

# TS1B: Establish processes, rules, and responsibilities for systematic tariff adjustment

REGULATORY FUNCTION: TARIFF SETTING		TS1B
<b>OBJECTIVE TS1</b> Tariff systems, relevant procedures and responsibilities are validated	<b>ACTION CARD TS1B</b>  <b>ESTABLISH PROCESSES, RULES AND RESPONSIBILITIES FOR SYSTEMATIC TARIFF ADJUSTMENT</b>	
<b>COST:</b> Low <b>FREQUENCY:</b> Regular <b>TARGET GROUPS:</b> Regulators, relevant authorities and policy makers, parliament, consumer associations		
<b>DESCRIPTION</b> Once defined, tariff guidelines serve the sector in setting the price for services. However, economic, political, or other factors such as disasters or conflicts may force regulators to adjust tariffs in certain geographic areas or after extraordinary events. Following the necessity of being transparent and inclusive in decision-making, regulators must establish clear criteria for tariff adjustment, detailed procedures, and assign responsibilities and roles. Transparent and predefined mechanisms allow for an adequate, timely and systematic review of tariffs on a regular or random basis.		
<b>EXPECTED OUTCOMES</b> <ul style="list-style-type: none"> <li>• Tariffs adjustment adequately reflects inflation, deflation or changes in the cost of living, investments, and operation.</li> <li>• There is transparency and predictability regarding tariffs, in which every social group pays for delivered services.</li> <li>• There is established equity among different user groups through tariffs, which are based on their respective socio-economic situation.</li> <li>• There is sustainable operation and investment management for operators and policy makers through tariffs, which adequately reflect the optimal cost of delivered services.</li> </ul>		
<b>EXAMPLE 1: KENYA</b> In <b>Kenya</b> , the tariff review process focuses on balancing commercial and social interests in water service provision. When adjusting tariffs, the Water Services Regulatory Board (WASREB) eliminates any costs that may result from inefficiency and which should not be borne by consumers. Steps for the review process are as follows. <ol style="list-style-type: none"> <li>1. Pre-consultation: WASREB receives proposals made by water service providers, makes its first technical revision, and proposes adjustments until they agree on a draft tariff to share in public consultation.</li> <li>2. Consultation: WASREB invites key stakeholder groups (residential consumers, commercial consumers, local authorities, civil society organizations, women organizations, religious organizations). The agenda should include information on why an update is needed, and information on the proposed tariff system.</li> <li>3. Post-consultation process: a full report on the results of the consultation process is submitted to WASREB.</li> <li>4. WASREB post consultation: WASREB analyses the proposal and inputs given by stakeholders in the consultation phase. It then issues a decision on the new tariff system.</li> <li>5. Publication of the new tariff: the decision should be published in the Kenyan National Gazette.</li> </ol>		
<b>EXAMPLE 2: TANZANIA</b> In <b>Tanzania</b> , the Energy and Water Utilities Regulatory Authority (EWURA) is mandated to review rates and charges either when an application is lodged by an applicant, or when the authority finds it necessary to do so as stipulated in Section 17 of EWURA Act (Cap 414). The procedure for tariff application is provided under the <a href="#">Tariff Application Guidelines (2017) and EWURA (Tariff Application and Rate Setting) Rules 2017, GN 452</a> . Decisions reached by the authority is communicated through written tariff orders. Tariff orders are usually attached with conditions that need to be fulfilled by applicants within a specified time period.		

## LINKS

Kenya, WASREB Guidelines on the tariff approval process:

<https://wasreb.go.ke/downloads/GUIDELINES%20OF%20PUBLIC%20CONSULTATION%20FOR%20TRFF%20APPROVAL%20PROCESS.pdf>

Tanzania: [https://www.ewura.go.tz/?page\\_id=221](https://www.ewura.go.tz/?page_id=221)

## INTERNAL CAPACITIES NEEDED AND THE ROLE OF PARTNERS

Similarly to setting tariffs, further adjustments and updates require a range of financial, planning, and technical regulatory abilities. Regulators usually benefit from capacity building through training, supported by related sector ministries, the private sector, research institutions, and facilitated by development partners. Other regulatory best practices may be of use, from technical exchanges. Regulators' staff must be trained on different tariff modalities, and financial and social implications, to be able to conduct regular adjustments.