



water & sanitation

Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA



TERMS OF REFERENCE FOR A SOLICITED WRC PROJECT

THEME	Water Advisory
TITLE	Methodology development for determination of multi-year tariffs for raw, bulk and retail water and wastewater tariffs
TOR NUMBER	1010067

Rationale

In 2024, the Department of Water and Sanitation (DWS) published updated frameworks for tariff determination in the form of the revised Pricing Strategy for Raw Water Use Charges and the revised Norms and Standards in Respect of Tariffs for Water Services. These will be effective from 1 April 2026.

A key feature of both these policy instruments is the introduction of multi-year tariff setting as a key principle for tariff determination throughout the water value chain. This replaces the annual cycles of tariff setting that have been used to date.

Pricing Strategy for Raw Water Use Charges

Sections 56-60 of the National Water Act (NWA) empower the Minister to develop a pricing strategy for the use of water resources and the discharge of water into a water resource or onto land. The strategy enables the recovery of costs associated with water resource management, water resource development and water-related research, development and innovation. A set of charges is established to allow revenue from water use activities to be allocated to the institutions responsible for managing these activities.

The 2024 pricing strategy introduces a system of multi-year charges, through which charges will be set and reviewed every three years as opposed to annually, which was previously the case. Provision is made for the phasing in of multi-year charges over three years once the revised strategy comes into effect.

Norms and Standards in Respect of Tariffs for Water Services

Section 10 of the Water Services Act enables the Minister to prescribe norms and standards for the consistent and transparent determination and implementation of tariffs for water services. These include bulk water and wastewater tariffs set by bulk water service providers and retail water and sanitation tariffs set by Water Services Authorities.

The revised norms and standards introduce the requirement for the determination of multi-year tariffs for bulk and retail water services and sanitation services. Besides improving predictability of tariffs, the multi-year approach to tariff setting reflects an intention to inculcate a culture of short, medium and long-term planning for water service tariffs.

Section 42 and Circular 23 of the Municipal Finance Management Act are also relevant to tariff determination, particularly for bulk water services. Circular 23 prescribes the timelines with which organs of state should comply before tariff amendments can take effect. However, both section 42 and Circular 23 do not explicitly dictate the frequency of tariff amendments and related consultations, including whether these processes should be undertaken annually or through a multi-year approach.

The Water Research Commission (WRC) is working with DWS to support the implementation of the revised pricing strategy and norms and standards discussed above. The scope of work outlined in these terms of reference focuses on the clarification and further development of methods for implementing the multi-year tariff principle in the raw, bulk and retail water pricing tiers. The study will close that gap by developing a clear, implementable methodology aligned with the applicable legal, financial, and policy requirements.

The project outputs must give effect to the intentions of the multi-year tariff setting principle to contribute to:

- financial sustainability of the institutions in the water value chain;
- consistency and stability of water tariffs;
- smoothing tariff adjustments over time for price predictability in the sector;
- reduction of inefficiencies in the water sector; and
- a systematic basis for tariff setting.

Objectives

General

Development of practical methods and tools for implementing multi-year tariff determination as introduced by the revised Pricing Strategy for Raw Water Use Charges and the Norms and Standards in Respect of Tariffs for Water Services.

Specific

1. To the extent necessary to inform implementation, revisit and further develop the rationale for the introduction of multi-year tariff setting in the pricing strategy and norms and standards
2. Develop and test detailed, practical and transparent methodologies for implementing multi-year tariff setting for raw, bulk and retail water and sanitation services, including:
 - a. incorporation of inflation indexing where appropriate; and
 - b. criteria and processes for triggering a review of tariffs before the end of the multi-year period
 - c. approaches to address variability in water use, water availability and input costs over a multi-year horizon.
3. Work closely with DWS, Water Boards, Water Services Authorities and other stakeholders in developing and testing the proposed approaches.
4. Provide detailed recommendations for transitioning from annual to multi-year tariff determinations.

5. Develop text for the section on multi-year tariffs in the implementation guidelines for the pricing strategy and norms and standards being developed by DWS.

Deliverables

The following deliverables are indicative and may be tailored to suit the proposed approach:

1. Inception report, including detailed project work plan
2. Draft framework and methodology for multi-year tariff determination
3. Cost-recovery and affordability modelling tools to support long-term tariff planning
4. Draft text for the pricing strategy and norms and standards implementation guides
5. Case studies illustrating application of methods at raw, bulk and retail levels
6. Stakeholder engagements and workshops
7. Final report covering all aspects researched as per specific objectives.

Notes:

1. Proposals must be submitted online via the WRC [Business Management System](#) (BMS). A user guide to BMS is available [here](#). For technical queries regarding BMS, contact bms-support@wrc.org.za. **Closing date for submission of proposals is 16:00 on 25 September 2025.**
2. Prior to capturing a proposal on BMS, proposers should familiarise themselves with the [guidelines for submission of research proposals](#). Please take note of the section in the guidelines on budgeting.
3. Project team composition must reflect the full range of experience and skills necessary to undertake this assignment. Proposals must include the details of all team members, their experience and expertise relevant to this assignment and their role in the project.
4. Contact person for enquiries on these terms of reference: John Dini (johnd@wrc.org.za)

Time Frame:

Planned project start date: 1 November 2025

Duration: 12 months

Total Funds Available:

R950,000 including VAT

Year 1 (2025/26) budget: R450,000