REVISED CONSUMPTIVE TARIFFS, RATES AND BASIC CHARGES FOR ELECTRICITY SERVICES, WATER AND SANITATION SERVICES AND SOLID 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.

On 20 November 2013, NERSA issued a guideline for municipal increases of 7.39%, based on a projected bulk increase to municipalities of 8.06%. The NERSA guideline does not take into account the effect on the overall increase of the Contributions to Rates (10% of budgeted sales). Furthermore, the projected bulk increase is an average value, and the City has determined that the likely increase specifically for the City is likely to be 8.5%. CPI was projected at being 5.8%.

Further additional increases are required for Eskom National Maximum Demand Upgrades, additional staff costs as a result of accommodating bursary graduates into operations where a critical shortage of skills exists, and an increase in capital charges.

As a result of the above, the average revenue increase requirement (and therefore the average tariff increase) is 7.63%.

Present electricity tariffs were approved by Council on 29 May 2013 and by NERSA on 13 June 2013, and were implemented with effect from 1 July 2013.

There are no major structural adjustments proposed for the Residential tariffs for the 2014/15 financial year. The Domestic and Residential Small Scale Embedded Generation tariff increase by 7.81% (on all components) in order to make up the revenue shortfall created by the CPI increase on Block 1 of the Lifeline tariff and therefor maintain a 7.63% average Residential tariff increase. The larger increase on the Lifeline Block 2 rate is required to provide an overall 7.81% increase to a consumer who receives 450kWh in a month (so a consumer who receives 25kWh free, and then purchases 325kWh at the Lifeline Block 1 rate, and a further 100kWh at the Lifeline Block 2 rate will see an overall 7.81% increase, exactly the same as a consumer who receives 450kWh at the Domestic Block 1 rate – and therefore retaining the same level of subsidy as currently).

No change is proposed for the provision of Free Basic Electricity for 2014/15. Therefore:

a.) Consumers on the Lifeline tariff, consuming less than 250 kWh per month on average will receive 60 kWh per month free
b.) Consumers on the Lifeline tariff, consuming more than 250 kWh per month but less than 450 kWh per month on average will receive 25 kWh per month free
c.) Customers supplied by Eskom on the Homelight tariffs, consuming less than 250kWh per month on average will receive 50kWh per month free
d.) The free supply received is included in the monthly permitted averages

The provisions exceed the national guideline for an allocation of 50 kWh per month for consumers receiving less than 150 kWh per month on average.

All non-Time Of Use Commercial tariffs increase by the average of 7.63%. This is applied to all components. The Off Peak tariff, which as part of the phasing out program increases by the average plus 10%, sees a total increase of 17.63% on both components.

The Time of Use Medium Voltage tariff sees a slight structural adjustment to its rates to prevent any component dropping below the Eskom Megaflex rates (the deemed bulk purchase rate for this energy). This also results therefore in the same slight structural adjustment to the Time of Use High Voltage tariff, the energy rates of which are defined as being 3% less than that of the Medium Voltage tariff.

The Atlantis Time of Use tariff is now set at being 10% less than the Medium Voltage tariff, in line with the provisions of the City's Incentive Policy.

The proposed consumption based tariffs are shown in the attached Tariffs and Charges Book (See page 50.1 to 50.6)

The Miscellaneous Electricity Tariffs as shown in the attached Tariffs and Charges Book (See page 51.1 to 51.12) 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. Some 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 non-residential 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 miscellaneous 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. After the complete rework these tariffs received for the current financial year, these have been increased by CPI or the consumptive tariff increases, whichever is appropriate.

The proposed revised lighting tariffs are shown in the attached Tariffs and Charges Book (See page 52.1 to 52.3).

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

New domestic consumers with an installed capacity of 100 Amperes or less will be charged at the Domestic Tariff.

Consumers not currently on the Lifeline tariff, will only be eligible for the Lifeline tariff if their average monthly consumption is less than 450 kWh per month, and have a pre-paid meter installed, if they take their supply at a maximum of 40A and have a property valuation not exceeding that defined in Section 24(2) of the City's Credit Control and Debt Collection Policy.

Residential consumers with credit meters installed and a municipal property valuation exceeding that as defined in Section 24(2) of the City's Credit Control and Debt Collection Policy shall take their supply at the Domestic Tariff.

If a consumer receives less than 450kWh per month on average, receives a rebate as set out in paragraph 5.7 of the City's Rates Policy, or is registered as indigent in terms of Chapter 4 of the City's Credit Control and Debt Collection Policy, then they may also take their supply at the Lifeline tariff.

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

Commercial / Industrial Consumers 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 consumers' premises.

Consumers with an installed capacity above 1 MVA must take their supply at either the Large Power User Medium Voltage tariff or the Medium Voltage Time of Use tariff.

Commercial consumers shall take their supply at the Small Power User 2 tariff only if they have installed a prepayment meter at their own expense, should one not already be installed.

Commercial consumers with Automated Metering Infrastructure installed, and non-Residential Small Scale Embedded Generation consumers, shall not be permitted to take their supply and the Small Power User 2 tariff.