategic outcomes identified by costing-associated cost drivers.
- ✓ The projected budget for 2024/25 is presented at an amount 0.1% less than the budget approved and applied for 2023/24.
- ✓ Major movements are reported under projects and goods & services at 11% and 12% lower than last year respectively.
- ✓ The proposed budget of the IUCMA is made up of the following expenses by nature of expenditure:
 - i. 66% (R121,7mil) allocated to salaries and wages for key positions that are deemed critical for the delivery of the overarching mandate;
 - ii. 31% (R58,2mil) allocated to goods and services
 - iii. Less than 1% (R714k) allocated to repairs and maintenance as well as capital outlay
 - iv. 1,5% (R2,8mil) allocated to board-related costs

DESCRIPTION	APPLIED BUDGET 2023/24	PROPOSED BUDGET	
		BUDGET 2024/25	% Movement
Salaries and Wages	114,864,901	121,757,783	6%
Goods and Services	65,339,930	58,257,181	-12%
Repairs and Maintenance	667,445	714,166	7%
Capital Outlay	2,000,000	1,805,000	-11%
Board Related Costs	2,675,000	2,862,250	7%
GRAND TOTAL	185,547,276	185,396,380	-0.1%



5

BUDGETED EXPENDITURE BY PROGRAM

The budget when viewed per program shows the following trends:

- ✓ 51% (R94,7mil) was allocated to the delivery of water resource charges.
- ✓ 27% (R50mil) allocated to human resources and business support
- ✓ 13% (R23,8mil) allocated to finance
- ✓ 9% (R16,9mil) allocated to administration and governance

The above allocation is indicative that the Agency continuously prioritises all activities supporting the preservation of the water resource.

FUNCTION	AUDITED OUTCOME 2021/22	AUDITED OUTCOME 2022/23	AUDITED ADJUSTED OUTCOME 2022/23	APPLIED BUDGET 2023/24	PROPOSED BUDGET 2024/25	% ALLOCATION	PROPOSED BUDGET 2025/26	PROPOSED BUDGET 2026/27
Administration & Governance	R12,006	R8,998	R12,120	R15,240	R16,855	9%	R17,723	R18,638
Board	**	**	**	**	**	**	**	**
Office of the Chief Executive Officer	****	****	****	****	****	****	****	****
Water Resource Management	*****	*****	*****	*****	*****	*****	*****	*****
Protection and Use of Water Resources	R73,303	R69,013	R73,878	R98,556	R94,681	51%	R102,691	R103,784
Governance & Support	***	***	***	***	***	***	***	***
Human Resource an Business Support	R35,467	R46,492	R44,558	R48,463	R50,060	27%	R57,227	R62,835
Finance	R18,933	R23,376	R17,323	R23,288	R23,800	13%	R24,000	R24,724
Total	R139,709	R147,879	R147,879	R185,547	R185,396	100%	R201,641	R209,981



6

REGISTERED VOLUMES

- ✓ The Agency is continuously reviewing the correctness of its registered volumes and as such the volumes are prone to adjustments.
- ✓ Additional notable changes to volumes include the voluntary surrender of water rights as well as the conversion of land use that impacts volumes per sector.
- ✓ The Agency's largest allocation remains under Irrigation (40%).
- ✓ This sector whilst consuming the most volumes has the lowest assurance. The low assurance inadvertently reduces results in the 2nd lowest tariff being applied.

Sectors	Registered Volumes 2022-23	Registered Volumes 2023-24	Movement between years	2024-26 Projected Allocation In %
Domestic & Industry	448,718,101	427,187,328	-21,530,773	16%
Irrigation	1,089,877,740	1,048,588,033	-23,291,708	40%
Forestry	428,320,284	424,141,080	-4,179,204	10%
**Waste Discharge Charge	0	712,231,191	712,231,191	27%
TOTAL	1,948,916,125	2,610,145,632	663,229,506	100%

** New charge that is being introduced in 2024/25



7

PROPOSED TARIFFS FOR 2024/25

- ✓ The Agency has proposed tariff increments that are aligned with the Pricing Strategy.
- ✓ Proposed increments range from 7% to 13,6% across the 3 sectors
- ✓ The Agency will see the introduction of a new charge in 2024/25 - WWDC
- ✓ Proposed tariffs are deemed to support economic activities in the catchment whilst supporting the Agency to attract sufficient funding to protect the resource.

Sectors	Domestic & Industrial c/m3	Irrigation c/m3	Forestry c/m3	Waste Discharge Charge c/m3
Proposed 2024/25 Tariffs	5,39c	2,57c	1,86c	5,07c
% Increments	13,6%	8,6%	7%	N/A
Capping Policy Applications as per Pricing Strategy	D&i - no capping applicable	Irrigation – Base year x PPI of 13.1% as per Water Pricing Strategy	SFRA – R10 per hectare [10,000c/m3] + Base year x PPI of 13.1% as per Water Pricing Strategy	No capping applicable

Sectors	Registered Volumes 2024-26	Percentage Increase	Proposed Tariffs	Projected Revenue
Abstraction and Streamflow reduction				
Domestic & Industry	434,551,561	13.6%	0.053	R23,031,233
Irrigation	1,016,907,245	8.6%	0.026	R26,134,516
Forestry	424,141,080	7%	0.026	R8,270,751
Waste Water Discharge Charge	712,231,19	n/a	0.051	R36,110,121
TOTAL				R93,546,621

8

PROPOSED FUNDING MODEL

The budget as presented will be funded using the following major income streams if the proposed tariffs are approved:

- ✓ 48% (R88,3mil) will be requested from the Department of Water and Sanitation as a grant appropriated by parliament. Reliance on grant has reduced by 45% due to the introduction of WWDC;
- ✓ 31% (R57 mil) expected billables from current and new water users (*collection rate targeted for 70% for the year*).
- ✓ 19% (R36,1mil) will be for the newly introduced charge - Water Discharge Charge and
- ✓ 2% (R3,5mil) expected to be received as interest earned on receipts

Sources of Funding	Applied and approved budget 2023/24	Proposed Budget 2024/25	% Movement
Grant	R128,234,765	R88,188,662	-45%
Water resource charges - abstraction and streamflow reduction	R54,042,511	R57,827,598	7%
Water resource charges - WWDC	R0	R36,110,121	100%
Interest received	R3,270,000	R3,270,000	0%
TOTAL	R185,547,276	R185,396,379	-0.1%

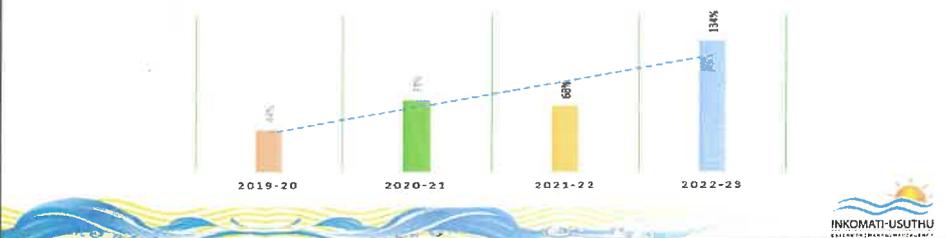


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DEBTORS PERFORMANCE FOR 2022/23

- ✓ Collection rates have improved over the years as noted by the four year analysis
- ✓ Collections have increased from 44% to 134% over the last four years due to increased strategic engagements as well as the implementation of a responsive debt management strategy.
- ✓ However; the sector remains definitive of slow paying customers as good performance is due to responsiveness of less than 15% of customers in the sector.

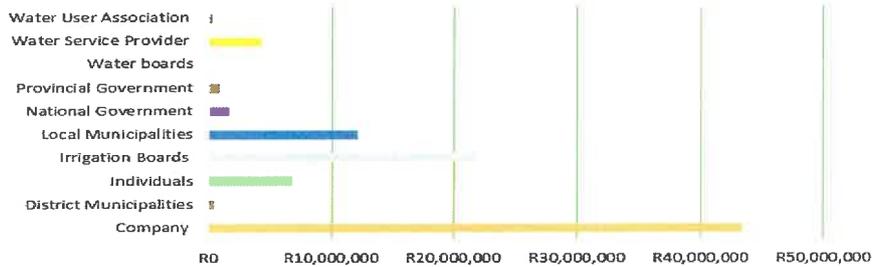
Period	Projected Billing	Actual Billing	Actual Payments	Collection Rate
2019-20	R51,967,518	R47,601,490	R20,845,686	44%
2020-21	R42,139,563	R44,897,733	R32,880,946	73%
2021-22	R55,485,141	R34,894,114	R23,614,065	68%
2022-23	R54,425,408	R40,350,343	R54,214,046	134%



10

DEBTORS PERFORMANCE FOR 2023/24

- ✓ Total debt owed year to date amounts to R91mil.
- ✓ The highest debt is owed by companies and Irrigation Boards at 46% and 25% respectively.
- ✓ Of the reported debt outstanding, 82% of the debt is older than 180 days and 18% ranges between 120 days to the current.



11

FUTURE PLANS ON IMPROVING THE FINANCIAL POSITION OF THE AGENCY

The Agency continuously assesses opportunities to improve its economic viability by the development and identification of innovative solutions.

i. Implementation of a responsive and measurable debt management strategy that ensures:

- ✓ Customer data integrity
- ✓ Legal action against non-paying customers
- ✓ Increased engagement at strategic levels

ii. Implementation of cost containment strategy

- ✓ The Agency has already seen R17million savings under goods and services in financial year 2022/23

iii. Identification of alternative funding streams to augment the currently strained revenue streams

- ✓ Management has identified areas worth exploration. Management is now actively working on a concept document that hopes to see a change of how CMA's are funded and managed.

12

THANK YOU



INKOMATI-USUTHU WATER MANAGEMENT AREA (WMA) TARIFF CONSULTATION - USUTHU

2024-25 Proposed Raw Water Charges For Government Water Schemes (GWS)

Presented by: Mukhethwa Lidzhade
 Directorate: Infrastructure Management Branch: Central Operations
 Date: 25 July 2023

WATER IS LIFE - SANITATION IS DIGNITY



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



1

CONTENTS

1. Purpose
2. Background of the Cluster
3. Functions of the Cluster
4. Service Areas for the Cluster
5. Cluster's Operational Capacity
6. Serviced Areas under the Orange-Vaal Area Office
7. Other major customers for the Usutu River Area Office
8. Report on projects completed in the 2022/23 FY.
9. Feedback from the 2023/24 Tariff Process
10. Legislative Framework for tariff determination process
11. Parameters and principles used in the 2024/25 tariff determination process
12. Summary of increases in the 2024/25 tariff proposals
13. 2024/25 proposed GWS Irrigation and Domestic and Industrial tariffs
14. Revenue Management - Debt Management Report
15. 2022/23 Debt Management Report
16. Recommendation
17. Way Forward

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2

2

PURPOSE

- ❑ To consult water users on the proposed raw water use charges for Government Water Schemes (GWS) for 2024/25 financial year.
- ❑ To consider the comments/inputs of raw water users before tariff proposals are tabled at the sector specific and national consultations and the Ministerial approval.

3

BACKGROUND OF THE CLUSTER

- ❑ The strategic purpose of the Central Operations unit of the Infrastructure Management(IM) branch is to operate and maintain bulk Government Water Schemes (GWS) in a sustainable manner to ensure an effective and efficient supply of Bulk Raw Water for economic growth, social development and poverty eradication.

4

FUNCTIONS OF THE CLUSTER

❑ Legislative Mandate:-

- National Water Act, Pricing Strategy, Public Finance Management Act (PFMA) and Government Immovable Asset Management Act (GIAMA).

Two major functions arise:

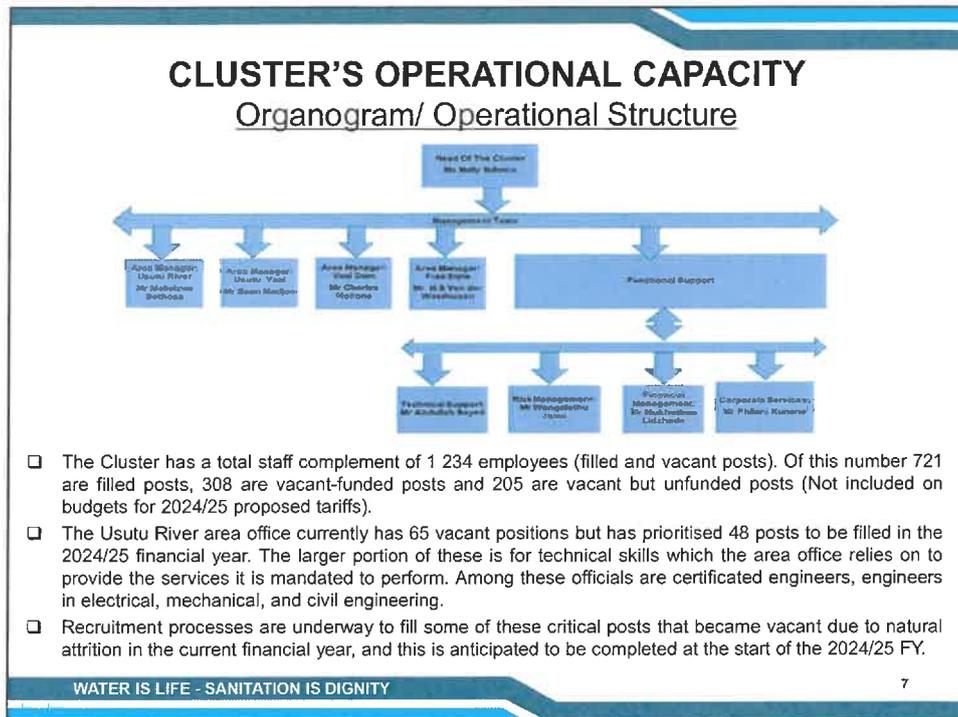
1. Operations - includes all activities associated with the sustainable supply of bulk raw water to customers within government water schemes, utilising:
 - Civil Engineering infrastructure: Dams, Canals, Tunnels, Concrete pipelines, Measuring facilities.
 - Mechanical Engineering Infrastructure: Pump Stations, Discharge equipment, Steel pipelines.
 - Electrical Engineering Infrastructure: Motors, Electrical connections, Switchgears.
2. Maintenance - includes all activities to ensure the adherence to routine, planned and unplanned maintenance as per the maintenance plan which is informed by the Asset Management Plan (AMP).

5

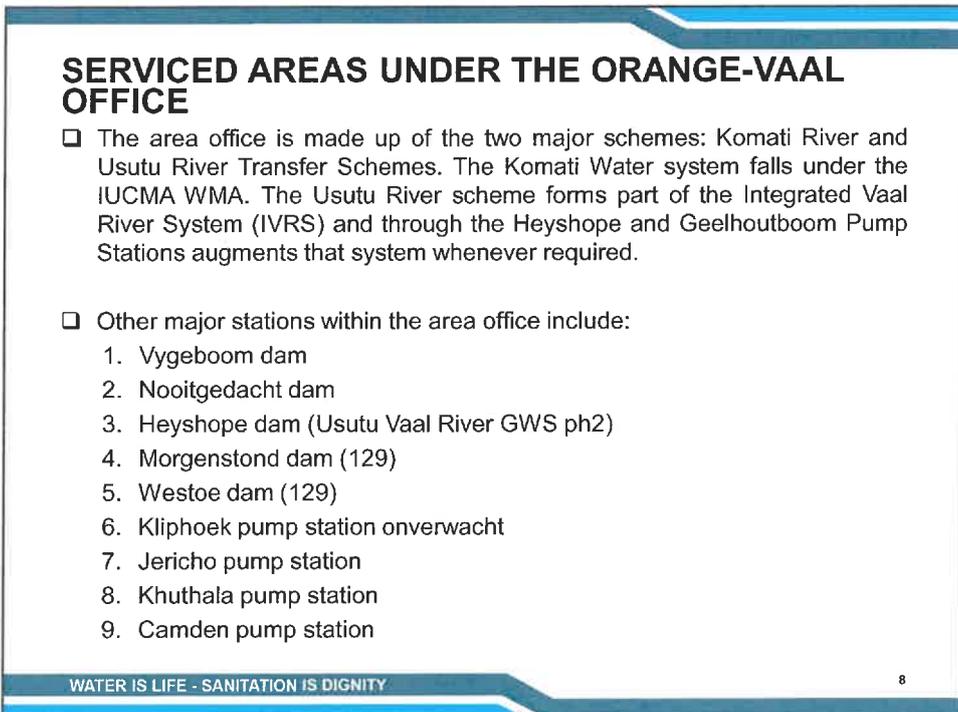
SERVICE AREAS FOR THE CLUSTER

- ❑ Central Operations ensures that the existing Government Water Schemes (GWS) in Mpumalanga (South), North-West (South), Gauteng, Free State and the Northern Cape provinces are operated and maintained to provide effective and efficient supply of Bulk Raw Water for Economic growth, social development and poverty eradication.
- ❑ Strategic support is provided from the Cluster for the EC through release of water through the Teebus tunnels.
- ❑ Operations occur from Area Offices in:
 1. Jericho (Mpumalanga; for the Usutu River GWS);
 2. Standerton (Usutu-Vaal GWS);
 3. Vaal Dam (Mooi River GWS); and
 4. Bloemfontein (Vaal- Orange for Free State & NC).
- ❑ These offices play a major role in the sustenance of the government water schemes within the Vaal and the Orange WMAs.

6



7



8

MAJOR CUSTOMERS OF THE USUTU RIVER AREA OFFICE

- ❑ The area office has a strategic partnership with Eskom – Generation division, and thus it plays a critical role in ensuring electricity supply to the national grid through uninterrupted water supply to Eskom stations.
- ❑ Eskom also plays a critical role in the operation and maintenance of the Komati system (KWS) and the Usutu River schemes. Through a collaborative effort, the DWS and Eskom ensure the scheme retains a high assurance off supply of water.
- ❑ Whenever breakdowns occur, these are rectified with the involvement of Eskom to mitigate against any operational risks that may arise and thus affect Eskom and its objectives.
- ❑ This creates a benefit for all other users serviced by the area office since outages are minimised to ensure continued water supply within the area.
- ❑ Other major customers include:

Customers within the operational area of Usutu River

Sappi	Mkhondo Local Municipality
Msukaligwa Local Municipality	Kangra mine
Mondi	Jindal Mining SA (Pty) Ltd

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9

9

REPORT ON OPEX AND CAPEX PROJECTS COMPLETED IN THE 2022/23 FINANCIAL YEAR

- ❑ A total of 60 projects were completed by the area office in 2022/23 FY.
- ❑ The breakdown of these projects is as follows:
 - 1) 4 CAPEX projects; and
 - 2) 56 OPEX projects.
- ❑ On the operational projects, significant work was done on civil maintenance and thus this engineering discipline contributed a larger percentage to the projection completion rate in the area office.
- ❑ The CAPEX projects completed during the 2022/23 financial year were mostly on refurbishment and upgrade of infrastructure. This is vital for the area office as it has aging infrastructure which requires significant maintenance.
- ❑ The current rate of maintenance is admittedly low and needs to be expedited to reduce the existing maintenance backlog.
- ❑ After the appointment of a maintenance contractor, there were delays on various matters which affected work/projects completed by the contractor as envisaged and that negatively impacted the progress on projects planned for 2022/23.
- ❑ DWS envisages improvements in projects approved and planned in 2023/24 and the 2024/25 periods, respectively. Progress will be shared in future consultations.

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10

10

REPORT ON OPEX AND CAPEX PROJECTS COMPLETED IN THE 2022/23 FINANCIAL YEAR

Opex Projects Completed in 2022/23

	Q1	Q2	Q3	Q4	Total
Planned Target	1	7	24	34	66
Completed projects	0	0	7	19	26
% Completion	0%	0%	29%	56%	39%
Unplanned Completed projects				30	30
Total Completed Opex Projects	0	0	7	49	56

- ❑ The area office had planned to execute 66 operational projects during the 2022/23 financial year. Of this, only 26 were completed indicating a 39% completion rate.
- ❑ These projects were spread amongst the various engineering disciplines with the civil work contributing a larger portion to the work carried out.
- ❑ Challenges experienced with the appointed maintenance contractor hindered progress on achievement of targets.
- ❑ A large number unplanned projects also arose during the year which required the DWS to reprioritize funds to carry-out the associated works. In 2022/23, 30 projects were undertaken and completed by the area office.

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11

11

REPORT ON OPEX AND CAPEX PROJECTS COMPLETED IN THE 2022/23 FINANCIAL YEAR

Capex Projects Completed in 2022/23

	Q1	Q2	Q3	Q4	Total
Planned Target	0	0	5	5	10
Completed projects	0	0	0	4	4
% Completion	0%	0%	0%	80%	40%

- ❑ The area office had planned to execute 10 CAPEX projects during the 2022/23 financial year.
- ❑ Only 4 of these projects were completed in 2022/23 signifying a 40% completion rate.
- ❑ A combination of challenges experienced with the appointed maintenance contractor and the need to reprioritise funds for emergencies that arose during the year hindered progress on achievement of planned targets.
- ❑ The DWS will have to invest more on these critical projects in the foreseeable future to secure the assurance of supply required in the GWS falling under the area office.

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12

12

FEEDBACK ON THE 2023/24 TARIFF PROCESS

- ❑ After consultation at various levels as prescribed, the Minister approved the WRI charges in terms of section 56 of the National Water Act, 1998.
- ❑ This approval included a capping of the tariff increases as follows:
 - 13.1% for Domestic & Industrial (D&I); and
 - 13.1% for Irrigation.
- ❑ The capping by the minister was aligned to the PPI of 13.1% as published by Stats SA in April 2022, therefore all tariff proposals for 2023/24 that exceeded this PPI were reduced to an increase of 13.1%.
- ❑ The capping restricted the area office's operational plans due to the restricted forecasted revenue affecting allocated budgets for operations.
- ❑ Raw Water Users are urged to consider this when reviewing government water schemes proposals for 2024/25.

13

LEGISLATIVE FRAMEWORK FOR 2024/25 TARIFF DETERMINATION PROCESS

Legislative Mandate:-

- Sections 56 – 60 of the National Water Act (NWA), 1998 read together with the Pricing Strategy.

Water Resources Infrastructure Charges:-

- Section 56 (2)(b) of the National Water Act.
- This section applies to Government Infrastructure Waterworks and defines the costs related the development and the use thereof.

Two Charges Applicable To Government Infrastructure Waterworks:

- i. Capital Cost, comprising:
 - Depreciation charge utilised for the purposes of funding the refurbishment cost required to restore the infrastructure and its related assets and thus improve its expected useful life.
 - Return on assets (RoA) charge utilised for the purposes of funding development and betterment waterworks.
- ii. Operations and maintenance (O&M) charge intended to fund the operations and maintenance costs of Government Infrastructure Waterworks (including systems).

14

PARAMETERS AND PRINCIPLES USED IN THE 2024/25 TARIFF DETERMINATION PROCESS

- The DWS undertook a zero-based budget process which entailed the following budget Parameters:
 - i. A projection of an increase of around 18.65% (23/24) in the Eskom tariffs (the annual NERSA energy tariff increases for 2024/25 are not yet clear at this stage).
 - ii. The inclusion of a consumer price index (CPI) of 6.8% for some cost drivers (published by StatsSA in April 2023).
- Pricing Strategy Principles
 - i. Producer Price Index of 8.6% as published by StatsSA in April 2023 is applied on capital charges (RoA and Depreciation).

15

SUMMARY OF INCREASES IN THE 2024/25 TARIFF PROPOSALS

- The pricing strategy permits increases in raw water use charges for Government Water Schemes (GWS) as follows:
 - i. Domestic & Industrial:
 - Annual increase is limited to PPI (April 8.6%) plus 10% up until the target for development charge (full cost recovery) is achieved on state GWS.
 - Tariffs increase range from: **0% to 18,6%**
 - ii. Irrigation charges:-
 - Operation and maintenance cost increases limited to 50% p.a. (capping)
 - Tariffs increase range from: **0% to 8.4%**

16

2024/25 PROPOSED GWS DOMESTIC AND INDUSTRIAL TARIFFS

Scheme ID	Scheme Description	SMP ID	SMP Description	Sector	APPROVED	PROPOSED	% INCREASE	ROA	DEF	O&M	TOTAL
					2023/24 Charges (c/m ³)	2024/25 Charges (c/m ³)					
51	KOMATI RIVER (VGEBOOM AND NOOITGEDACHT DAMS)	162	UPPER KOMATI (J.E.ESKOM)	D&I	89.78	106.48	18.60%	55.06	51.41	0.00	106.48
51	KOMATI RIVER (VGEBOOM AND NOOITGEDACHT DAMS)	656	DUMHATO HENDRINA PIPELINE	D&I	838.72	994.72	18.60%			994.72	994.72
51	KOMATI RIVER (VGEBOOM AND NOOITGEDACHT DAMS)	775	FROM VGEBOOM AND NOOITGEDACHT DAMS	D&I	205.84	223.11	8.39%	146.58	51.41	25.12	223.11
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	224	FROM THE DAMS (JERICHO, MORGENSTOND AND WEST OE DAMS)	D&I	1015.93	1155.40	13.73%	260.51	93.97	800.93	1155.40
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	225	FROM THE JERICHO/CAMDEN PIPELINE	D&I	1015.93	1155.40	13.73%	260.51	93.97	800.93	1155.40

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17

2024/25 PROPOSED GWS DOMESTIC AND INDUSTRIAL TARIFFS

Scheme ID	Scheme Description	SMP ID	SMP Description	Sector	APPROVED	PROPOSED	% INCREASE	ROA	DEF	O&M	TOTAL
					2023/24 Charges (c/m ³)	2024/25 Charges (c/m ³)					
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	447	CAMDEN/KRIEL PIPELINE	D&I	1167.57	1331.42	14.02%	237.77	119.34	974.31	1331.42
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	448	KRIEL (ESKOM)	D&I	293.03	347.53	18.60%	226.19	119.34	0.00	347.53
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	449	KHUTALAKENDAL PIPELINE	D&I	2798.91	3131.72	11.89%	711.01	406.81	2013.90	3131.72
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	450	KENDAL (ESKOM)	D&I	974.63	1117.62	14.69%	0.00	406.81	711.01	1117.62
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	451	CAMDEN LILLIEPUT	D&I	1133.02	1292.14	14.04%	166.54	93.97	1031.64	1292.14
129	USUTU RIVER GWS (JERICHO, MORGENSTOND AND WEST OE DAMS)	636	CAMDEN (ESKOM)	D&I	326.40	354.47	8.60%	0.00	93.97	260.51	354.47
129	Usutu River GWS (Westoe dam basin)	777	Releases from Westoe dam - SMP 777	D&I	142.51	169.01	18.60%	75.05	93.97	0.00	169.01

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18

2024/25 PROPOSED GWS IRRIGATION TARIFFS

Scheme ID	Scheme Description	SMP ID	SMP Description	Service	APPROVED 2023/24 Charge (L/m ³)	PROPOSED 2024/25 Charge (L/m ³)	% INCREASE	RCA (L/m ³)	DEP (L/m ³)	GAM (L/m ³)	TOTAL (L/m ³)
51	KOMATI RIVER (VYGEBOOM AND NOOITGEDACHT DAMS)	11	FROM GLADESPRUIT CANAL	IRR	27.74	29.68	6.99%	0.00	3.41	26.27	29.68
51	KOMATI RIVER (VYGEBOOM AND NOOITGEDACHT DAMS)	79	DAM	IRR	3.89	4.16	6.80%	0.00		4.16	4.16

19

REVENUE MANAGEMENT – DEBT MANAGEMENT

- ❑ While these tariff proposals assume the collection of all billed accounts (by not factoring in provision for bad debt, the current state of revenue collection within the WTE continue to shows great signs of concern.
- ❑ The WTE continues to engage with customers who have large outstanding balances to enter into debt repayment agreements. The adoption of such measures take long, and results are likely to only reflect in the future.
- ❑ The rising debtors balance threatens the WTE's financial viability as the limited cash flow reduces the funding of infrastructure related programs such as the normal operations and maintenance (O&M) and capital projects.
- ❑ This in turn could lead to severe maintenance backlog and the inability of the WTE to undertake new capital projects required to augment existing schemes.
- ❑ It was reported during last year's consultation that the WTE has adopted new debt recover strategies – the following feedback can be provided on those measures:
 - i. The incentive scheme which was announced to users with outstanding debts has been extended to **31 March 2024**. This has yielded positive results as some WMAs are showing improvement (decline) in the debtors' book (EC & WC).
 - ii. The WTE has acquired services of Debt Collection Agencies (DCAs) to assist with recovery of monies due to it. Old debt to be handed over to DCAs to initiate the recovery processes.
 - iii. IGR processes ongoing in some provinces.

20

2022/23 DEBT MANAGEMENT REPORT

WTE National debtors balance (WTE) as at 31 March 2023

Region / Area	Debt as at 31 March 2023	Debt as at 31 March 2022	Year-on-year Movement	Debt per Province against Total Debt
	(R)	(R)	(%)	(%)
Eastern Cape Office	1 149 891 710	1 168 582 091	-2%	4%
Free State Office	6 571 382 409	5 654 480 996	14%	23%
Gauteng Office	8 413 826 083	6 710 539 705	20%	30%
KwaZulu Natal Office	2 655 900 115	2 439 974 242	8%	9%
Limpopo Office	3 302 379 905	3 011 086 095	9%	12%
Mpumalanga Office	1 343 014 607	1 303 206 117	3%	5%
North West Office	1 723 190 512	1 498 292 880	13%	6%
Northern Cape Office	2 407 849 819	2 191 454 904	9%	9%
Western Cape Office	513 362 288	536 447 034	-4%	2%
Total Accounts Receivables	28 080 797 452	24 514 064 066	13%	100%

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21

21

2022/23 DEBT MANAGEMENT REPORT

National debtors balance (WTE) as at 31 March 2023

The accounts receivable age analysis reflects the following:

- ❑ The period under review (2022/23) has seen the debt owing to the WTE escalating by 13% to **R28.1 billion** (previously reported at **R25.4 billion**).
- ❑ Gauteng and Free State account for over 50% of the total outstanding debt.
- ❑ Municipalities (Metros, DMs and LMs) contribute **33%** of the total WTE debt book. A cohesive government strategy involving all relevant government structures is required in terms of the IGR processes to tackle this problem in consideration of these structures' overarching constitutional duties.
- ❑ Water Boards contribute **35%** of the total WTE debt book. These are institutions listed under the PFMA schedules accounting to the DWS Executive Authority. They are also hampered by municipalities' inability to settle outstanding debt for water they supply directly to local government. Similarly, a cohesive government strategy is needed to resolve this challenge.
- ❑ Companies/Corporations contribute **18%** to the total WTE debt book. The WTE is vigorously focusing its recovery strategies on these customers since they have an obligation to pay for water supply and other related water charges.
- ❑ Water Users Associations, Individual Customers and Irrigation Boards owe the WTE R1,826 billion; R1,2 billion and R474 million, respectively. Collectively these three categories contribute **R3,5 billion** to the debtor's book.

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22

22

2022/23 DEBT MANAGEMENT REPORT

WTE Debtors balance in areas serviced by Central Operations as at 31 March 2023

Region / Area	Debt as at 31 March 2023	Debt as at 31 March 2022	Year-on-year Movement
	(R)	(R)	(%)
Free State Office	6 571 382 409	5 654 480 996	14%
Gauteng Office	8 413 826 083	6 710 539 705	20%
Mpumalanga Office	1 343 014 607	1 303 206 117	3%
North West Office	1 723 190 512	1 498 292 880	13%
Northern Cape Office	2 407 849 819	2 191 454 904	9%
Total Accounts Receivables	20 459 263 430	17 357 974 602	15%

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23

23

2022/23 DEBT MANAGEMENT REPORT

Debtors balance in areas serviced by Central Operations as at 31 March 2023

- Regarding the previous table, the IVRS stretches between GP; Mpumalanga, Upper FS and the Upper North-West. (This should be indicative of the outstanding debt within the system).
- In GP, the outstanding debt is over **R8.4 billion** (up by 20% from the R6.7 billion reported in the preceding year).
- Considering that GP is the economic hub of RSA, rising debt is likely to threaten the sustainability of the system in the foreseeable future and this can be averted by all water stakeholders through settlement of accounts by customers.
- Major debtors within the system are mainly municipalities which are not servicing their accounts and not making efforts to enter into payment agreements.
- When reading the calculations on the pumping cost reserve included in this tariff, it should be noted that the reserve does not translate to money at hand since the funds included in it are largely driven by unpaid accounts.
- Raw water users are requested to service their current accounts while engaging the office of the CFO to finalise payment arrangements.
- The risk of escalating debt threatens the financial sustainability of the WTE and its ability to fulfil its mandate.

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24

24

RECOMMENDATIONS

- It is recommended that raw water users within the Orange Vaal take note of the Government Water Schemes (GWS) tariff proposals for the 2024/25 financial year.
- It is recommended that raw water users formally send their inputs on these proposals to the DWS prior to the successive consultations i.e., sector specific and national consultations.

25

WAY FORWARD

- The Economic Regulator will consider all submitted inputs prior to making recommendations on all raw water use charges proposals for Minister's consideration.
- After Ministerial approval, the tariffs will be published in the departmental website on the following link:
<https://www.dws.gov.za/Projects/WARMS/> (Place cursor over tab for Water Charges and select applicable year)
- This publication will occur before the start of the new financial year – 1 April 2024.

26

ENQUIRIES

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WASTE DISCHARGE CHARGE SYSTEM OVERVIEW

Presented by: Dikeledi Baloyi
Directorate: Water Resource Regulation
Date: 14 July 2023

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1

PRESENTATION OUTLINE

1. Introduction
2. Methodology
3. Legislative Mandate
4. Charges
5. Calculation of charges
6. Benefits to the user

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2

2

WASTE DISCHARGE CHARGE SYSTEM

INTRODUCTION (1)

WDCS: Framework for charging for the discharge of waste into water resources.

- Developed around the "*Polluter Pays Principle*" (PPP) and Adoption of economic instruments with the aim to;
 - Promotes sustainable development and efficient use of water resources,
 - Promote the internalization of environmental costs by polluters,
 - Use water resources in a more optimal way and to recover costs associated with mitigating WQ impacts of waste discharge

3

WASTE DISCHARGE CHARGE SYSTEM

INTRODUCTION (2)

WDCS is an economic measure

- Improve water quality,
- Achieve water quality objectives.
- Through waste load reduction.
- Reduction either at source or in the resource.

There are five categories of charges in the Pricing Strategy, two of which apply to waste discharge:

1. Water Resource Management Charge for waste related water use and the
2. Waste Mitigation Charge.

4

WASTE MITIGATION CHARGE SYSTEM

INTRODUCTION (3)

Water Resources Management Charge funds the water resource management activities related to the protection, allocation, conservation, management, and control of all the nation's water resources.

- Payment for the day-to-day management of water resources such as the authorisation of waste discharge activities etc.

Waste Mitigation Charge aims to finance strategic interventions to address specific issues targeted in threatened areas to mitigate pollution.

- Instrument for recovering costs of mitigation in the resource

5

WASTE MITIGATION CHARGE SYSTEM

LEGISLATIVE MANDATE (NWA)

- Section 56 (2) (a) (iv) of NWA-The Pricing Strategy may contain a strategy for setting water use charges:
- Water resources protection, including the discharge of waste and the protection of the Reserve.
- Section 56 (5) -The Pricing Strategy may provide for differential rate for waste discharges
- Section 56 (6)-In setting the Pricing Strategy for water use charges the Minister must consider the class and Resource Quality Objectives (RQOs)
- Section 57 (1) (a) (i) Water use charges may be made within a specific WMA
- Charges made within a specific WMA may be made by and are payable to the relevant WMI [section 57(2)].

6

WASTE MITIGATION CHARGE SYSTEM

CHARGES

Aspects	Water Resource Management Charge (waste related activities)	Mitigation Charge
Calculation of Tariff	Volume Based	Load based (Volume & Concentration)
Area	WMA based	Catchment based
Finances:	Day to day management requirements	A specific mitigation measure required
Water Uses	21 (e), (f), (g), (h)	
Implementation date	2023/24 – Priority catchments 2024/25 – Country wide	2025/26 – Catchments were is needed

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7

WASTE MITIGATION CHARGE SYSTEM

SECTION 21 WASTE RELATED WATER USES

- *Section 21 (e): engaging in a controlled activity.*
- *Section 21 (f): discharging waste or water containing waste into a water resource.*
- *Section 21 (g): disposing of waste in a manner which may detrimentally impact on a water resource.*
- *Section 21 (h): disposing of water which contains waste from, or which has been heated in, any industrial or power generation process.*

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8

WATER RESOURCES MANAGEMENT CHARGE SYSTEM

WATER RESOURCES MANAGEMENT CHARGE

- User charge established in terms of the Pricing Strategy.
- Follows the same principles for WRM Charge for abstraction
 - $\text{Unit Cost/Tariff} = \frac{\text{Cost of Operation /Budget (WMA)}}{\text{Total Discharge Volume WMA}}$

9

WASTE MITIGATION CHARGE SYSTEM

WASTE MITIGATION CHARGE

- User charge that will be established in terms of Pricing Strategy under the Act.
 - Dischargers only pay according to proportional contribution to the problem.
 - May influence users to reduce discharge loads.
 - The WDCS Formula will be used to calculate the Waste Mitigation Charge.
 - i.e Removal of Phosphates in the downstream dam

10

WASTE MITIGATION CHARGE SYSTEM

WASTE MITIGATION CHARGE

Box 1: Mitigation Charge Rate Formula

$$CM_{xik} = RM_{xiy} \cdot [(Cd_{ik} \cdot V_{dk}) - (Ca_{ik} \cdot V_{ak})]$$

CM_{xik} = Waste Mitigation Charge for discharger k, mitigation measure x and water quality variable i

RM_{xiy} = constant charge rate for mitigation measure x and variable i for a period y

Cd_{ik} = discharge concentration of variable i (registered) from discharger k

Ca_{ik} = abstraction concentration of variable i (registered) for discharger k

V_{dk} = discharge volume (registered) from discharger k

V_{ak} = abstraction volume (registered) for discharger k

1

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11

WASTE MITIGATION CHARGE SYSTEM

BENEFITS TO THE USER

- All water users will pay for Management of water resources
- Since we all live downstream of a water user-the water management must control the impacts on others within the catchment
- Improve water quality in the water resources.

1

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12

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