

**FUNDING AGREEMENT FOR RENDERING
FREE BASIC ELECTRICITY**

(hereinafter referred to as "the Agreement")

BETWEEN

CITY OF CAPE TOWN

(hereinafter referred to as "the City")

AND

ESKOM HOLDINGS SOC LIMITED

(Registration Number: 2002/015527/06)

(Hereinafter referred to as "Eskom")

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PREAMBLE:

WHEREAS from the 2003/04 financial year, two new supplementary budget components and windows have been added to the local government equitable share to accelerate the provision of Free Basic Services to low-income households. The 2003/04 local government equitable share was replaced by a new formula in 2005 which does not include windows but still funds the provision of basic services.

AND WHEREAS it is essential to oblige the Municipality, that has contracted with Eskom in line with the FBE policy initiated by the Department of Minerals and Energy (DME) and sanctioned by Cabinet, to transfer the funds for providing Free Basic Electricity level of the municipal service in question from the Municipality to Eskom;

ANNEXURES:

- A. Implementation Process
- B. Company Resolution from ESKOM HOLDINGS SOC LIMITED authorizing **Ms. Rene Darby** in her capacity as **Senior Manager Customer Services (Western Cape)** to sign this agreement.

The bottom right corner of the page contains several handwritten signatures and initials. There are three distinct signatures, one of which appears to be 'Rene Darby'. Below the signatures, there is a small number '2' and some other handwritten marks, including what looks like 'H.M.' and a stylized 'B'.

THE PARTIES

1. The Parties to this Agreement are:-

1.1 the CITY of Cape Town (hereinafter referred to as "the City") herein represented by **Mr. Kevin Jacoby** in his capacity as the **Executive Director: Finance** duly authorized hereto and **Ms. Rene Darby** in her capacity as the **Senior Manager: Customer Services (Western Cape)** duly authorized hereto.

Now therefore the City and Eskom agree as follows:

1. DEFINITIONS:

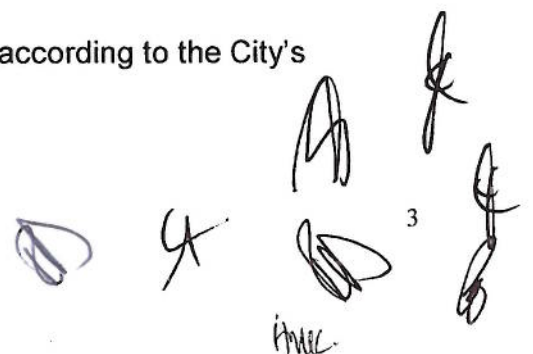
In this Agreement, unless the context otherwise indicates –

"CITY of Cape Town" -- means a Metropolitan Municipality, established in terms of the *Local Government: Municipal Structures Act, 1998* read with the *Province of the Western Cape: Provincial Gazette 5588* dated 22 September 2000.

ESKOM HOLDINGS SOC LIMITED – means ESKOM, a public limited liability company registered in terms of the Company Laws of South Africa with registration number 2002/015527/06.

"Commencement date" - means the date referred to in paragraph 3.

"Eligible customers" - are customers as determined according to the City's



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Indigent policy, or any other method (technical/ standard) as agreed by the City and Eskom as fully described in Annexure A;

"Equitable share" - means the unconditional grant allocated to municipalities to supplement their own revenue to deliver basic services to the poor households;

"Financial year" - means a 12 (twelve) month period commencing on 1 July and ending on 30 June of the following year;

"Free Basic Electricity" - means limited free amount of electricity supply deemed necessary to support basic energy services of a typical poor household as determined by Government from time to time as contained in the Free Basic Electricity, Notice 1693 of 2003;

"Parties" - means the City and Eskom;

"Tax invoice" - means a document provided as required by *Section 20 of the Value-Added Tax Act No 89 of 1991*, as amended;

"VAT" - means Value-Added Tax as provided for in Section 7 of the Value-Added Tax Act No 89 of 1991, as amended;

"MFFBE" - means Municipal Funding for FBE as per policy of the City with reference to Annexure "A", point 4.

2. PURPOSE

This agreement shall constitute a contractual arrangement specifying the details of Free Basic Electricity ("FBE") to be rendered, at the instance of the City, by Eskom to eligible customers falling within the municipal boundaries of the City.

3. COMMENCEMENT AND DURATION OF AGREEMENT

Notwithstanding the date of signature of this agreement, the parties agree that this agreement will commence on **1 July 2012** and terminate on **30 June 2015**. The parties may agree, in writing, at least three months prior to the termination date (i.e. 30 June 2015) to extend the duration of the agreement for further periods.

4. SCOPE OF SERVICES

- 4.1 Eskom shall, on behalf of the City, provide FBE through its prepaid and conventional meters to eligible customers falling within the municipal boundaries of that City once a month.
- 4.2 Eskom shall supply eligible customers who have prepaid meters with tokens and shall provide eligible customers who have conventional meters with an allocation on a targeted basis as provided in the FBE policy or as agreed between the City and Eskom, subject to the provisions of Annexure "A" hereto.
- 4.3 Subject to Annexure "A" hereto, Eskom shall provide 50kWh of electricity to eligible customers and shall charge the City for the FBE on the basis of the recommended National Tariff for the provision of FBE as amended by the National Energy Regulator of South Africa (**NERSA**) from time to time.
- 4.4 Eskom shall furnish the City with monthly tax invoices detailing the FBE units issued and the total amount owed by the City to Eskom.
- 4.5 Annexure "A" shall be revised annually on or before the 7th of June of that year by agreement between the parties and annexed hereto. The annexure must be initialed by both parties' official representatives who are duly authorized to do so. Failure by Eskom to agree to the annual revision, shall be considered a breach as set out in clause 8.1.



5. FUNDING ARRANGEMENT

- 5.1 The City shall annually at the beginning of its financial year inform Eskom of the amount of funding to be allocated for the rendering of FBE as contemplated in Subsection 4.3.
- 5.2 The Municipality shall annually utilize the funds allocated for the FBE in the equitable share and other funds for the payments of FBE issued/used.
- 5.3 The tax invoices referred to in sub-clause 4.4 shall constitute prima facie proof of the amount due by the City to Eskom.

6. OBLIGATIONS OF THE MUNICIPALITY

- 6.1 Indicate your options below:

Technical Targeting Agreement:	☐ No
Municipal Indigent Policy Agreement:	☒ Yes
Municipal Blanket Policy Agreement:	☐ No

- 6.2 The City shall pay within 30 (thirty) days after the invoice provided by Eskom has been delivered to the City for the FBE supplied to the households during the preceding month.
- 6.3 Interest shall be charged at prime rate calculated from the date of the invoice delivered to the City if the City fails to settle payments or accounts outstanding for longer than 30 (thirty) days from the date the said invoice have been delivered.

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- 6.4 Should the City fail to transfer funds to Eskom in terms of clause 6.1 hereof, Eskom may, upon thirty (30) days written notice to the City, discontinue the provision of FBE.
- 6.5 The amount claimed by Eskom shall be calculated by using the tariff referred to in clause 4.3.
- 6.5 The City shall monitor the provision of FBE by Eskom, and where such FBE has not been rendered in accordance with FBE policy contained in Notice 1693 of 2003, the City shall give Eskom at least thirty (30) days written notice to rectify such problems or situation, where after, if necessary, will take appropriate action.
- 6.6 The City shall, on a monthly basis liaise with Eskom on the progress made on the roll out and the challenges faced by Eskom on the running of FBE and provide solutions to such challenges.

7. RESPONSIBILITIES AND RIGHTS OF ESKOM

- 7.1 Eskom shall at all times maintain full, accurate and up to date records relating to the provision of FBE to households as agreed to between the parties, including percentage of households supplied and particulars of account numbers or meter numbers or customer names if available and consumption per account or meter number.
- 7.2 Eskom shall also keep detailed records of identified consumers who did not receive FBE allocation for reasons other than service termination due to non-payment, hardware tampering and illegal connections.
- 7.3 Eskom shall designate a banking account with a registered bank into which monies owed to Eskom can be deposited by the City.

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7.4 At the end of each financial year, all financial and other records pertaining to the provision of FBE shall be made available by Eskom to the City on request, within thirty (30) days after a request for such information at the *Domicilium* offices of Eskom in order for the City to verify that clause 4.3 is complied with.

7.5 Eskom shall provide the City and the Provincial Department: Cooperative Governance with monthly reports detailing the following:

7.5.1 number of households provided with the FBE; and

7.5.2 The percentage of FBE issued on the total eligible customers.

7.6 Eskom will be responsible to interact with consumers in Eskom supply areas concerning matters related to the provision of the FBE in accordance with sub-clause 4.2 hereof, this responsibility is limited to communication of the outcome of the City of Cape Town free basic electricity policy to electricity consumers in the Eskom supply areas and excluding communication of the rationale of the City of Cape Town policy. The City of Cape Town will be responsible to explain the rationale of its FBE policy including that of being present at customer and stakeholder sessions where the rationale behind its policy may so be required.

8. BREACH OF CONTRACT

8.1 There shall be a breach of contract if any party fails to comply with any duty or obligation in terms of this agreement.

8.2 Whenever a breach of contract envisaged by sub-clause 8.1 occurs, the party responsible for the breach must be given an opportunity to remedy such breach within a period of 30 (thirty) days. Notice of the defect should be given and a request for rectification made in writing and proof of delivery obtained.

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8.3 Should a party breach any of the terms and conditions of this agreement and fail to remedy such breach in line with sub-clause 8.2, the aggrieved party shall, without prejudice to any of its other rights, be entitled to:

8.3.1 immediately cancel this agreement; and

8.3.2 claim damages from the party who is in breach.

9. DEFAULT IN PAYMENTS

9.1. Should the City be in arrears for a period exceeding 90 (ninety) days and after notice of such arrear, the City still fails to make payment, Eskom shall escalate the matter to the Provincial Department of Cooperative Governance and Provincial Legislature for intervention and recourse. This shall be done for purposes of arrear settlement and/or payment of the outstanding debt by the City.

9.2. Should Eskom receive no payment and resolution after the provincial government department referred to in clause 9.1 has attempted to facilitate a resolution, Eskom shall escalate the matter to the National Department of Cooperative Governance for resolution.

9.3. Notwithstanding the provision of sub clause 9.1 and 9.2 hereof, Eskom shall be entitled to exercise any rights it has in law against the City as a result of the failure contemplated herein.

10. AMENDMENT TO AGREEMENT

Any changes, amendments, relaxation and/or additions to the agreement shall be agreed upon in writing and duly signed by the official representatives of both parties.

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11. WAIVER

No waiver by a party of any breach, failure or default in performance by the other party, and no failure, refusal or neglect by a party to exercise any right hereunder or to insist upon strict compliance with or performance of the other party's obligations under this agreement shall constitute a waiver of the provisions of this agreement and a party may at any time require strict compliance with the provisions of this agreement.

12. ENTIRE AGREEMENT

This agreement constitutes the sole and entire agreement between the parties and supersedes all previous negotiations, arrangements or agreements in respect of the subject matter of this agreement. Annexures for the other financial years annexed hereto, shall form part of the agreement.

13. SEVERABILITY

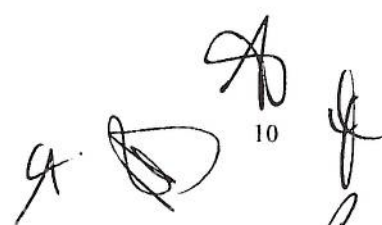
In the event that any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this agreement, but this agreement shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein, and the agreement shall be carried out as nearly as possible according to its original terms and intent.

14. APPLICABLE LAW

This agreement shall be interpreted in accordance with the laws of the Republic of South Africa.

15. CESSION

- 15.1 Neither party shall cede, assign, transfer, make over or delegate any right or obligation acquired or incurred in terms of this agreement, without the prior written consent of the other party.



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- 15.2 Notwithstanding the provision of sub-clause 15.1 hereof, Eskom shall be entitled to transfer, assign, cede or delegate its rights or obligations to any new legal entity with the written consent of the City.

16. DISPUTE RESOLUTION

- 16.1 Any dispute relating to this agreement shall be referred in writing to the Director: Electricity Services of the City and the relevant Operating Unit Manager of Eskom or any official acting in a similar capacity for resolution. Thereafter, if no solution is found, it shall be referred, in writing, to the Customer Service Group Executive and CEO of Eskom, the City Manager of the City and the Director General of the Provincial Department: Cooperative Governance or a delegate and they shall endeavor to settle the dispute.
- 16.2 If the dispute is not settled in terms of sub-clause 16.1 within 30 (thirty) days, the matter may, at the instance of any of the parties, be referred to arbitration in terms of the Arbitration Act, No 42 of 1965. The parties agree to refer the appointment of the arbitrator who is a Senior Counsel to the General Bar Council of South Africa if the matter relates to a legal dispute and if the matter relates to a financial dispute to refer the matter to the South African Association of Charter Accountants for the appointment of an arbitrator.
- 16.3 The language of the arbitration shall be English.
- 16.4 The place of arbitration shall be held at Cape Town, South Africa.
- 16.5 The procedural law of the Republic of South Africa shall apply where the arbitration rules are silent.
- 16.6 Notwithstanding the provision of sub-clause 16.2, any party may seek urgent interim relief from a competent court.

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17. FORCE MAJEURE

- 17.1 Either party shall be excused from the non-performance of any of its obligations under this agreement, if caused by any factor outside the control of the party, such factor including, without limitation, fire, storm, damage, inclement weather, riots, breakdown of machinery or equipment, persistent vandalism of equipment, severe unavailability of materials and technologies, strikes, lock-outs, sanctions, embargoes and actions of the legislative, or the executive, or the military authorities, or any other extreme external factor that renders the execution of this agreement impossible.
- 17.2 The affected party shall bear the onus of proving that an event of *force majeure* has occurred, and will keep the other party informed in writing of the circumstances, which the affected party claims to amount to *force majeure*.
- 17.3 If *force majeure* persists for a continuous period of more than 3 (three) consecutive months, either party may terminate this agreement on 30 (thirty) days written notice to the other party.



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18. DOMICULIUM CITANDI ET EXECUTANDI

- 18.1 The parties choose as their respective *domicilia citandi et executandi* for all purposes under the agreement, whether in respect of court process, notices or documents or communications of whatever nature, the following addresses:

The City: Dr. Leslie John Rencontre
Director: Electricity Services

Address: Civic Centre
12 Hertzog Boulevard
Cape Town
8001

Telephone number: 021 400 1926

Facsimile number: 021 400 1831

E Mail: LeslieJohn.Recontre@capetown.gov.za

Eskom Ms. Rene Darby
Senior Manager: Customer Services (Western Cape)

Address: 60 Voortrekker Road,
Bellville
7535

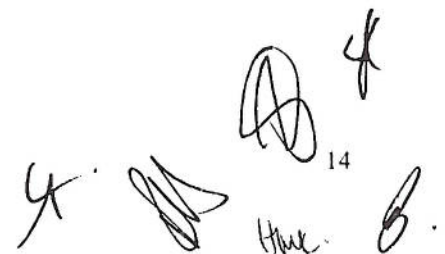
Telephone number: 021 915 2852 / 021 915 2144

Facsimile number: 086 663 4716 / 086 665 9967

E Mail: Rene.Darby@eskom.co.za

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- 18.2 Any notice or communication required or permitted to be given in terms of the agreement shall be valid and effective only if effected in writing, but it shall be competent to give notice by hand delivered letter, telefax, and registered letter. Proof of delivery in each case shall be the following: a) for a hand delivered letter a written receipt indicating date and time of delivery, b) for a telefax the transmission confirmation printed by the fax machine and c) for a registered letter the official receipt of posting. The aforementioned items shall be deemed to be received by the other party as follows: a) for the hand delivered letter upon delivery as indicated by the time and date of delivery, b) for the telefax the time of transmission as reflected on the transmission report, and c) for the registered letter 3 (three) days after posting.
- 18.3 The *domicilium citandi et executandi* is chosen for the purpose of giving notice, the payment of any sum, the service of any process and for any other purpose arising from this Agreement.
- 18.4 Any notice shall be deemed received, until the contrary is proved.
- 18.5 If hand delivered during business hours on a business day, on the day of delivery;
- 18.5.1 If sent by telefax, on the date of such telefax;
- 18.5.2 If posted via registered post from an address within the Republic of South Africa, on the third day after the date of posting; and
- 18.5.3 If sent via e mail, on the date of sending such e-mail.
- 18.5.4 Any notice in terms of or in connection with this Agreement shall be valid and effective only if in writing and if received or deemed to have been received by the addressee.



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19. COSTS

Each party shall bear its own costs attendant on the negotiation and/or conclusion of this Agreement.

20. LIMITATION OF LIABILITY

Neither the CITY nor Eskom shall be liable to each other for any indirect or consequential loss or damage, including without limitation, loss of profit, revenue, anticipated savings, business transactions or goodwill or other contracts whether arising from negligence or breach of contract.

21. NATURE OF RELATIONSHIP

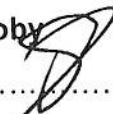
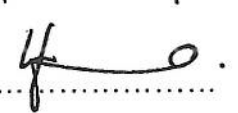
21.1 This Agreement does not create an employment relationship, partnership, joint venture or agency between the parties and neither party shall be liable for the debts of the other party, howsoever incurred.

21.2 ESKOM has no authority or right to bind the City to any third party and it shall be personally liable for any act purporting to so bind the City.

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true

SIGNED by the parties and witnessed on the following dates and at the following places respectively.

The Municipality:

DATE	PLACE	WITNESSES	SIGNATURE
21 April 2013	Cape Town		For: City of Cape Town
			Mr. Kevin Jacoby 
1. 		2. 	

Eskom:

DATE	PLACE	WITNESSES	SIGNATURE
1 July 2013	Belville		For: Eskom
			Ms. Rene Darby 
1. 		2. 	



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ANNEXURE A

IMPLEMENTATION PROCESS

The Municipal Indigent Policy Method is applicable to this agreement

NUMBER OF CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY IN ESKOM AREAS - CITY OF CAPE TOWN (Numbers as at 30 April 2012)

	<u>NO. OF CUSTOMERS USING <150kWh AVERAGE PER MONTH</u>	<u>NO. OF CUSTOMERS USING >150kWh – 250kWh AVERAGE PER MONTH</u>	<u>TOTALS</u>	<u>APPLICABLE ELECTRICITY TARIFF RATE (c/kWh excl VAT and excl 3.5c environmental levy) AT COMMENCEMENT DATE OF AGREEMENT</u>
<u>PREPAID METERS:</u>				
Cape Town area: 20A customers:				
Using ≤150kWh (FBE)	18324		18324	63.35
Using >150kWh – 250kWh (MFFBE)		22090	22090	57.33
60A customers				
Using ≤150kWh (FBE)	5049		5049	63.35
Using >150kWh – 250kWh (MFFBE)		10339	10339	57.33
Sub totals	23373	32429	55802	
Khayelitsha: 20A customers:				
Using ≤150kWh (FBE)	12531		12531	63.35
Using >150kWh – 250kWh (MFFBE)		9516	9516	57.33
60A customers				
Using ≤150kWh (FBE)	8689		8689	63.35
Using >150kWh – 250kWh (MFFBE)		15623	15623	57.33
Sub totals	21220	25139	46359	
<u>CONVENTIONAL METERS:</u>				
All areas using ≤150kWh (FBE)	413		413	63.35
All areas using >150 - 250kWh (MFFBE)		1042	1042	57.33
Sub totals	413	1042	1455	
TOTAL CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY	45006	58610	103616	

FBE is the tariff rate determined by NERSA

MFFBE is the Eskom Homelight (non- local authority) Block 1 tariff



NOTES (FOR EXPLANATORY PURPOSES):

1. The figures reflect the total numbers of customers as at 30 April 2012 and are subject to growth as new customers are connected from time to time. The monthly accounts will only reflect the number of customers who received FBE.
2. In terms of the Municipality's policy Eskom will supply all its domestic customers receiving $\leq 250\text{kWh}$ on average per month 50 kWh FBE for the period of this agreement. (Note that prepaid customers who PURCHASE less than or equal to 200 kWh per month (determined annually on an average measured over a 12 month period) will get the free 50 kWh per month bringing the total RECEIVED for the month to the required 250 kWh or less.)
3. Eskom will bill the Municipality monthly for FBE issued to its customers as follows:

Prepayment customers:

- 20A and 60A customers
 - at the tariff rates in the above schedule (including the 3.5c environmental levy and VAT) for FBE supplied to all customer receiving less than or equal to 250kWh per month, based on the actual number of customers who claim FBE for the particular month.

Conventional customers:

- at the tariff rates in the above schedule (including the 3.5c environmental levy and VAT) for FBE supplied to all customers using less than or equal to 250kWh per month, based on the actual number of customers who were subsidised with FBE for the particular month.

4. The customers identified to receive FBE will be determined on an annual basis.
5. New customers connected after the date recorded in Note 1, who in Eskom's opinion will be using $\leq 250\text{kWh}$ per month may be flagged immediately for receipt of FBE. Any other customer, on application for FBE must be assessed for receiving FBE after 3 months consumption figures are available and, if eligible, will receive FBE thereafter.
6. Eskom requires notice by 30 April 2013 of any proposed changes to the FBE policy of the Municipality for the Municipality's 2013/2014 financial year in order to make required changes to their systems by 1 July 2013. If no such notification is received by 30 April 2013, Eskom will not be able to effect any changes in time by 1 July 2013.
7. System and Administration costs, as agreed with Government in line with the letter of Assurance between Government and Eskom, are for the account of the Municipality.
 - a. Implementation of the Municipality's FBE policy requires system changes to be made to Eskom's prepayment and billing systems.
 - b. Monthly administration costs of 5c per customer receiving FBE each month.
 - c. Registration/Configuration: Customers eligible for FBE will be configured into Eskom's record system before receiving allocations or tokens.
 - d. System: Customers will collect their tokens from any of Eskom Vendors as per normal business.
 - e. Billing: The Municipality will be billed according to tokens issued by Vendors and FBE supplied through conventional meters after a proper reconciliation.



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ANNEXURE A
(1 July 2013 to 30 June 2014)

IMPLEMENTATION PROCESS

The Municipal Indigent Policy Method is applicable to this agreement

NUMBER OF CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY IN ESKOM AREAS - CITY OF CAPE TOWN
(Numbers as at 31 March 2013)

	<u>NO. OF CUSTOMERS USING ≤150kWh AVERAGE PER MONTH</u>	<u>NO. OF CUSTOMERS USING >150kWh – 250kWh AVERAGE PER MONTH</u>	<u>TOTALS</u>	<u>APPLICABLE ELECTRICITY TARIFF RATE (c/kWh excl VAT) (as at 1 July 2013)</u>
<u>PREPAID METERS:</u>				
Cape Town area:				
20A customers:				
Using ≤150kWh (FBE)	22 629		22 629	63.35 #
Using >150kWh – 250kWh (MFFBE)		24 160	24 160	73.22
60A customers				
Using ≤150kWh (FBE)	5 786		5 786	63.35 #
Using >150kWh – 250kWh (MFFBE)		11 085	11 085	77.66
Sub totals	28 415	35 245	63 660	
Khayelitsha:				
20A customers:				
Using ≤150kWh (FBE)	14 438		14 438	63.35 #
Using >150kWh – 250kWh (MFFBE)		10 469	10 469	73.22
60A customers				
Using ≤150kWh (FBE)	9 288		9 288	63.35 #
Using >150kWh – 250kWh (MFFBE)		15 961	15 961	77.66
Sub totals	23 726	26 430	50 156	
TOTAL CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY	52 141	61 675	113 816	

FBE is the tariff rate determined by NERSA.

- the quoted rate is that applicable from 1 July 2012. The new rate applicable from 1 July 2013 has not yet been announced by NERSA (as at 13 June 2013).

MFFBE is the Eskom Homelight 20 A and Homelight 60A (non- local authority) Block 1 tariff.

NOTES (FOR EXPLANATORY PURPOSES):

1. The figures reflect the total numbers of customers eligible as at 31 March 2013 and are subject to growth as new customers are connected from time to time. The monthly invoice reflects the number of FBE claims reported i.e. the number of customers who received FBE.
2. In terms of the Municipality's policy Eskom will provide its domestic customers on the Homelight 20A and Homelight 60A tariffs receiving ≤250kWh on average per month with 50 kWh FBE per month for



City of Cape Town

Date:
14 November 2012

Enquiries:
Ohna Smith
Tel +27 21 941 5725

To whom it may concern

AUTHORISATION

I hereby authorise, Rene Darby, Senior Manager Customer Services (Western Cape) as the Eskom delegate to sign the FBE Agreement with the City of Cape Town.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Marion Hughes', with a long horizontal stroke extending to the right.

Marion Hughes
GENERAL MANAGER – CUSTOMER SERVICES OPERATIONS

the period of this agreement. (Note that prepaid customers who PURCHASE less than or equal to 200 kWh per month (determined annually on an average measured over a specified 12 month period) will get the free 50 kWh per month bringing the total kWh RECEIVED for the month to the required 250 kWh or less.)

3. Eskom will bill the Municipality monthly for FBE issued to its customers as follows:

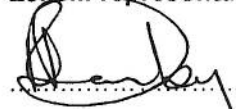
Prepayment customers:

- Homelight 20A and Homelight 60A customers
 - at the tariff rates in the above schedule (including VAT) for FBE supplied to all eligible customers, based on the actual number of customers who claimed FBE for the particular month.

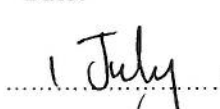
4. The customers identified to receive FBE will be determined on an annual basis.
5. New electrification customers connected on the Homelight 20A tariff after the date recorded in Note 1, who in Eskom's opinion will be using ≤ 250 kWh per month may be flagged immediately for receipt of FBE. After 3 months consumption figures are available these new electrification customers will be re-assessed to determine if they still qualify for receipt of FBE. Any other new customers on the Homelight 20A or Homelight 60A tariffs on application for FBE must be assessed for receiving FBE after 3 months consumption figures are available and, if eligible, will receive FBE thereafter.)
6. Eskom requires notice by 30 March 2014 of any proposed changes to the FBE policy of the Municipality for the Municipality's 2014/2015 financial year in order to make required changes to their systems by 1 July 2014. If no such notification is received by 30 March 2014, Eskom will not be able to effect any changes in time by 1 July 2014.
7. System and Administration costs, as agreed with Government in line with the letter of Assurance between Government and Eskom, are for the account of the Municipality.
- a. Implementation of the Municipality's FBE policy requires system changes to be made to Eskom's prepayment and billing systems.
 - b. Monthly administration costs of 5c per customer receiving FBE each month.
 - c. Registration/Configuration: Customers eligible for FBE will be configured into Eskom's record system before receiving allocations or tokens.
 - d. System: Customers will collect their tokens from any of Eskom Vendors as per normal business.
 - e. Billing: The Municipality will be billed according to tokens issued by Vendors after a proper reconciliation.

Signed in terms of Clause 4.5 of Funding Agreement for Rendering Free Basic Electricity (1 June 2012 to 30 June 2015) by:

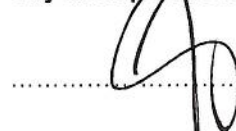
Eskom representative:


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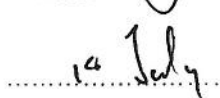
Date:

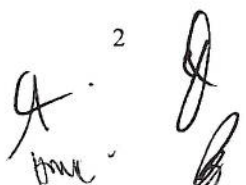

1 July 2013

City of Cape Town representative:


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Date:


14 July 2013



ANNEXURE A
(1 July 2014 to 30 June 2015)

IMPLEMENTATION PROCESS

The Municipal Indigent Policy Method is applicable to this agreement

NUMBER OF CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY IN ESKOM AREAS - CITY OF CAPE TOWN
(Numbers as at 31 March 2014)

	<u>NO. OF CUSTOMERS USING <150kWh AVERAGE PER MONTH</u>	<u>NO. OF CUSTOMERS USING >150kWh – 250kWh AVERAGE PER MONTH</u>	<u>TOTALS</u>	<u>APPLICABLE ELECTRICITY TARIFF RATE (c/kWh excl VAT) (as at 1 July 2014)</u>
<u>PREPAID METERS:</u>				
Cape Town area:				
20A customers:				
Using ≤150kWh (FBE)	22 990		22 990	77.43 #
Using >150kWh – 250kWh (MFFBE)		26 226	26 226	77.32
60A customers				
Using ≤150kWh (FBE)	6 311		6 311	77.43 #
Using >150kWh – 250kWh (MFFBE)		11 698	11 698	83.87
Sub totals	29 301	37 924	67 225	
Khayelitsha:				
20A customers:				
Using ≤150kWh (FBE)	16 661		16 661	77.43 #
Using >150kWh – 250kWh (MFFBE)		11 152	11 152	77.32
60A customers				
Using ≤150kWh (FBE)	9 584		9 584	77.43 #
Using >150kWh – 250kWh (MFFBE)		15 826	15 826	83.87
Sub totals	26 245	26 978	53 223	
TOTAL CUSTOMERS TO RECEIVE FREE BASIC ELECTRICITY	55 546	64 902	120 448	

FBE is the tariff rate determined by NERSA.

- the quoted rate is that applicable from 1 July 2013. The new rate applicable from 1 July 2014 has not yet been announced by NERSA (as at 28 March 2014). Note the FBE rate includes the environmental levy.

MFFBE is the Eskom Homelight 20 A and Homelight 60A (non- local authority) Block 1 tariff.

NOTES (FOR EXPLANATORY PURPOSES):

1. The figures reflect the total numbers of customers eligible as at 31 March 2014 and are subject to growth as new customers are connected from time to time. The monthly invoice reflects the number of FBE claims reported i.e. the number of customers who received FBE.
2. In terms of the Municipality's policy Eskom will provide its domestic customers on the Homelight 20A and Homelight 60A tariffs receiving ≤250kWh on average per month with 50 kWh FBE per month for






the period of this agreement. (Note that prepaid customers who PURCHASE less than or equal to 200 kWh per month (determined annually on an average measured over a specified 12 month period) will get the free 50 kWh per month bringing the total kWh RECEIVED for the month to the required 250 kWh or less.)

3. Eskom will bill the Municipality monthly for FBE issued to its customers as follows:

Prepayment customers:

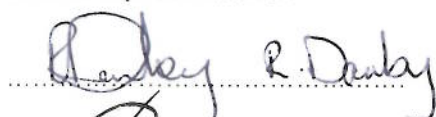
- Homelight 20A and Homelight 60A customers
 - at the tariff rates in the above schedule (including VAT) for FBE supplied to all eligible customers, based on the actual number of customers who claimed FBE for the particular month.

4. The customers identified to receive FBE will be determined on an annual basis.
5. New electrification customers connected on the Homelight 20A tariff after the date recorded in Note 1, who in Eskom's opinion will be using ≤ 250 kWh per month may be flagged immediately for receipt of FBE. After 3 months consumption figures are available these new electrification customers will be re-assessed to determine if they still qualify for receipt of FBE. Any other new customers on the Homelight 20A or Homelight 60A tariffs on application for FBE must be assessed for receiving FBE after 3 months consumption figures are available and, if eligible, will receive FBE thereafter.)
6. Eskom requires notice by 30 March 2015 of any proposed changes to the FBE policy of the Municipality for the Municipality's 2015/2016 financial year in order to make required changes to their systems by 1 July 2015. If no such notification is received by 30 March 2015, Eskom will not be able to effect any changes in time by 1 July 2015.
7. System and Administration costs, as agreed with Government in line with the letter of Assurance between Government and Eskom, are for the account of the Municipality.
- a. Implementation of the Municipality's FBE policy requires system changes to be made to Eskom's prepayment and billing systems.
 - b. Monthly administration costs of 5c per customer receiving FBE each month.
 - c. Registration/Configuration: Customers eligible for FBE will be configured into Eskom's record system before receiving allocations or tokens.
 - d. System: Customers will collect their tokens from any of Eskom Vendors as per normal business.
 - e. Billing: The Municipality will be billed according to tokens issued by Vendors after a proper reconciliation.

Signed in terms of Clause 4.5 of Funding Agreement for Rendering Free Basic Electricity (1 June 2012 to 30 June 2015) by:

Eskom representative:

Date:


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30. 5. 2014
.....

City of Cape Town representative:

Date:


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K. Jacoby

15. 05. 2014
.....


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