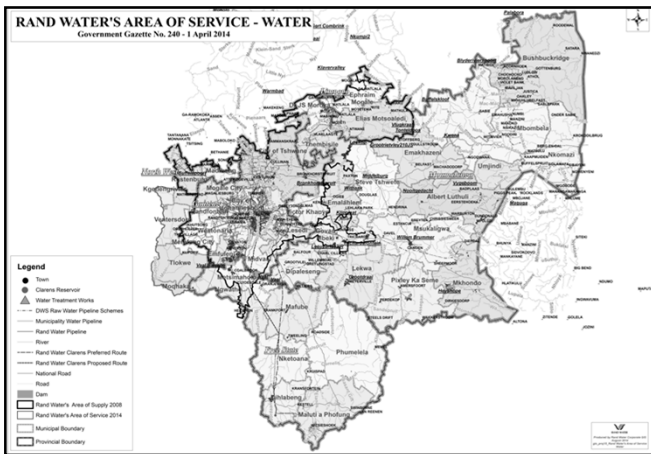


Rand Water's response to water use inefficiencies

Presented by:
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STAKEHOLDER GROUP	HOW WE ENGAGE WITH OUR STAKEHOLDER GROUP
Our Shareholder	The Government of the Republic of South Africa, through the Department of Water Affairs, and duly represented by the Minister of Water and Environmental Affairs, is our sole shareholder. The relationship between Rand Water and its Shareholder is governed by the provisions of the Water Services Act No 108 of 1997.
Our Board	The Board of Rand Water is appointed by the Minister of Water Affairs and duly represented by the Department of Water and Environmental Affairs, in accordance with the provisions of the Water Services Act No 108 of 1997. We have a unitary board structure, which consists of a majority of non-executive members and an executive member. The positions of the Chairperson (non-executive) and that of the Chief Executive are segregated.
Our Customers	Our customers include municipalities and the industrial and mining sectors. We interface directly with all our customers, notably through our Regional Account Executives and our Water Forums. We regularly solicit their feedback on our product and services.

Our Investors	We keep our investors regularly updated on our financial position and other matters related to our business. We host roadshows with our investors and engage with the South African media on the release of our annual and interim financial results.
Our Employees	Our employees remain central to our success. We communicate with our employees via weekly electronic newsletters, a quarterly newsletter and the intranet. Plans are being developed to engage our employees more intensively with regard to the sustainable development of our business.
Provincial Legislators	We have built sound relationships with the provincial authorities within our area of supply. Our relationships have been largely collaborative, and we are in the process of formalising these relationships by signing Memoranda of Understanding between ourselves and the provincial legislatures.
The Media	We continue to build on the recommendations made by our Board-approved Media Relations Strategy. We cooperate with both the print and electronic media based in South Africa and abroad, on matters related to our product and services, governance, Foundation projects and brand marketing management.
Communities and Civil Society Organisations	Through our sponsorship policy, the work of the Rand Water Foundation and our Water Wise community based initiatives, we have garnered an incisive view of the needs and interests of the communities in our area of supply.
Vendors and Suppliers	We promote the objectives of our Commercial Equity policy and have structures in place to ensure that our supply chain management process remains fair, transparent, equitable and cost effective.
Tertiary Institutions	Our work with tertiary institutions remains a priority for us with respect to attracting young professionals into the water sector. Rand Water supports Research Chairs at the Universities of Johannesburg and Pretoria.
Auditor General/ National Treasury	As a public utility, we are accountable to both the Auditor General and National Treasury. We report regularly on our financial and operational performance to both bodies.

Background

- ◆ The legislative requirement is for water supply services to be done in an efficient, equitable and sustainable manner
- ◆ Water Service Providers are required to provide measures to promote water conservation and demand management
- ◆ In his 2010 State of the Nation Address, His Excellency JG Zuma, President of the Republic of South Africa, stated, “We are not a water rich country. Yet we still lose a lot of water through leaking pipes and inadequate infrastructure. We will be putting in place measures to reduce our water loss by half by 2014”

Background (cont.)

- ◆ Target of 15%
- ◆ Despite the comprehensive legislative framework, development of policies, national strategies, model WC&WDM strategies, guidelines, decision support tools, research studies, workshops and summits in this field – Water losses are on the increase and this target was not achieved

Impact on Rand Water

Some municipalities in Rand Water’s area of service

Name	2005	2011
Joburg Metro	20.6%	38.2%
Ekurhuleni Metro	23.8%	39.8%
Tshwane Metro	14.0%	26.5%
Emfuleni	47.6%	44.4%
Mogale	18.2%	26.0%
Metsimaholo	35.2%	17.2%
Rustenburg	32.3%	39.0%
Midvaal	23.0%	26.2%
Merafong	25.9%	26.0%
Randfontein	12.5%	21.9%
Westonaria	10.3%	29.7%
Lesedi	14.9%	8.2%
Ngwathe	1.2%	24.9%
Kungwini	28.7%	43.0%
Gauteng	21.80%	35.90%

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

Impact (cont.)

WATER USE LICENCE APPLICATION: TAKING OF WATER FROM THE VAAL DAM

Rand Water applied on 24 November 2009 for a water use licence to take water from the Vaal Dam.

Following a number of interactions since then, your licence application can unfortunately not be recommended for approval.

Although you are entitled to insist that your licence application must be considered, it is recommended that you submit a revised application.

MAX ANN AVE
~4380M/d

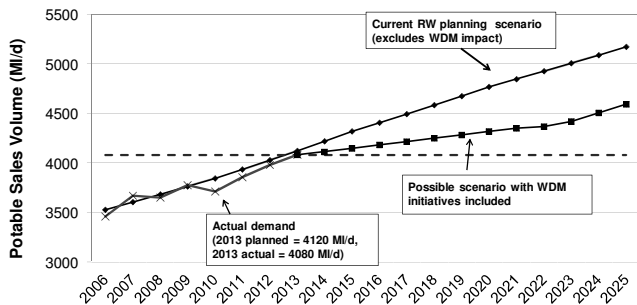
Volume to be licensed

You applied for the taking of an annual average 4 936 mega-litres per day (1 803 million cubic metres per year), based on the projected demand of your clients. That volume unfortunately exceeds the part of the current yield of the Vaal River System that can be allocated to Rand Water until augmentation from Lesotho Highlands Phase 2 is in place.

It is recommended that you apply for the taking of 1 600 million cubic metres per year from the Vaal River System. This volume must include the water that will be taken by the bulk raw water users indicated in your current permit, reference 60/16/2/91, dated 09 September 1991.

Impact (cont.)

RW Demand growth Projections – Potable Sales



Impact (cont.)

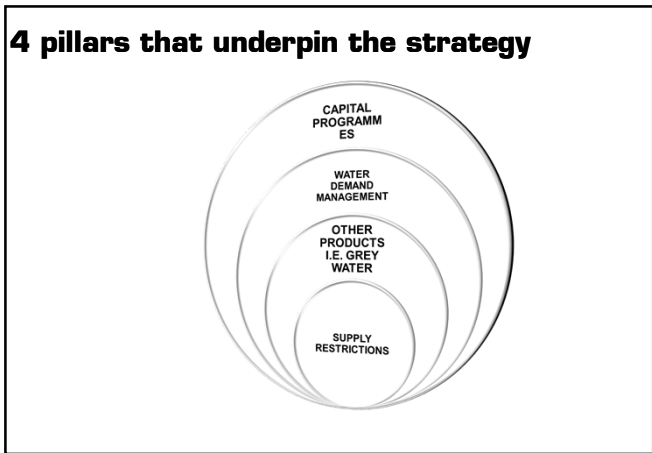
Business risk: Service a growing water demand with current supply levels until 2020



only achievable through WDM

Rand Water's approach to WDM

- ▶ Underpinned in the achievement of operational integrity and use best fit technology – ensure continuous supply to meet growing demand
- ▶ In a holistic and integrated manner
- ▶ The focus is both internally and externally
 - Internal : RW systems
 - External: Partnerships with municipalities



Key responses

1. Contribution of 1% on tariff towards a Water Demand Management Fund
 - ▶ Identification and implementation of projects in area of service with the aim of reducing non-revenue water
 - ▶ Utilise fund within a 1-year period
 - ▶ Demonstrate success
- ▶ SALGA and Water and Sanitation Department to Launch the fund by Aug/Sept 2014
- ▶ Fund will be accessible from next financial year

Key responses (cont.)

2. Surplus resulting from revised energy tariff
 - Proposal to use as WDM fund
3. Direct appointments by government departments and municipalities, mainly as Implementing agent for:
 - Assistance in the development of municipal WDM strategies
 - Identification and implementation of WDM projects – e.g. pipeline replacement projects, end-user interventions such as War on Leaks, etc.

Key responses (cont.)

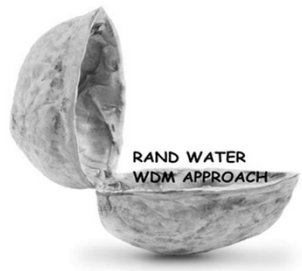
4. Reuse of effluent from wastewater treatment plants
5. Treatment of acid mine drainage

Way forward – short term

- ▶ Monitor and evaluate the effectiveness of WDM programmes/initiatives that RW and its bulk customers have implemented
- ▶ Update the approach and strategy for WDM, particularly external partnerships in view of RW increased service area (Mpumalanga and Upper Vaal)
- ▶ Implementation of appropriate interventions

Conclusion

There is an urgent need for water demand management and Rand Water is prepared to play its part in addressing the inefficient use of water



**Thank
You**