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**INTRODUCING THE RE-ENGINEERED
REGULATORY PERFORMANCE
MEASUREMENT SYSTEM (RPMS)**



WHAT NEED TO BE DONE IN ORDER TO CHANGE THE SITUATION BELOW



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- 
- ☐ **RPMS – stands for Regulatory Performance Measurement System**
 - ☐ **It has been in existence since 2007/08 (Municipal Financial Year)**
 - ☐ **It monitors and reveals performance of Water Service Authorities (WSAs)**
 - ☐ **It has produced Three RPMS reports + Two Comparative Analysis reports**
 - ☐ **It is now changing its approach to a Risk-Based approach**
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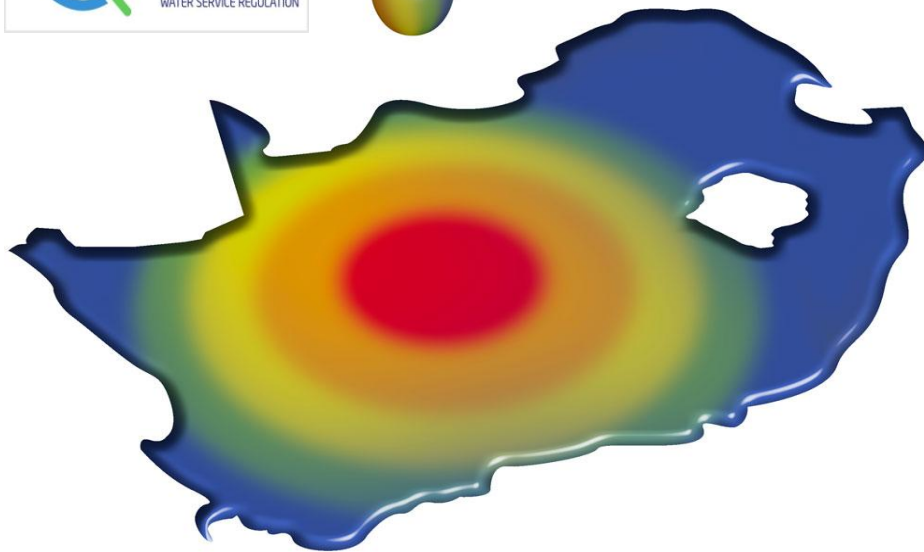
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WHAT IS RPMS?





Municipal Compliance Assessment 2009-2010



2011

Water Services Regulatory Comparative Analysis



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PREVIOUS REPORSTS (OLD)



Level: Regional - Gauteng

KPI No	Description	Regional KPI Score	National KPI Score	Regional - National Comparison	Required Score	Compliance Assessment
1	KPI 1: Access to water supply	3.634	3.334	0.3	3	👍
2	KPI 2: Access to sanitation	1.396	2.565	-1.169	3	👎
3	KPI 3: Access to Free Basic Water	3.093	4.063	-0.97	3	👍
4	KPI 4: Access to Free Basic Sanitation					
5	KPI 5: Drinking Water Quality					
6	KPI 6: Wastewater quality management					
7	KPI 7: Customer service quality	3.298	2.967	0.331	3	👍
8	KPI 8: Institutional effectiveness	3.583	3.109	0.474	3.5	👍
9	KPI 9: Financial performance	2.276	2.011	0.265	4	👎
10	KPI 10: Strategic asset management	2.608	2.329	0.279	3	👎
11	KPI 11: Water use efficiency	0.583	0.604	-0.021	3	👎
Sum		20.47	20.98	-0.51	25.50	



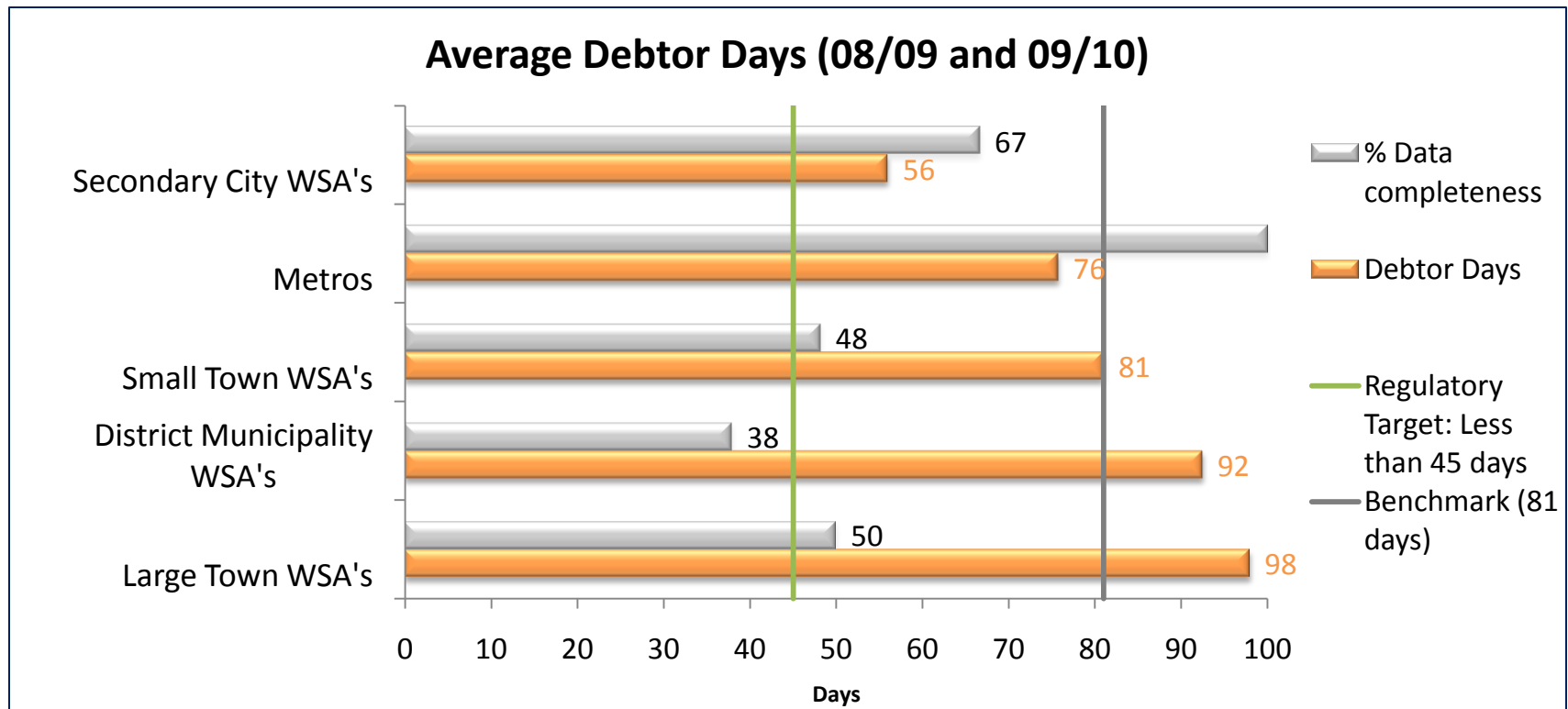
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EXAMPLE OF RESULTS IN RPMS REPORTS



COMPARATIVE ANALYSIS REPORT RESULTS





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**EXAMPLE OF RESULTS IN
COMPARATIVE ANALYSIS REPORT**



- 
- **To have WSAs that are charging fair, cost-reflective tariffs**
 - **To have WSAs that have contracts that are enforceable and compliant with contract regulation**
 - **To have WSAs that provide satisfactory services to consumers**
 - **To have WSAs that are efficient in the management of their assets and able to generate sufficient revenue from water services to sustain themselves**
 - **To have WSAs that are more proactive in risk mitigation as opposed to reactive WSAs**
- 




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OBJECTIVES OF THE INCENTIVE AND RISK-BASED APPROACH



- 
- ☐ **Water Services Act**
 - ☐ **Section 10 Regulations of the Water Services Act**
 - ☐ **Section 19 (5) of the Water Services Act**
 - ☐ **Strategic Framework for Water services**
 - ☐ **National Water Service Regulatory strategy**



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**WHERE DOES THE MANDATE
COME FROM?**






Apart from the legislations above (DWA legislations), there are other supporting legislations. Some of them are listed below



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- ❑ **The government and public sector has clear legislation and framework for risk management, as outlined in the Public Sector Risk Management Framework (2010).**
 - ❑ **Sections 38(1)(a)(i) and 51 (1)(a)(i) of the Public Finance Management Act and Section Sections 62(1)(c)(i) and 95 (c)(i) of the Municipal Finance Management Act require that all government organisations have and “maintain effective, efficient and transparent systems of risk management.**



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**Risk management
legislation**





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WHERE TO GO FROM HERE?



- 
- From a regulatory perspective, the DWA will move more towards

risk-based regulation, using a cumulative Risk Rating approach to prioritize regulatory action.



- Incorporation of this type of risk-based regulation approach will allow for the prioritization of regulatory interventions and focused regulatory attention where and when necessary by DWA.

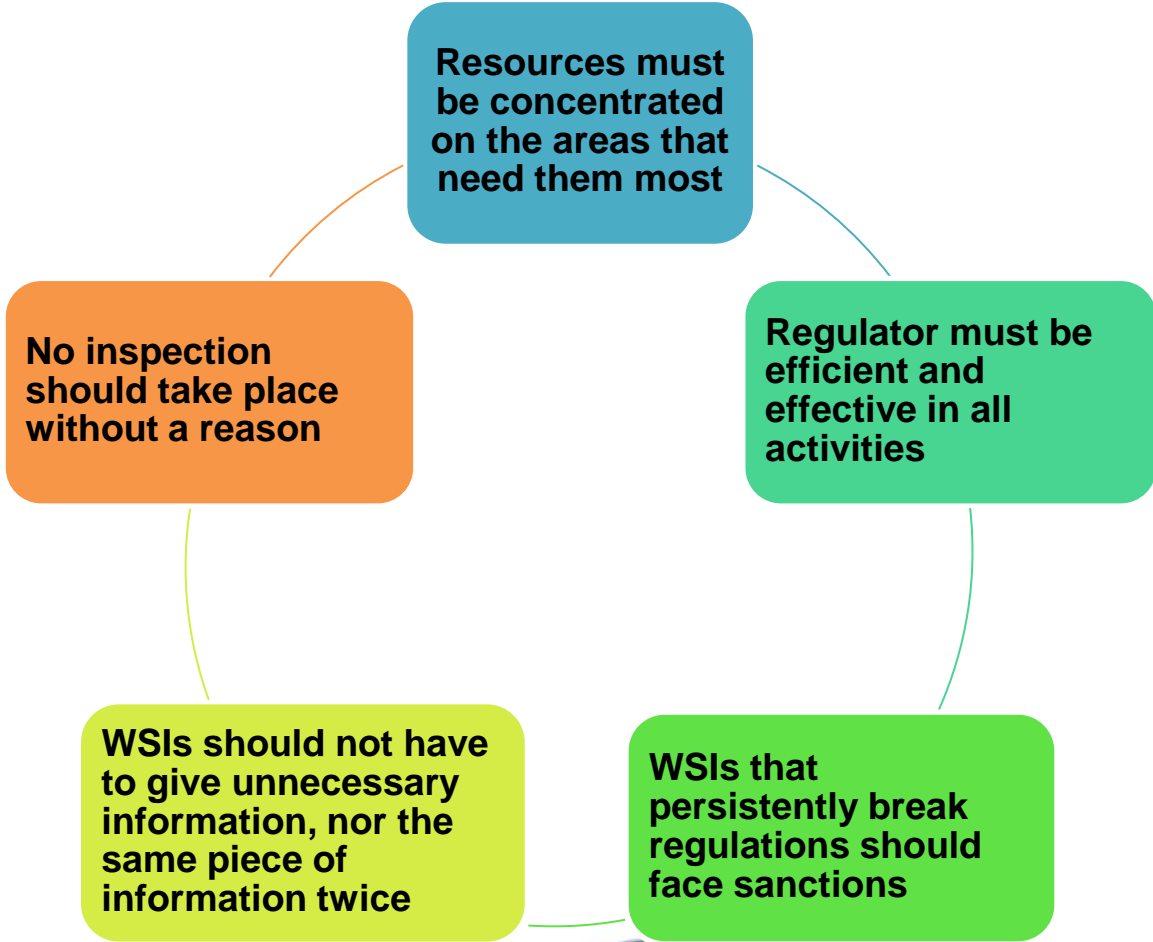



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Risk-based regulation





Resources must be concentrated on the areas that need them most

Regulator must be efficient and effective in all activities

WSIs that persistently break regulations should face sanctions

WSIs should not have to give unnecessary information, nor the same piece of information twice

No inspection should take place without a reason




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BASIC PRINCIPLES OF RISK-BASED REGULATION



- 
- ☐ **Identify risks**
 - ☐ **Document existing controls for these risks**
 - ☐ **Evaluate the effectiveness of these controls**
 - ☐ **Implement improvements to mitigate significant risks**



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ACTIONS





Inefficient water use

Inadequate
budgeting &
expenditure on
water services

EXAMPLES
OF
RISKS

Non-sustainable
asset management

Not charging the cost-
reflective tariff



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INSTITUTIONAL
EFFECTIVENESS

CUSTOMER
SATISFACTION

FINANCIAL
VIABILITY

TECHNICAL
EFFICIENCY



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**RISK-BASED : INCENTIVE-BASED
REGULATION**



RPMS KEY PERFORMANCE INDICATORS

KPI 1 : ACCESS TO WATER SUPPLY

KPI 2 : ACCESS TO SANITATION

KPI 3 : ACCESS TO FREE BASIC WATER

KPI 4 : ACCESS TO FREE BASIC SANITATION (STANDARDS...)

KPI 5 : DRINKING WATER QUALITY MANAGEMENT

KPI 6 : WASTEWATER QUALITY MANAGEMENT

KPI 7 : CUSTOMER SERVICE QUALITY

KPI 8 : INSTITUTIONAL EFFECTIVENESS

KPI 9 : FINANCIAL PERFORMANCE

KPI 10 : STRATEGIC ASSET MANAGEMENT

KPI 11 : WATER USE EFFICIENCY


RPMS collect information from KPI 7-11 from Water Service Authorities and KPIs 1-6 are sourced from Department of Water Affairs internal systems



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Relevant frameworks are still to be finalised within the Department of Water Affairs and until such time, WSAs will not be measured against this indicator



2012	2013	2014
Selected KPIs	All KPIs	All KPIs
Cost-Reflective Tariffs	Financial Viability	Customer Satisfaction
Contract Management	Technical Efficiency	Institutional Effectiveness



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**WHEN ARE WE GOING TO
IMPLEMENT?**





**INSTITUTIONAL
EFFECTIVENESS**

*** CONTRACTS**

**CUSTOMER
SATISFACTION**

**FINANCIAL
VIABILITY**

*** COST REFLECTIVE TARIFF**

**TECHNICAL
EFFICIENCY**




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**WHAT WILL WE MEASURE
IN 2012/13 ASSESSMENTS?**



- 
- Contracts:**
- contracts must have the basic requirements:
 - Interpretation and objectives
 - Roles and responsibilities
 - appointment, scope, duration and review date must be known
 - Financial matters, etc
 - management and monitoring of a contract:
 - Accounting Officer must sign the contract
 - contract monitoring mechanisms (Monthly & Quarterly meetings)
 - volumetric demands and targets must be reviewed annually

Types of contracts: Bulk contracts, Retail contracts, intermediary contracts, operations and maintenance contracts, etc



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INSTITUTIONAL EFFECTIVENESS





Cost reflective tariff:

The proper cost reflective tariff must have:

- ☐ revenue requirements methodology (staff costs, bulk purchases cost, etc)
- ☐ Billing records
- ☐ consumer demand
- ☐ tariff structure
- ☐ must be in line with water service policies



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FINANCIAL VIABILITY





Minimum Control Measures

Tariff-cost Model

Clear methodology for calculating tariffs

Tariffs compliant with Section 10 regulations

BONUS: clear method for tariff calculations that accounts for full cost of service

Rising block tariffs (requirements as per Section 10 regulations)

Differentiation between customer categories: domestic; institutional; commercial and industrial

PENALTY: No rising block tariffs



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Institutional Effectiveness
Critical Risk: Non-cost reflective tariffs





Minimum Control Measures

Consumer Demand statistics

Zonal metering

Meter management (bulk and consumer)

Records for: Billed metered; billed unmetered; unbilled metered; unbilled unmetered

Total consumption per customer category

Total annual demand for current and future years

BONUS: Comprehensive, categorised billing records

Policies

Tariff policy- as per section 74 of the Municipal systems Act (2000)

Free basic Water and sanitation policy

Indigent policy



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FINANCIAL VIABILITY

Critical Risk: Non-cost reflective tariffs





Poor contract Management

Poor legal Framework

Fragmented approach to the water business

Insufficient skilled staff

Inadequate knowledge and information management





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**Efficient Institution
. contracts**



- 
- ❑ Meter all consumers
 - ❑ Municipalities need to have proper billing records
 - their billing system must be able to differentiate between consumer categories
 - billing systems must be able to maintain records of volumetric use per tariff block
 - they must know the number of consumers per category
- 





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BILLING



- 
- ❑ Records that shows consumer demand figures per water supply area and consumer category should be maintained
 - ❑ Municipalities need to be in a position to do demand projections and reconciliation at the end of the year
 - ❑ they need to be able to account on their tariff calculations
 - ❑ All of the above-listed will assist WSAs in commenting during the tariff consultation process
- 



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DEMAND MANAGEMENT





How do municipalities manage unauthorised consumption?

WSAs should:

- Ensure that there is accurate metering and real losses are known
- Ensure that unauthorized consumers are upgraded to authorized
 - **Penalties and fines must be charged in line with the by-laws**
- Make plans to provide access to people who don't have access (**this will minimize possibilities of further illegal connections**)
- On the sanitation side, people who pollute illegally should be charged according to the municipal sanitation by-laws





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UNAUTHORISED CONSUMPTION MANAGEMENT



- 
- ✓ **Specific assessment dates will be communicated to WSAs**
 - ✓ **Panels from DWA will visit WSAs country-wide**
 - ✓ **assessments will then be conducted at the WSA's offices**
 - ✓ **WSAs can either get bonuses or penalties in the process**
 - ✓ **A confirmation session will be arranged at a later stage to confirm the information prior publishing**
 - ✓ **Final results will then be published and distributed to WSAs**
- 



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**HOW WILL WSAs BE
ASSESSED?**





**-complex reporting
by all;**

**- intense
investigation into all
aspects of the
business;**

**- same level of
assessment for all
institutions
regardless of
historical level of
compliance**



**-targeted information
requests**

**-Check outcomes, not
output**

**- Target high risk
areas and institutions
for in-depth
investigation**



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conclusion





THANK YOU



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