

# Appendix 1 Tariff Regulation of 2013

## **Water Tariff Regulation**

**Nom ( ) for the year 2013**

### **Cabinet of Ministers**

Based on

The provisions of the Amended Basic Law for the year 2003 and its amendments, Article (70) in particular,

Water Law number 3 for the year 2002; Articles (20, 26, 42) in particular,

Law No. (1) for the year 1997 on the local authorities; Article (15) in particular

And upon

The recommendation of the National Water Council,

What was approved by the Cabinet of Ministers in its meeting held in Ramallah on 15 \ 01 \ 2013,

Authorized powers by law,

And for the sake of Public interest,

We have issued the following regulation:

## Article 1 - Definitions

**Authority:** Palestine Water Authority

**Council:** National Water Council

**Water and Wastewater Service Providers:** Local authorities, joint service councils, local water and wastewater facilities, regional water facilities and water associations

**Water Supplies and Wastewater:** the services supplied by service providers to domestic, industrial, commercial, and touristic uses.

**Tariff regulation:** parameters, criteria and standards used in pricing water.

**Tariff Structure Factors:** means the relative weight given to the unit volumes of water consumption between different user groups and at different consumption levels.

**Tariff Prices:** means the prices per unit volume charged to the different categories of users at the different volumes of water consumption and wastewater discharge

**Tariff Model:** Tariff design model prepared by Water Authority in coordination with the Ministry of Local Government

**Accrual Cost Accounting System:** is the registration of income when collected, as well as expenses (cost) when obligations arise, not when payments take place.

## Article 2 - Application of Regulation

This Regulation shall be implemented by the water and wastewater service providers under the supervision of the Ministry of Local Government and the Authority's control.

## Article 3 - Tariff Policy Objectives

The prices charged in accordance with tariff criteria shall be set by the water and wastewater service providers to fulfill the following policy objectives:

Cost Recovery: The approved tariff ensures cost recovery by water and wastewater service providers. Full recovery is achieved through revenues that cover operating and maintenance costs; calculating the depreciation of fixed assets based on real value; loans and their interests; and investments for development purposes.

1. Social Equity: The tariff structure shall set an affordable price for the basic consumption needs of low-income households.
2. Economic Efficiency: The tariff structure shall set an economic price for the higher consumption levels to encourage conservation of water resources.

## Article 4 - Tariff Strategy

1. User categories shall include all domestic, commercial and industrial and touristic fields.
2. The costs of providing water supplies shall be allocated between the different user groups and between different levels of consumption. Prices charged to consumers shall increase with increasing levels of consumption.
3. The costs of wastewater services shall be allocated between the different user groups based on the volume of water consumed. Fees charged will follow a progressive scale depending on the volume of wastewater.

### **Article 5 - Tariff Criteria**

The tariff criteria for water and wastewater service providers are based on the unified model. The tariff design for a certain period shall show the following steps:

1. Calculation of the expenditures to recover costs.
2. Assessment of the affordable price for low income groups.
3. The future economic cost of water and wastewater per cubic meter.
4. Design of the tariff structure to implement policy objectives that are approved by the council.
5. Fixing of unit prices for the different user categories and different consumption levels.
6. Cost recovery shall be enhanced to reduce costs through greater management and technical efficiencies; reducing water losses in the system; reducing illegal connections; and by increasing revenues through improved collection efficiency.
7. Measurable progress in the improvement of technical and financial performance including reducing loss rate shall be considered by the PWA before a new tariff is approved.

### **Article 6 - Calculation of Costs**

Costs shall be calculated from historic cost data for individual line items – in accordance with article (5) from this regulation – obtained from an Accrual Cost Accounting System. Where such accounting system is not yet in place, costs shall be estimated from existing accounts. Costs included in the Tariff Application Regulation are as follows:

1. Customer or Access fixed costs for meter reading, customer billing and collection, and administrative overheads shall be calculated based on actual costs of the individual service components. Overhead costs for offices, administration, legal and personal services shall be included in the Customer fixed costs.
2. Volume-related costs for Operation and Maintenance (O&M) shall be calculated from the actual costs of power, chemicals, inventories, personnel, transport, etc., used in providing and delivering the potable water to the users and taking away and treating the wastewater to acceptable standards. Also, the costs of buying large quantities of water (wholesale) are included in the unit price paid by service providers.
3. Depreciation each year shall be calculated from estimates of total fixed assets re-valued for that year using the straight-line method.
4. Interest charges on loans taken out to finance new investments shall be included as a cost at the interest rate paid.

### **Article 7 - Customer Charges for Water Supplies and Wastewater Services**

1. Charges billed to users shall be shown on individual invoices and shall include information on:
  - a. Customer or access charges to cover meter reading and/or rental, and administration, service and billing costs;
  - b. Volumetric charges based on Quantity Blocks (in meters) to cover the costs of delivering the water consumed or removing the wastewater discharged;

- c. A surcharge for heavy polluters into the sewerage system.
  - d. Any fines for delayed payments, reconnections etc.
2. Water and wastewater service providers issue invoices for customers every month or two months.

#### **Article 8 - Tariff Adjustment**

1. Water and wastewater tariffs may be adjusted if there were an increase in electricity prices and/or the increase in buying wholesale which result in unforeseen and detrimental increases in service providers costs.
2. The submission of Tariff Applications process shall follow the steps as given in Figure 1.

#### **Article 9 - Data to Be Supplied**

The water and wastewater service providers shall provide the following data to PWA:

1. Technical and financial performance data .This shall be in a standardized form.
2. A summary of the proposed adjusted tariff in a standardized form

#### **Article 10 - Tariff Adjustment Procedures**

1. The application for tariff identification or amendment is submitted by the service provider to the Ministry of Local Government which in its turn transfers it to the Water Authority.
2. The PWA shall appraise the Application in the following steps:
  - a. Check that the price triggers for a tariff change are operative;
  - b. Check that the proposed tariff meets PWA policy objectives;
  - c. Check that established performance improvement targets are being met.
3. The Authority shall express its opinion on the application within a period not exceeding thirty days from the date of receipt; in case of lack of response within this period, the application will be considered acceptable.
4. Should the Application fail to meet what is mentioned in paragraph (2) from this article, the Application will be rejected and returned to the Ministry of Local Government which will inform the service provider with the reasons for non-approval for revision and compliance.
5. The water and service providers may return to the competent court in case of application refusal.

#### **Article 11 - Commitment to Tariff Structure**

Water and waste water service providers shall set water prices for different uses in accordance with tariff criteria mentioned in this regulation.

#### **Article 12 - Cancellation**

Everything that contradicts with the provisions of this regulation is cancelled.

### **Article 13 - Implementation**

All Competent authorities, each in its area of competence shall implement the provisions of this regulation. This regulation shall be applicable from the date of its issuance and shall be published in the Official Gazette.

Issued in the city of Ramallah on    /01/2013

Corresponding to                from the year 1434 AH

Salam Fayad

Prime Minister

**Figure 1 :**

## Tariff Adjustment Application and Approvals Process

**APPLICATION FOR  
TARIFF ADJUSTMENT  
And Approval.** Steps:  
Service Providers – tariff  
adjustment application –  
PWA

### APPRAISE APPLICATION:

- PRICE TRIGGERS
- POLICY OBJECTIVES
- PERFORMANCE TARGETS

### APPROVAL FOR TARIFF CHANGE

