CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE 4

REVISED CONSUMPTIVE TARIFFS, RATES AND BASIC CHARGES FOR ELECTRICITY GENERATION AND DISTRIBUTION, WATER AND SANITATION AND URBAN WASTE MANAGEMENT SERVICES

May 2023

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1. ELECTRICITY GENERATION AND DISTRIBUTION

1.1 General

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.

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.

The Consumptive Tariff Schedule includes a note indicating that the tariffs are applied in accordance with the terms and conditions as contained in the Electricity Tariff Policy.

On 12 January 2023, NERSA approved a revenue increase to direct Eskom customers of 18.65%. On 16 March 2023, NERSA released a press statement indicating that the increase to the Eskom tariffs for Local Authorities would be 18.49%.

CPI was set by the City at 4.9% for the coming financial year, and, together with the above bulk purchases increase, other required expenditure items and a significant reduction in sales volumes as a result of the impact of (amongst other things) loadshedding, means that a total average tariff increase of 17.6% is required for the coming financial year.

The unregulated portion of the tariff is made up of the Contribution to Rates (R2093m, or 29.62c/kWh on relevant energy portions) and the cost of street lighting (R613.4m or 7.95c/kWh). Subsidised energy tariffs (Lifeline Block 1 and Investment Incentive tariffs) only attract the street lighting portion, while the remainder attract both the Contribution to Rates amount and the street Lighting portion, for a total of 37.57c/kWh (as per the Consumptive Tariff Schedule in Annexure 6).

These increases are in line with the guidelines established in the Medium Term Revenue and Expenditure Framework.

Present electricity tariffs were approved by Council on 31 May 2022, and were implemented with effect from 1 July 2022.

1.2 Proposed Electricity Tariff Policy Changes

It is proposed that the Tariff Policy for Electricity Generation and Distribution is amended as follows for the 2023/24 Financial Year:

- Clauses 4.14 and 4.16 of the General Tariff Policy be amended to include the statement “except if otherwise instructed in a promulgated By-Law or higher level of legislation” in order to allow for other circumstances put in place through legislation.
- Definitions for “Generator” and “Administration Fee” included.
- Clause 4.2.6 amended to refer to the new Commercial AMI Administration Fee.
- Clause 4.2.8 simplified.
- Clause 4.2.10 added to allow for the introduction of the new Time-of-Use Commercial feed-in tariff (only available once the back-end systems are in place and tested to satisfactory levels)
- Clauses 4.3.3 and 4.3.4 amended to allow for the change to the property value criteria for accessing the Lifeline tariff (upper limit raised from R400 000 to R500 000).
- Clauses 4.3.11 and 4.3.12 amended to refer to the new Residential AMI Administration Fee.
- Clause 5.1 amended to be more generalised to account for the incorporation of a new High Voltage Use-of-System tariff for High Voltage connected Wheeling arrangements.
- Clause 5.2 also amended to account for the new High Voltage Wheeling arrangements.
- Clause 5.4 added to allow for the incorporation of a new Generator Tariff to recover the costs imposed (in terms of administration, maintenance and any other costs directly incurred as a result of these connections) by commercial generation facilities where a Power Purchase Agreement does not exist.
- Clause 7.1 amended to exclude the provision for Council tariffs to be applied where a dispute arises between Council approval and NERSA approval.

1.3 Consumptive Tariff Proposals

For the 2023/24 financial year, the following is proposed for the Residential tariffs.

For the Lifeline tariff, the block structure is amended to have the first block extended to the first 600kWh purchased in any given month (up from the first 350kWh purchased in the month). Note that this will still include any free electricity that may apply, and that the monthly average consumption cut off of 450kWh per month remains in place. The qualifying criteria for Lifeline is also amended to extend the benefit to those with a municipal property valuation of up to and including R500 000 (increased from R400 000), to account for property value creep as a result of the new general valuation being introduced. No change in the allocation of free basic electricity is proposed, and the average tariff increase of 17.6% is applied to both blocks.

The Domestic tariff also sees a change to the qualifying criteria as a result of the changes to the Lifeline tariff, with the lower limit property valuation being raised from R400 000 to R500 000. No further structural changes are being proposed to this tariff, and both blocks are proposed to increase at 17.6%.

The Home User tariff remains applicable to all those with credit (including AMI) metering, and those with Prepayment metering and property values of R1m and more. A small structural change is proposed where the Home User Service Charge is proposed to increase by 18.49% (from R185 a month excl VAT to R219.21 per month excl VAT), with a commensurate lower increase in the block 1 energy rate to compensate (17.4% increase).

For SSEG customers, the AMI Access Charge is renamed to the Residential AMI Administration Fee, and reduces substantially (as contained in the Miscellaneous Tariff Schedule), and the Residential SSEG Feed-in Tariff increases by 10.15%. The Incentive tariff (of 25c for each kWh fed into the grid) is retained unchanged.

All components of the Small Power User Tariffs increase by the average amount of 17.6%. Any small variation to this is the result of rounding. Small Power User 3 tariff (for very small supplies - less than 250kWh per month consumed) which was not approved by NERSA and therefore not implemented is again applied for. The intention behind this tariff is to provide for small organisations where energy consumption is low or intermittent in use, that are typically not for profit or provide accommodation for the vulnerable. The introduction of this tariff will be tested over a period and further restrictions to accessing this tariff may be applied. This tariff is also only applicable via a prepayment meter.

All Large User Time of Use Tariffs increase by the average of 17.6% across all Service Charge and Energy components. Any variation to this that exists is once again the result of rounding. For the Low Voltage tariff, a new Network Access Charge is included at a R0.00 rate, in order to test and ensure all systems are functioning in order to include a price in the 2024/25 financial year. The Medium Voltage Network Access Charge is now raised from R0.00 to R2.97 as a first iteration of price increases, with the Energy Demand charge increased by 15.38% to compensate (the sum of the Network Access Charge and the Energy Demand Charge amounts to a 17.6% increase on demand components for the 2023/24 financial year. The High Voltage Tariff increases by between 17.3% and 19.03% on all components as a result of the losses discount mechanism that is used to calculate this tariff.

Note that the Network Access Charge is based on either the Notified Maximum Demand or the Maximum Export Capacity of the Customer, whichever is the greater.

The Non-Residential Small-scale Embedded Generation Feed-in Tariff 1 is increased by the CPI parameter, with the Non-Residential Small-scale Embedded Generation Feed-in Tariff 2 (for customers wishing to retain the “green” benefits), increased by 3.73% (the lower increase is to account for a change in the Carbon Tax rate). A new Time-of-Use Feed-in tariff for Commercial customers with Time-of-Use consumption tariffs is also proposed, but will only become available for use once back-end systems have been implemented and fully tested.

The SSEG Incentive tariff remains applicable to all customers here too, and is unchanged at 25c/kWh (with a proposed end-date of 30 June 2025).

The design philosophy for the Investment Incentive Tariffs of providing the benefit through excluding the Contribution to Rates amount from these tariffs continues. As a result of a recalculation of this amount, these tariffs will see varying increases in terms of percentages, depending on what proportion of the tariff component the Contribution to Rates forms.

The design philosophy for the Wheeling Tariffs remains the same for the coming year. The Wheeling Customer MV Tariff is renamed the Wheeling Customer Consumption Tariff, and increases by the Eskom increase of 18.49%. This tariff will remain applicable to any energy purchased from the City, irrespective of the voltage level at which supply is taken, as this is based on the Eskom WEPS tariff which is what bulk supplies will be adjusted by for any Generator involved in Wheeling not directly connected to the City's grid. The Use-of-System Medium Voltage Tariff increases by a balancing amount so that any energy bought from the City increases by the average of 17.6%. A new High Voltage Use-of-System tariff is also proposed, using the same methodology as the Medium Voltage tariff, but based on the Large User High Voltage tariff in order to account for the lower losses that will be experienced at this higher voltage level.

It must further be noted at this point that the rules and processes for Wheeling are currently in a pilot testing phase, the tariffs therefore will only become effective once the outstanding items have been resolved and Wheeling is implemented.

A new Generator tariff is proposed to recover the costs incurred by the City as a result of the administration and maintenance (amongst others) costs imposed by these connections within the City network. The Service Charge is set at R4688.43 per month excluding VAT (note: this is simply the Medium/High voltage daily charge converted to a monthly amount) with a Network Access Charge of R2.97 per kVA of MEC. This Network Access Charge will be charged per month, and is not a single, once off payment. This will only initially be applied where no Power Purchase Agreement exists. Where such an agreement does exist, these costs will be recovered in terms of that agreement (which may simply choose to include these tariffs as a line item in the agreement, but does not exclude a different negotiated outcome).

The tariff for Street Lighting and Traffic Signals energy increases by 17.6%.

1.4 Miscellaneous and Street Lighting Tariffs

The Miscellaneous Electricity Tariffs are levied to recover the costs of services provided directly to individual customers.

In terms of the Miscellaneous Tariff Schedule, each tariff was revisited in terms of its relevance and revenue generating potential.

The following tariffs are added or removed to and from the Schedule for the 2023/24 financial year:

- Item 3 has been extensively reviewed, with standard prices now calculated for most Residential Connection scenarios. Any scenarios not covered by the standard scenarios remain quotable by Service Connection Planning.
- The existing AMI Access Charge is removed, and replaced by a new Residential AMI Administration Fee, and by a new Commercial AMI Administration Fee.

The following items on the Schedule are dependent on the Consumption Based tariffs, and are adjusted in accordance with the current consumption tariff increase of 17.6%:

- Item 10.6 will move to the SPU3 tariff if approved by NERSA, otherwise will remain as SPU2.
- Item 13.1, Bulk Residential and Small Power User deposits
- Item 13.2, Deposits for Time of Use agreements
- Item 3.1.2 (Table Mountain Lighting) on the Street Lighting Schedule will increase by the average consumption tariff increase.

The Unmetered Consumption tariffs have been reviewed in the light of the cost reflectivity motive, and are now calculated based on the appropriate, full, Small Power User tariff for the consumption level (for supplies up to and including 250kWh per month, Small Power User 3 has been applied, for those up to an including 1000kWh and above 250kWh per month Small Power User 2 has been applied, and for all other supplies Small Power User 1 has been applied). The inclusion of the fixed components of the service has resulted in a significant increase in these tariffs percentage wise. However, in the light of the constrained environment in which Electricity Generation and Distribution must now operate, this is an essential requirement in order to maintain the financial sustainability of the Department. Reference is made to MFMA Circular No. 98 paragraph 4.2 which states that the setting of cost reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. For those supplies calculated according to the Small Power User 1 tariff, the Commercial AMI Administration Fee has been removed from the price as this is not relevant to these supplies (as they are unmetered). Where Small Power User 3 has been applied, this will remain as such even should NERSA again not approve the tariff.

All other tariffs are either increased by CPI (4.9%), or else were determined from a zero base, which can result in a variety of different increases, depending on the make-up of the actual tariff. In most instances these prices are dependent upon external pricing, and may result in a significant increase, a zero change, or a decrease in the price. In many cases this recalculation from a zero base has resulted in a less than CPI or even negative increase for the 2023/24 financial year.

Note that in some instances the rounding for VAT purposes may result in a slightly above or below increase for some items.

Note also that item 16.5 now applies to any stolen service connection, and not just overhead connections. Item 19 now also applies to retrofits where no other specific tariff is applied.

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

2. WATER AND SANITATION

The Water and Sanitation Consumptive Tariffs are levied to recover the costs of providing the services.

The proposed tariff increases are predominantly due to the water augmentation plan to ensure security of water supply, upgrades and extensions to the wastewater treatment plants, water demand management initiatives, ensuring the management of assets at appropriate levels, sustain and enhance the maintenance programs as well as supplying water and sanitation at appropriate compliance, capacity, skills, service delivery and responsiveness levels. This includes enhanced focus on the ageing sewer network infrastructure, upgrading of the sewer pump stations and measures to mitigate the impact of loadshedding.

Level Water wise (no restriction) water and sanitation tariffs are recommended for implementation from 1 July 2023. There is a 8.6% tariff increased proposed on Level Water wise (no restriction) tariffs (including the fixed basic charge) and this increase is also applicable for the proposed 2023/24 increases for level 1, level 2, level 3 and level emergency tariffs.

The Bulk Water tariff, which is predominantly used for internal sales and sales to other municipalities, has been increased by 11.34% to R6.38 (excluding VAT) per kilolitre.

The miscellaneous tariffs are levied by Water and Sanitation for the provision of various services by the Directorate. 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.

An average increase of 4.8% was applied to the 2022/23 tariffs to determine the applicable tariffs for the 2023/24 financial year. The revenue trends for the past 3 years are as follows:

	2019/20		2020/21		2021/22	
	Plan	**Actual**	**Plan**	**Actual**	**Plan**	**Actual**
810100 Administration Fees	2 082 800.00	1 279 127.58	1 405 000.00	1 322 085.68	2 100 000.00	2 050 977.00
811210 Connection Fees - Water	24 000 000.00	18 190 442.21	24 000 000.00	27 084 388.44	30 000 000.00	42 935 513.48
812740 Service Charges - Infrastructure and Other	4 903 744.32	3 776 495.28	3 000 000.00	3 051 604.46	3 093 000.00	4 141 359.40
860940 Laboratory Services	260 349.96	140 533.34	273 627.81	187 024.92	182 110.28	25 011.06
	31 246 894.28	**23 386 598.41**	**28 678 627.81**	**31 645 103.50**	**35 375 110.28**	**49 152 860.94**

The proposed consumption tariffs as well as miscellaneous tariffs are shown in the attached Tariffs and Charges Book as Annexure 6.

Notable changes and additions in the tariff policy and tariff schedules for the 2023/24 financial year include:

Consumptive:

- Properties with a municipal valuation of up to R500 000 will qualify as indigent for free basic water and sanitation services.

Miscellaneous:

- Discontinuation of six free sewage removals via a tanker service (where sewer reticulation networks are not available) to all non-indigent customers. The six free sewage removals will still be applicable to Indigent customers and registered homeless shelters;
- Allow for follow-up inspections due to non-compliance with the wastewater and industrial effluent by-law – Visit only (without sample);
- Clarifying that at rebates for unground water leaks relates to municipal meter connections;

3. URBAN WASTE MANAGEMENT

The Urban Waste Tariffs are levied to recover costs of services provided directly to customers and include refuse collection fees, disposal fees, compost sales, weighbridge fees and other ad hoc services. An average increase has been applied on the Consumptive Tariffs for Refuse collection of 5.5% & Disposal of 10.32%. An average increase has been applied on the Miscellaneous Tariffs for Cleaning of 4.9%.

The following amendments to the Tariff Policy are proposed:

- **Tariff Policy Changes**

  - Cosmetic changes:
    - The Solid Waste Management Department has now changed to the Urban Waste Management Directorate.
  - The introduction of a new tariff for Residential Sectional Title units:
    - <u>Five times per week service, changes made to items – 6.1.1.1.3, 6.1.6.9.</u>
  - Changes made to the Rebate system based on property values:
    - 7.1.2.2.1 – R1 to R450,000 = 100% rebate;
    - 7.1.2.2.2 – R450,001 to R500,000 = 50% rebate;
    - 7.1.2.2.3 – R500,001 to R650,000 = 25% rebate

- **Tariff Book changes:**

  - Changes to the following items:
    - New Indigent categories based on property value:
      - 1.3.1.1.1.2
      - 1.3.1.1.1.4
      - 1.3.1.1.1.5
    - Introduction of a new Five times per week service to Residential Sectional Title Units:
      - 1.3.1.1.2.3
      - 1.3.1.1.2.4

Failure to implement the proposed Tariff increases on 1 July 2023 will result in under recovery of Revenue required to meet anticipated expenditure for the 2023/2024 financial year.

CONSUMPTIVE URBAN WASTE TARIFFS 2023 / 2024

All Tariffs reflected below are exclusive of VAT

Urban Waste		2022/23 (excl. VAT)	2023/24 (excl. VAT)	2023/24 (incl. VAT)	Average Increase %
RESIDENTIAL REFUSE COLLECTION					
Formal					
240l Container including Lockable Container	Rand per month	R149.13	R 157.30	R 180.90	5.5%
INDIGENT REBATE - 240l Container including Lockable Container					
Block 1 (100% rebate) – property value from R1 up to R300 000	Rebate Rand per month	-R149.13	Delete	Delete	Delete
Block 1 (100% rebate) – property value from R1 up to R450 000	Rebate Rand per month		-R157.30	-R180.90	New
Block 2 (50% rebate) – property value from R300 001 to R350 000	Rebate Rand per month	-R74.61	Delete	Delete	Delete
Block 2 (50% rebate) – property value from R450 001 up to R500 000	Rebate Rand per month		-R78.70	-R90.50	New
Block 3 (25% rebate) – property value from R350 001 to R500 000	Rebate Rand per month	-R37.30	Delete	Delete	Delete
Block 3 (25% rebate) – property value from R500 001 up to R650 000	Rebate Rand per month		-R39.39	-R45.30	New
ENHANCED SERVICE LEVEL INCLUDING LOCKABLE CONTAINER					
240l - Additional Container	Rand per container per month	R 149.13	R 157.30	R 180.90	5.5%
240l - 3x per week for cluster	Rand per container per month for Sectional Title Units	R 447.30	R 471.91	R 542.70	5.5%
240l - 5x per week for cluster	Rand per container per month for Sectional Title Units		R 786.70	R 904.70	New
Informal					
Basic Bagged service	Rand per month	Free	Free	Free	-
NON-RESIDENTIAL REFUSE COLLECTION					
240 LITRE CONTAINER INCLUDING LOCKABLE CONTAINER					
1 removal per week	Rand per container per month	R 178.17	R 188.00	R 216.20	5.5%
3 removal per week	Rand per container per month	R 534.17	R 563.57	R 648.10	5.5%
5 removal per week	Rand per container per month	R 890.49	R939.48	R 1080.40	5.5%

REFUSE AVAILABILITY					
All vacant Erven	Rand per month	R 88.35	R 93.22	R 107.20	5.5%
DISPOSAL SERVICES					
General Waste	Rand per ton	R 584.43	R 664.78	R 741.50	10.32%
Special Waste	Rand per ton or part thereof	R 774.61	R 854.52	R 982.70	10.32%
Builders Rubble	Rand per ton	R 24.17	R 26.70	R 30.70	10.32%