

## REVISED CONSUMPTIVE TARIFFS, RATES AND BASIC CHARGES FOR ELECTRICITY SERVICES, WATER SERVICES AND WASTE MANAGEMENT SERVICES

### 1. ELECTRICITY

The proposed revisions to the tariffs have been formulated in accordance with the City of Cape Town Tariff and Rates Policy and comply with Section 74 of the Municipal Systems Act as well as the recommendations of the National Energy Regulator of South Africa (NERSA).

In terms of section 75A of the Local Government Municipal Systems Act, any fees, charges or tariffs which a municipality may wish to levy and recover in respect of any function or service of the municipality, must be approved by a resolution passed by the municipal council with a supporting vote of a majority of its members.

The Electricity Regulation Act requires that proposed revisions to the electricity consumption based tariffs be submitted to the Regulator for approval prior to implementation. Provisional approval will therefore be requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible.

Domestic consumers charged at the LifeLine Tariff and purchasing less than 400 kWh per month on average will continue to receive the free basic supply of 50 kWh per month. Note that national guidelines allow for the provision of the free basic supply of 50 kWh per month to be made available to consumers using less than 150 kWh per month.

Guidelines for the municipal electricity tariff increase in July were issued by NERSA as being 15.33%. However, the bulk purchases increase to the City is budgeted to be 29%. This increase, together with increases in expenditure on Salaries and Wages, Repairs and Maintenance, contributions to the Rate Account require the electricity tariffs to increase by an average of 24.6%.

Present electricity tariffs were approved by Council in May 2009 and implemented with effect from 1 July 2009. These tariffs were also approved by NERSA in their entirety in June 2009.

It is anticipated that NERSA will again impose an inflation linked increase on the tariff applicable to the smaller domestic consumers. It is therefore proposed to alter the structure of the LifeLine tariff to be a 3-block Inclining Block Tariff, where the first block remains free (this is the FBE portion), the second block shows a 7.8% increase over the current LifeLine tariff, and the third block shows a 30.7% increase over the current LifeLine tariff, resulting in a maximum increase of 25% to any customer on this tariff.

It is also proposed that the crossover between the Domestic Low and the Domestic High tariffs be shifted from the current monthly average of 800kWh to a monthly average of 1500kWh. This will result in a 20.6% increase in the Domestic Low tariff, with customers seeing between this and 30.8% maximum increase at the crossover point. Customers remaining on the Domestic High tariff will also see a maximum of 30.8% increase, declining to about 25% at higher consumption values.

Small Power User 1 and 2 Tariffs are increased by 24.6% over their 2009/10 values.

The Off Peak and Large Power User Tariffs are also increased by 24.6% over their 2009/10 values. As from 1 July 2010, it is proposed that the Off Peak tariff be available only to Small Power Users, and no longer to Domestic customers.

The Very Large Power User tariff sees a 37.5% increase in Service Charge, a 24.6% increase in Energy Charge, and a 38% increase in Demand Charge, in line with a decision to make this tariff less appealing to the largest customers in favour of the Time Of Use Tariff. This will also be the last year that this tariff is offered to customers.

The Time of Use Tariff is sees an increase of 25% in Service Charge, a 24.6% increase on all energy components, and a 60.2% increase in Demand Charge. This apparently large increase translates to an 18.7% increase in demand for those customers changing from the Very Large Power User Tariff, which will make up almost all the customers on this tariff. It is anticipated

that this tariff will be altered over a period of years and eventually replace the Large Power tariffs as well.

The Wheeling tariff is completely recalculated from a zero base, and now differentiates between firm and non-firm wheeling agreements.

The Green Energy Tariff will be discontinued and replaced by Green Energy Certificates which appears in the Miscellaneous Electricity Tariff Schedule.

Street Lighting tariffs are increased by 24.6% over their 2009/10 values.

The proposed consumption based tariffs are shown in the attached Tariffs and Charges Book (See page 39.1 to 39.6)

The sundry electricity tariffs as shown in the attached Tariffs and Charges Book (See page 40.1 to 40.13) are levied to recover costs of services provided directly to individual customers and include replacement of credit meters by pre-payment meters, special meter readings, testing of meters etc. Most of these tariffs are calculated from a zero base this year. The remainder are increased in accordance with revised practices, or in line with either CPI or the consumption tariff increases, whichever is appropriate.

The deposits applicable to supply agreements have been amended taking into account the increase in risk associated with rapidly rising tariffs, as well as taking into account those tariff increases.

The Development Contributions have been recalculated from a zero base due to heavy fluctuations in costs of materials, transport and labour.

The street lighting tariffs are set at a level which recovers the cost of the service provided by Electricity Services. The factors which influence the tariffs include the type and cost of lamps, the cost of labour and transport used for maintenance as well as the cost of energy consumed by the lamps and electrical network losses. It is proposed to increase the cost of street lighting by an average of approximately 10%.

The proposed revised lighting tariffs are shown in the attached Tariffs and Charges Book (See page 41.1 to 41.3).

The increases are in accordance with guidelines established in the Medium Term Revenue and Expenditure Framework.

New domestic customers with an installed capacity of 100 Amperes or less must elect to be charged at one of the applicable domestic tariffs but will be permitted to change to an alternative tariff free of charge within the first 12 months. All other tariff changes will be permitted only after 12 months at the selected tariff but customers will be required to pay any associated costs.

New domestic consumers with an installed capacity of above 100 Amperes will be charged at the Small Power 1 Tariff.

Residential establishments where a business license exists (such as hotels, bed and breakfast premises, hostels, retirement homes etc) will be regarded as Commercial Customers except where the total connected load of the business portion of a residential property does not exceed 15 kVA, the supply may be taken at the Domestic Tariff at the discretion of the Service Provider.

Commercial / Industrial Customers with installed capacity up to 500 kVA may elect to take their supply at the Small or Large Power User tariffs

Commercial / Industrial Customers with installed capacity between 500 kVA and 1 MVA must take their supply at either the Low Voltage or Medium Voltage Large Power Users tariff. No other supply will be permitted. The demand charge will only be applicable on weekdays from 06:00 to 22:00 provided suitable metering is installed at the customers' premises.

The Medium Voltage Large Power User tariff is compulsory for customers with installed capacity above 1 MVA unless they elect to take supply at the new Time of Use or Very Large Power User tariff.

The Very large Power User tariff is only available at medium voltage.

## 2. WATER AND SANITATION

The proposed Water and Sanitation Tariffs for 2010/11 are consistent with National Policy on the provision of free basic services, the National Strategic Framework for Water and Sanitation and with Council's Indigent relief measures, Rates and Tariff Policies and Equitable Service Framework. The tariff increases are necessary to address essential operational requirements, maintenance of existing infrastructure, new infrastructure provision and to ensure the financial sustainability of the service.

The multi-year programme for the eradication of black bucket toilets still in service in the informal settlements as well as the provision of an acceptable basic level of sanitation service to these settlements is still on track for achieving by 2011/2012.

The progressive nature of the existing domestic stepped tariff structure both for water and sanitation is pro-poor and allows for the needs of the indigent. It is also designed to discourage high water consumption levels, which have an impact on the size of both the water and sanitation portions of a consumer's bill. It enables all consumers to adjust their consumption levels to ensure affordability.

There is an increased likelihood of possible shifts in water usage patterns, experienced since the summer 2004 restrictions and the stepped-up implementation of water demand management initiatives. Three sets of tariffs have therefore been retained to make allowance for these uncertainties in case restrictions have to be imposed for 10%, 20 % and 30% saving levels respectively. The normal tariff set relates to a saving level at least 10% below the Low Water Demand Curve, as previous restrictions and water demand initiatives have been successful in reducing the normal water demand to this level and the Level 1 restriction measures have been incorporated into the promulgated Water and Sanitation By-Law as permanent good water demand practice. The tariff levels of reduction or restriction imposed by the City on its consumers is therefore not only linked to the level of restriction imposed by the Department of Water Affairs and Forestry on the City, but also to the level of demand from its consumers.

It is proposed that the tariff step structure from the 2009/10 financial year be amended as follows:

- (i) The range of the 12 to 20 kl tariff is to be widened down to 10.5kl to align it with the top end of the free water component, made up of 6kl free to all plus the 4.5kl free to indigent households by way of the monthly indigent grant.
- (ii) The range of the 40 to 50 kl tariff is to be widened down to 35 kl to further drive water saving for the high consumption user,

There is a proposed 10.0% increase in volumetric water tariffs generally, including the Bulk Water tariff. The water tariff for the Domestic Full category where the step tariff is applied will however only be increased by 9%. For sanitation tariffs a similar 10% increase is proposed with the exception of the Domestic Full category which will increase by 9% and the Domestic Cluster Category where no increase will be effected . .

Three sets of volumetric water and sanitation tariffs have been set to cater for the uncertainty in water resource availability and demand. The 20% and 30% restriction tariffs have also been refined.

The Miscellaneous Tariffs are levied by Water and Sanitation for the provision of various services by the Department. Examples of these services are the installation of water connections and the testing of meters. The aim of these Tariffs is to recover the cost of the provision of a particular service to each customer.

A punitive monthly surcharge factor has been introduced on Industrial Effluent discharge with parameters of pH balance and metal content exceeding the limits set in the Sanitation By-Law. This is at 10 times its previous level and will specifically only affect those users contributing these pollutants, to address the damage that can result to the infrastructure, such as the damage sustained at Bellville Wastewater Treatment Works last year.

In total the proposed Tariffs and Rates are cost-reflective and will provide the income to cover the costs of Water and Sanitation during the 2010 /11 financial year.

### **LIST OF ATTACHMENTS**

- |            |                                      |
|------------|--------------------------------------|
| 1 A, B, C: | Proposed Water Tariffs 2010 /11      |
| 2 A, B, C: | Proposed Sanitation Tariffs 2010 /11 |

### 3. SOLID WASTE MANAGEMENT

The Solid Waste Tariffs are levied to recover costs of services provided directly to customers and include collection fees, disposal fees, compost sales, clearance of illegal dumping on private properties, weighbridge fees and other ad hoc services. It is proposed that the Collections Tariffs (Consumptive and Sundry) increase by 18% and Disposal by 38.5%.

In addition, the following New/Changed Tariffs and amendments to existing Tariff Policy are proposed:

- **New/Changed Tariffs**

- The 85L Bin Tariff is to be removed from the Tariff Book as this service is no longer available;
- The Single & Double Lockable 240L Container Tariff has been aligned to that of the Standard 240L Container;
- A New Tariff to be introduced for the disposal of Builders Rubble @ R50/ton;
- A New Tariff to be introduced for the disposal of Tyres following the Promulgation of the National Waste Tyre Regulations:
  - Whole Tyres – Ranging from R231.90 to R800-00 at the discretion of the Director or Delegated Authority
  - Half/Quarter Tyres – Ranging from R231.90 to R800-00 at the discretion of the Director or Delegated Authority
  - Shredded Tyres – Ranging from R231.90 to R800-00 at the discretion of the Director or Delegated Authority
- The rounding up and rounding down of quantities at Disposal facilities (tonnages) will be as follows: - (1) Any quantity up to 1.3 tons will be rounded to 1 ton. (2) Any quantity above 1,3 tons will be rounded up to the next Half Ton
- A New Tariff for Litter picking on Council property after events (Business Hours) – R73,28 per 85L bag
- A New Tariff Litter picking on Council property after events (after hours & weekends) – R121,32 per 85L bag
- Remove the following Tariff 1.3.6.3 that refers to the “Supply & Service of 660L, 770L & 1100L containers used for Internal Trade Waste or Events” and Replace with the following 2 Tariffs
  - A New Tariff (Item 1.3.6.6) for the once-off Supply & Servicing of 660/770L waste containers for Events & Informal Traders – R240-00 per service
  - A New Tariff (Item 1.3.6.7) for Additional Services of 660/770L waste Containers for Events & Informal Traders – R151-00 per service
- A New Tariff for the Replacement of 660/770L should it be damaged, lost or stolen – R1981.00
- A New Tariff for the Hire of Water Tanker Services for Events to Deliver Water or Wash down roads per 5000L or any part thereof (out of Business Hours subject to availability) – R671.44
- A New Tariff for the Removal & Reinstallation of Litterbins for Films & Events (per 5 x bins or less) – R130.95
- A New Tariff for the Special installation of Litterbins, Servicing thereof & Removal thereafter for Events (per 5 x bins or less) – R162.04
- The Service at the Drop-off facilities is free provided residents adhere to conditions for Usage:
  - Garden Waste – Vehicle Capacity = 1,3ton - Frequency = 3 Loads/Day/per Vehicle;
  - Garage Waste – Vehicle Capacity = 1,3ton - Frequency = 1 Loads/Day/per Vehicle;
  - Clean Builders Rubble Waste – Vehicle Capacity = 1,3ton - Frequency = 1 Loads/Day/per Vehicle;
  - Recyclable Materials – Vehicle Capacity = 1,3ton - Frequency = Unlimited;
  - Domestic Waste (Kitchen Waste) – is not accepted at Drop-off facilities

- **Changes in the Tariff Policy:**

- The 85L Bin Tariff is to be removed from the Tariff Policy as this service is no longer available;
- Hostels & Guesthouses are now classified Non-Residential
- Area Cleaning no longer Supply or Service 1100L Containers
- Double-lockable 240L containers will be provided in baboon-infested areas as determined by the City of Cape Town in consultation with the Baboon Management Team of Nature Conservation
- In areas where the Double Lockable Container Service is considered necessary the prevailing Tariff will be applicable to all without exception.

- In the following instances the completion of an application form by the registered Property Owner for the supply of services is required:
  - For New or Change in Level of Service required by Non-Residential Properties;
  - For the Change in the Level of Service required by Residential Properties
- In the case of change in ownership of the property, the old service level will be retained pending receipt of a New Service Level Agreement.
- Should the Owner, Body Corporate or Property Management Agent not be satisfied with the outcome of the Adjustment, he/she may Appeal (in writing) to the City Manager within 21 days in terms of Section 62 of the Municipal Systems Act.
- **Amendments:**
  - The Rebate bands have been amended as follows:
    - R0 up to R100,000 – 100% Rebate
    - From R100,001 up to & including R150,000 – 75% Rebate
    - From R150,001 up to & including R350,000 – 50% Rebate
    - From R350,001 up to & including R400,000 – 25% Rebate
- Additional funds required over and above the parameter increases for Collection Tariff funded services amount to R84m and consist of the following:
  - a) Renewal of Current Waste Collection Contracts – R 27m
  - b) Debt Working Capital as a result of the reduction in the Collection Ratio – R 12m
  - c) Bulk Charges as a result of the Disposal Tariff Increase – R 45m
- Additional funds required over and above the parameter increases for Disposal Tariff funded services amount to R85m and consist of the following:
  - a. Interest & Redemption – R 38m
  - b. Operating Cost for the Newly built Oostenberg Transfer Station – R 17m
  - c. Provision for the Liability on the Operating Budget for the Rehabilitation & Closure of Landfill Sites – R 30m

The impact of the abovementioned on Tariffs is as follows:

- Collection Tariff (Consumptive and Sundry) – 18% increase
- Disposal Tariffs – 38.5% increase

Failure to implement the proposed Tariff increases on 1 July 2010 will result in under recovery of Revenue required to meet anticipated expenditure for the 2010/2011 financial year.

#### **LIST OF ATTACHMENTS**

1. Collection Tariff (Consumptive and Sundry) for 2010/11 as per the Tariffs and Charges Book (see page 42.1 to 42.9)
2. Other Tariffs (Sundry) for 2010/11 as per the Tariffs and Charges Book (see page 42.10 to 42.19)
3. Definitions as per the Tariffs and Charges Book

# ATTACHMENT 1

## PROPOSED CONSUMPTIVE SOLID WASTE TARIFFS 2010 / 2011

All Tariffs exclusive of VAT

<b>Solid Waste</b>		2009/10	2010/11	Increase %
<b>Residential Collections</b>				
<b>FORMAL</b>				
240l Container	<i>Rand per month</i>	63.93	75.44	18%
Single Lockable 240L Container	<i>Rand per month</i>	67.22	75.44	12.2%
Double Lockable 240L Container	<i>Rand per month</i>	70.52	75.44	7%
<b>INDIGENT REBATE</b>				
Block 1 (100% rebate)	<i>Property value up to</i>	R 100,000	R 100,000	-
Block 2 (75% rebate)	<i>Property value from R100,001 to</i>	R 150,000	R 150,000	-
Block 3 (50% rebate)	<i>Property value from R150,001 to</i>	R 250,000	R 350,000	-
Block 4 (25% rebate)	<i>Property value from R350,001 to</i>	R 300,000	R 400,000	-
<b>240l Container</b>				
Block 1 (100% rebate)	<i>Rebate Rand per month</i>	-63.93	-75.44	18%
Block 2 (75% rebate)	<i>Rebate Rand per month</i>	-47.95	-56.58	18%
Block 3 (50% rebate)	<i>Rebate Rand per month</i>	-31.96	-37.72	18%
Block 4 (25% rebate)	<i>Rebate Rand per month</i>	-15.98	-18.86	18%
100% Indigent Relief	<i>As determined by the Credit Control &amp; Debt Collection Policy</i>	-R63.93	-R75.44	18%
<b>ENHANCED SERVICE LEVEL</b>				
240l - Additional Container	<i>Rand per container per month</i>	63.93	75.44	18%
240l - 3x per week for cluster	<i>Rand per container per month</i>	191.78	226.30	18%
<b>INFORMAL</b>				
Rudimentary Service:	<i>Rand per month</i>	Free	Free	-
Basic Bagged:	<i>Rand per month</i>	Free	Free	-
<b>Non-Residential Collections</b>				
<b>"Non Residential" excludes vacant and residential properties.</b>				
<b>240 LITRE CONTAINER</b>				
1 removal per week	<i>Rand per container per month</i>	76.40	90.15	18%

3 removal per week	<i>Rand per container per month</i>	223.52	263.75	18%
5 removal per week	<i>Rand per container per month</i>	362.98	428.32	18%
Single Lockable 240L Container	<i>Rand per month</i>	79.71	94.06	18%
Double Lockable 240L Container	<i>Rand per month</i>	83.00	90.15	13.1%
<b><i>Refuse Availability</i></b>				
Council owned property <u>is not</u> subject to the availability charge				
All vacant Erven	<i>Rand per month</i>	37.86	44.67	18%
<b>Disposal Services</b>				
General Waste	<i>Rand per ton</i>	167.44	231.90	38.5%
Special Waste	<i>Rand per ton or part thereof</i>	197.44	261.90	38.5%
Clean Builders Rubble	<i>Rand per ton</i>	0.00	50.00	New