ANNEXURE 4

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 has therefore been requested with the express proviso that any alterations required by Council will be submitted to the Regulator as soon as possible.

Consumptive Tariff Schedules now include a note indicating that the tariffs are applied in accordance with the terms and conditions as contained in the Electricity Tariff Policy.

On 18 November 2014, NERSA issued a guideline for municipal increases of 12.2%, based on a projected bulk increase to municipalities of 14.24%. The NERSA guideline does not take into account the effect on the overall increase of the Contributions to Rates (10% of budgeted sales), or the impact of any growth (positive or negative). CPI was projected at being 5.7%.

As a result of the above, the average revenue increase requirement (and therefore the average tariff increase) is 10.82%.

Present electricity tariffs were approved by Council on 28 May 2014 and by NERSA on 30 June 2014, and were implemented with effect from 1 July 2014.

There are no major structural adjustments proposed for the Residential tariffs for the 2015/16 financial year. The Domestic tariff increases by 14.5% (on all components) in order to make up the revenue shortfall created by the 8.0% increase on Block 1 of the Lifeline tariff and therefore maintain a 10.82% average Residential tariff increase. The larger increase on the Lifeline Block 2 rate is required to provide an overall 14.5% increase to a customer who receives 450kWh in a month (so a customer 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 14.5% increase, exactly the same as a customer who receives 450kWh at the Domestic Block 1 rate – and therefore retaining the same level of subsidy proportionally as currently).

No change is proposed for the provision of Free Basic Electricity for 2015/16.

Therefore:

a.) Customers on the Lifeline tariff, consuming less than 250 kWh per month on average will receive 60 kWh per month free
b.) Customers 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 as per the FBE Agreement with Eskom.
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 customers receiving less than 150 kWh per month on average.

The Residential Small Scale Embedded Generation consumption tariff remains unchanged for the 2015/16 financial year with the exception of the addition of a second energy block for consumption above 600kWh per month, in line with the Domestic Tariff (block 2) rate. Beyond the 600kWh per month lower limit of this block, the cost to the customer is similar on both the Domestic and the Residential Small Scale Embedded Generation tariffs. This means that customers installing very small generation units no longer receive a cost benefit simply by installing such systems as is currently the case. The tariff for the payment for excess generation placed onto the grid (both for Residential and Non-residential customers) is now renamed as the “Feed-in Tariff” and is set at the value of the Eskom Megaflex Low Demand Season Standard Time energy tariff (the period during which the bulk of excess energy generated through Photo Voltaic panels is expected to occur).

The Small Power User 1 tariff sees a structural adjustment as a result of the now-completed Cost of Supply Study. This is an interim step, as the impact of a full application of the result of the Cost of Supply study would have been too large to be implemented in one year. As a result, the Service Charge on this tariff increases by 34.8% and the energy charge by 5.7%, resulting in no significant impact to the customers on this tariff. The Small Power User 2 tariff increases by the average of 10.8%.

The Off Peak tariff increases by more than the average (on both components) as the next step in the phasing out process of this tariff which commenced in July 2012.

Both Large Power User tariffs (Low Voltage and Medium Voltage) increase by 11.1% to partly compensate for the loss of revenue that results from the application of a 10% subsidy to Time of Use customers in Atlantis.

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, and also to the Atlantis Time of Use tariff. The remaining components not affected by the structural change increase by the average 10.8%. The additional revenue recovered from the adjustment provides the remaining compensation for the loss of revenue from the subsidy provided to the Atlantis Time of Use customers.

The Atlantis Time of Use tariff is set at 10% less than the Medium Voltage tariff, in line with the provisions of the City's Incentive Policy, which results in this tariff being set at below Megaflex energy rates on some energy components.

The unused Wheeling Tariffs are removed from the schedule for 2015/16.

The proposed consumption based tariffs are shown in the attached Tariffs and Charges Book (See page 53.1 to 53.4)

The Miscellaneous Electricity Tariffs as shown in the attached Tariffs and Charges Book (See page 54.1 to 54.12) 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 55.1 to 55.3).

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 will be charged at the Domestic Tariff.

Customers 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, and have a municipal property valuation not exceeding that defined in Section 24(2) of the City's Credit Control and Debt Collection Policy.

Residential customers with credit meters installed shall take their supply at the Domestic Tariff.

If a customer 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, and has a prepaid meter installed, then they may also take their supply at the Lifeline tariff. Bona fide old age homes run by Non-profit or Public Benefit organisations who qualify for and receive a rates rebate in terms of Section 5.10 (sub-sections 1 through 7) of the City's Rates Policy and where individual metering exists, may upon application to and at the discretion of the Service Provider also be permitted to take these individual supplies at the Lifeline Tariff.

New domestic customers 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.

Customers 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 customers shall take their supply at the Small Power User 2 tariff only if they have a prepayment meter installed.

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