

## **ANNEXURE 5**

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

#### **1. WATER AND SANITATION**

The proposed Water and Sanitation Tariffs for 2009/10 are consistent with National Policy on the extension 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.

The City's Urban Agriculture Policy of 2007 is now being implemented and calls for a free 10 kl of water per month to each qualifying Vulnerable Subsistence farming group.

There are uncertainties in the projected water supply as well as uncertainties in the demand for water due to possible shifts in water usage patterns in the aftermath of 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, 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 2008/09 financial year be retained, with a proposed 10.0% increase in volumetric water tariffs generally with the exception of the Bulk Water Tariff on which there is no increase necessary this year and a proposed 7.0% increase in sanitation tariffs generally with the exception of the Domestic Cluster Category on which there is no increase this year. The reason for the different tariff levels on Water versus Sanitation is to better apportion the income in relation to the cost of the service portion and hence eliminate the existing cross-subsidy from sanitation to water, a legacy of the fact that prior to 2007/08, sanitation charges were not based solely on volume of water consumed but also on property value.

Because the volumetric sanitation tariffs are now solely dependant on water consumption, three sets of volumetric sanitation tariffs have also been set to cater for the uncertainty in water resource availability and demand. The volumetric tariff structure mirrors the water tariff structure.

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. Some of these tariffs which no longer accurately reflected the actual cost have been evaluated to achieve alignment. It is envisaged that this initiative will be refined over the next few years until all the miscellaneous tariffs accurately reflect the actual cost per transaction.

A punitive monthly surcharge for unauthorised connections for stormwater runoff into a sewer is being introduced and will be implemented on a phased basis as such installations are detected and the owner given a notice period to either reconnect in an acceptable manner or pay the surcharge thereafter.

The successful installation of water management devices that prevent water losses will continue to be rolled out to more households. This device can be set to a maximum allowed (low) flow per day, to prevent an unexpected large monthly bill due to leakage, accidental or intentional over-use during a particular month. Consumers also have the option to apply for such a device to their premises. There will be a charge levied for such voluntary installation to cover the cost, but the choice whether to install or not will remain with the City. For suburbs and households into which such devices are pro-actively installed by the City, no charge will be levied.

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 2009 /10 financial year.

#### ***LIST OF ATTACHMENTS***

- 1 A, B, C: Proposed Water Tariffs 2009 /10
- 2 A, B, C: Proposed Sanitation Tariffs 2009 /10

## 2. 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 Domestic 2 (Low Consumption with FBE) Tariff and purchasing less than 400 kWh per month on average as well as the City's Eskom supplied domestic consumers 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.

Furthermore, the installation of a new Pre-payment metered electricity supply will be free of charge for consumers listed in the Indigent Register.

Guidelines for the municipal electricity tariff increase in July are normally published by NERSA in the previous December. In the absence of the guidelines, National Treasury has indicated that the City should prepare its budget using an assumed Eskom bulk increase. This increase, together with increases in expenditure on Salaries and Wages, Repairs and Maintenance, contributions to the Rate Account and the 2c per kWh environmental levy require the electricity tariffs to increase by an average of 33.5 %. A further increase to the Eskom bulk tariff which may need to be reflected in the City's tariffs may be brought into effect by NERSA before July 2009.

Present electricity tariffs were approved by Council in May 2008 and implemented with effect from 1 July 2008. Very late approval of an additional Eskom tariff increase by NERSA resulted in the City's approved tariffs being higher than the NERSA approved tariffs in three instances. It is proposed to apply the percentage tariff increase to be approved by the City for 2009/10 to the NERSA approved 2008/09 tariffs.

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 increase the NERSA approved Domestic 2 (Low consumption with FBE) Tariff by 10 %. The resulting shortfall in revenue from the sale of electricity to these consumers can be financed by increasing the average tariff increase for all other consumers from 33.5 % to 36.0%

It is proposed that the electricity tariffs be amended as follows:

Domestic 1 (High consumption) becomes Domestic High and is increased by 36 %.

Domestic 2 (Low Consumption no FBE) becomes Domestic Low and is increased by 36 %.

Domestic 2 (Low Consumption with FBE) becomes Lifeline and the NERSA approved value of 49.00 c/kWh be increased by 10 %. Note: This will result in a 9 % increase in the City approved tariff of 49.46 c/kWh.

Domestic 3 (Three Phase) Tariff will be discontinued due to the high number of complaints received and the difficulty of applying the tariff in an equitable manner across the City. It is proposed that new Domestic consumers with an installed capacity of 100 Amperes or more will be treated as commercial customers. Consumers who are currently being charged at the Domestic 3 Tariff will be automatically transferred to the most appropriate Domestic High or Small Power User 1 Tariff.

Small Power User 1 and 2 Tariffs are increased by 36 % using the NERSA approved c/kWh values which are somewhat lower than the City approved values.

The Off-Peak, Wheeling, Large and Very Large Power User Tariffs are increased by 36 % except the demand charge applicable to the Very Large Power User Tariff which should be increased by 50 % to move towards a more cost reflective situation as approved by Council in 2002.

The time-of-use tariff introduced in 2008 is increased by approximately 33% to encourage more of the larger consumers to make use of this tariff. It is further proposed that the peak energy period will no longer apply on Saturdays. It is anticipated that this tariff will continue to be altered over a period of years and eventually replace the Large and Very Large Power User Tariffs.

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

The consumption based lighting tariffs have now been moved from the Street Lighting Schedule to the consumption based tariff schedule where they correctly belong. It will unfortunately be necessary to increase these tariffs by approximately 72 % to bring them into line with current prices. The unusually high increase is necessary to recover the shortfall which arose due to the last minute adjustment in Eskom's tariffs announced by the Regulator in June 2008 when it was too late to alter the street lighting tariffs.

The two "legacy" tariffs that were carried over from the transitional local authorities when these were incorporated into the present Cape Town municipal area will be abolished with effect from 1 July 2009.

The proposed consumption based tariffs are shown in Attachment 1.

The sundry electricity tariffs are reflected in the Tariffs, Fees and Charges book (Annexure 6) and 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. It is proposed that these tariffs be increased by an average of 8 %. The revised prices are generally in accordance with inflationary pressures although in some cases revised practices or standards have resulted in higher or lower costs.

The deposits applicable to supply agreements have been amended for equity without adversely affecting the interests of the City. The tariffs for testing of meters and circuit breakers have been streamlined in order to be more appropriate to modern practice.

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 8 %.

The proposed revised lighting tariffs are shown in the Tariffs, Fees and Charges Book (Annexure 6).

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

New domestic customers with an installed capacity below 100 Amperes 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 100 Amperes or more will be charged at the Small Power 1 Tariff. Consumers who are currently being charged at the Domestic 3 Tariff will be automatically transferred to the most appropriate Domestic High or Small Power User 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 and could be beneficial to customers using more than 12 GWh per annum.

Failure to implement the proposed tariff increases on 1 July 2009 will result in an under recovery of revenue required to meet anticipated expenditure for the 2009/10 financial year.

**See Electricity Tariff Scenarios on next page**

### 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, transfer station 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) and Other Sundry Tariffs be increased by 10%.

In addition, the following new tariffs and amendments to existing tariffs are proposed:

- Definition for "Vacant Land" brought in line with the Property Rates Policy;
- Definition for "240L Container" extended to include: "The Container would be replaced at no cost to the Customer when damaged or stolen and negligence can not be proven. In the case of a stolen container a SAPS case number must be supplied";
- A New 100% Indigent Relief Rebate to be introduced in terms of Section 27 of the Credit Control & Debt Management Policy;
- A single tariff has been introduced for Waste Disposal at Transfer Stations & Landfill Sites;
- New Tariffs have been introduced to render a Collection Service for Special Events over Weekends;
- New Tariff has been introduced for Free Disposal of clean recyclables at Municipal Integrated MRF's
- The Ad hoc collection of Garden Refuse must be requested 5 working days prior to the normal refuse collection day to coincide with such date;
- Unsifted Compost may be made available free of charge, at the discretion of the Director or Delegated Authority, and the recipient may not sell such compost.
- 

Additional funds required over and above the parameter increases for Tariff funded services amount to R48,290,374 and consist of the following:

- a) Increase in the Staff Budget for Collections – R5,290,387
- b) Increase in the Labour Brokers – R1,499,987
- c) Increase in the Contracted Services – R 41,500,000

Additional funds required over and above the parameter increases for Rates funded services amount to R46,424,261 and consist of the following:

- a. Increase in the Staff Budget – R 43,424,261
- b. Increase in the Contracted Services for Disposal – R 3,000,000

The impact of the abovementioned on Tariffs is as follows:

- Collection Tariff (Consumptive and Sundry) – 10% increase
- Other Tariffs (Sundry) – 10% increase

Failure to implement the proposed tariff increases on 1 July 2009 will result in an under recovery of revenue required to meet anticipated expenditure for the 2009/2010 financial year.

<b>SOLID WASTE MANAGEMENT SERVICES</b>		08/09	09/10	% Growth
<b>Income</b>				
Sales	Solid Waste Trade Services	(489,770,899)	(545,124,379)	11.3%
Contributions	MIG	(37,500,000)	(50,000,000)	33.3%
Internal Income	Internal to Solid Waste	<b>(111,009,070)</b>	<b>(132,750,811)</b>	19.6%
Other	Other (Miscellaneous. Tariffs, etc)	(62,940,731)	(90,738,732)	44.1%
<b>Total</b>		(701,220,700)	(818,613,922)	16.7%
Rates & Indigent Grant (Informal Settlements)		(538,785,849)	(627,799,221)	16.5%
<b>Total</b>		(1,240,006,549)	(1,446,413,143)	16.6%

		08/09	09/10	% Growth
<b>Expenditure</b>				
Employee Costs (Total)		302,754,778	346,635,881	14.5%
General Expenses		191,035,252	220,396,158	15.3%
Repairs and Maintenance		62,882,656	71,091,852	13%
Contracted Services		300,265,046	355,058,739	18.2%
Appropriation Account		31,805,631	58,774,373	84.8%
MIG		37,500,000	50,000,000	33.3%
Other		330,885,231	362,066,640	9.4%
<b>Total</b>		1,257,128,594	1,464,023,643	16.5%

The above table shows an increase of 16.5% in the income for Solid Waste Management Services. This increase is due to the 10% increase in the Disposal Sundry Tariffs coupled with the 10% increase in the Collections Consumptive (refer Attachment 1 below) and Sundry Tariffs (Refer to Annexure 6 – Tariffs and Charges Book, pgs 36.1 to 36.6).

The proposed increment to Solid Waste Consumptive and Sundry Tariffs is in line with Council's Indigent Policy and Equitable Services Framework and is tailored to encourage waste minimization.

# ATTACHMENT 1

## PROPOSED CONSUMPTIVE SOLID WASTE TARIFFS 2008 / 2009

All Tariffs exclusive of VAT

<b>Solid Waste</b>		2008/09	2009/10	Increase %
<b>Residential Collections</b>				
<b><i>FORMAL</i></b>				
240l Container	<i>R/month</i>	R58.11	R63.93	10%
85l Bin/Bag : 1x 85L bin = 3 bags	<i>R/month</i>	R50.59	R55.65	10%
Single Lockable 240L Container	<i>R/month</i>	R61.11	R67.22	10%
Double Lockable 240L Container	<i>R/month</i>	R64.11	R70.52	10%
<b><i>INDIGENT REBATE</i></b>				
Block 1 (100% rebate)	<i>Property value below</i>	R 100,000	R 100,000	-
Block 2 (75% rebate)	<i>Property value below</i>	R 150,000	R 150,000	-
Block 3 (50% rebate)	<i>Property value below</i>	R 200,000	R 250,000	-
Block 4 (25% rebate)	<i>Property value below</i>	R 250,000	R 300,000	-
<b>240l Container</b>				
Block 1 (100% rebate)	<i>Rebate R/month</i>	-R58.11	-R63.93	10%
Block 2 (75% rebate)	<i>Rebate R/month</i>	-R43.58	-R47.95	10%
Block 3 (50% rebate)	<i>Rebate R/month</i>	-R29.06	-R31.96	10%
Block 4 (25% rebate)	<i>Rebate R/month</i>	-R14.53	-R15.98	10%
100% Indigent Relief	<i>As determined by the Credit Control &amp; Debt Collection Policy</i>	R0	-R63.93	-
<b>85l Bin/Bag : 1x 85L bin = 3 bags</b>				
Block 1 (100% subsidy)	<i>Subsidy R/month</i>	-R50.59	-R55.65	10%
Block 2 (75% subsidy)	<i>Subsidy R/month</i>	-R37.94	-R41.74	10%
Block 3 (50% subsidy)	<i>Subsidy R/month</i>	-R25.30	-R27.82	10%
Block 4 (25% subsidy)	<i>Subsidy R/month</i>	-R12.65	-R13.91	10%
100% Indigent Relief	<i>As determined by the Credit Control &amp; Debt Collection Policy</i>	R0	-R55.65	-
<b><i>ENHANCED SERVICE LEVEL</i></b>				
240l - Additional bin	<i>R/bin/month</i>	R58.11	R63.93	10%
240l - 3x per week for cluster	<i>R/bin/month</i>	R174.34	R191.78	10%
85l - Additional ( bin = 3 bags )	<i>R/bin/month</i>	R50.59	R55.65	10%

85l - 3x per week for cluster	<i>R/no. of units in cluster/month</i>	R55.26	R60.78	10%
<b>INFORMAL</b>				
Rudimentary Service:	<i>R/month</i>	Free	Free	-
Basic Bagged:	<i>R/month</i>	Free	Free	-
<b>Non-Residential Collections</b>				
<b>"Non Residential" excludes vacant and residential properties.</b>				
<b>85 LITRE BIN/BAG REMOVAL - only where no containerised service : 85l bin = 1 bag</b>				
1 removal per week	<i>R/bin/month</i>	R29.39	R32.33	10%
3 removal per week	<i>R/bin/month</i>	R88.18	R97.00	10%
5 removal per week	<i>R/bin/month</i>	R146.97	R161.67	10%
1 removal per week (or equivalent service) per informal trader service point in informal areas on Council prop	<i>R/bin/month</i>	Free	Free	-
<b>240 LITRE BIN/BAG REMOVAL - Containerised removals</b>				
1 removal per week	<i>R/bin/month</i>	R69.46	R76.40	10%
3 removal per week	<i>R/bin/month</i>	R203.20	R223.52	10%
5 removal per week	<i>R/bin/month</i>	R329.98	R362.98	10%
Single Lockable 240L Container	<i>R/month</i>	R72.46	R79.71	10%
Double Lockable 240L Container	<i>R/month</i>	R75.46	R83.00	10%
<b>Refuse Availability</b>				
Council owned property <u>is not</u> subject to the availability charge				
All vacant Erven	<i>R/month</i>	R34.42	R37.86	10%