



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Shared Network Charges Policy

Energy PC

4 September 2024

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Shared Network Charge (SNC)

A Shared-network Charge (SNC) is a charge levied to to **cover the cost of infrastructure for energy provision.**

Specifically the charge is administered to **increase the capacity of the shared network** to meet the **additional demand imposed** by either **any new and/or upgraded connections** as requested by customers/developers.

The SNC applies to both consumers and generators connecting to the shared network.

The SNC is administered by the **Electricity Generation and Distribution (EGD) Department**

Total cost of increasing electricity capacity

There are two types of charges which make up the total cost of increasing the electricity capacity of an existing connection:

- **Shared Network charge:** This charge pays for the authorized electrical capacity in kVA which is assigned to the property, which is a certain kVA (kilovolt-ampere) of electricity in the network reserved for use by the owner. The cost of the provision of this authorised capacity is calculated based on the proportional contribution to the upstream network needed to facilitate the specific authorized capacity assigned to the property.
- **Connection Fee:** The connection fee refers to the direct costs of the material, labour and transport to provide the dedicated assets needed to connect a property. Material costs would include cables, meters and breakers required to connect the property to the upstream network.

Shared Network Charge (SNC)

A policy position on the charge was originally developed in 2003 and at the time, the charge was referred to as the **Development Capital Tariff**. It was levied based on 2 Ordinary Council Resolutions, introduced in 2003 and amended in 2005:

- 1) C 32/12/03 UNIFORM DEVELOPMENT CONTRIBUTION TARIFF: ELECTRICITY SERVICES**
- 2) C 04/05/05 ELECTRICITY SERVICES: DEVELOPMENT CAPITAL TARIFF**

To avoid confusion with other charges, such as Development Contribution Charges, as well as align with the term used by other electricity service providers across SA in terms of National Regulatory Standard NRS 069, a name change was effected in 2017 to 'Shared Network Charge'.

Development Charges versus SNC

Development charges for electricity services and for other City services are not the same. Other City services will be covered by the **Development Contribution (DC) Policy**

The DC policy covers the following engineering services:
Roads, Stormwater, Water, Sewerage, Public Transport and Solid Waste.

The charges applicable for electricity are the subject of a separate policy and legal framework.

SNC Policy: Desired Outcomes

To stipulate the **principles, standards and methods** of calculating and applying policies for the recovery of electricity network charges within the City of Cape Town. This further ensures a **principle of transparency**.

To provide clarity on the **equitable application of the shared-network tariff** for new and upgraded electricity connections

Based on recognized best practice, the policy is intended to **ensure equity, affordability and sustainability**

To align with the National Regulatory Standard (NRS) 069 – Guidelines for distribution connections charges for loads.

Legislation

- Local government is empowered to provide municipal services i.t.o
 - s156 of the Constitution and
 - s8 of Municipal Systems Act.
 - Electricity Regulation Act.
 - Electricity Supply By-law.
 - NERSA licence.
- **SNC tariffs are calculated and published annually:**
 - Fixed rates depending on voltage level of the required connection, irrespective of work required on shared network.
 - In line with the NRS 069.
- Incoming funds are placed in dedicated Electricity fund.
- Funds utilised wherever upgrading of the shared network is required.

SNC: Application

- The SNC is **payable upfront as a part of the connection and development/application process**. Payments should, in all cases, be made as follows:
 - In subdivisions before s137 clearance of the subdivided portion is given in terms of the approved subdivision plan
- On completion of the internal electricity distribution infrastructure to the Department's satisfaction, it shall be handed over formally to the Department. **The applicant shall nonetheless remain responsible for securing the infrastructure and for the cost of all repairs resulting from vandalism and theft until such time that the development has been occupied 80% or to a level acceptable to the Department.** The Department will release the applicant from this responsibility only on formal application by the applicant
- No agreement or guarantees will be accepted in lieu of compliance.

SNC: Application

- The SNC is not refundable if the existing site connection supply capacity entitlement is reduced.
- AC is reduced once supply is downgraded and any future increase will incur the full SNC again.
- These charges are in addition to the connection fee (CF) which entails the direct cost incurred to provide the dedicated assets to provide the customer with a supply.
- SNC does not recover costs in providing additional network reliability investment costs e.g. N-1 reliability, which is done via tariffs.

SNC: Rebates

- Rebates are applicable to bulk engineering external to the development and developer responsible for all internal bulk.
- The rebate shall not exceed the SNC. Should the calculated rebate exceed the SNC, the applicant shall elect to:
 - Either delay the work until the City is able to provide the infrastructure for which the rebate is being contemplated, or
 - Proceed without compensation to provide the infrastructure.

SNC: Grants/Subsidies/Exemptions

- Developers of formal low cost housing and informal settlements are not exempted from the payment of SNC, but are required to include the SNC in their state subsidy claim. Should no grant funding be available Developers/SP are still required to fund the SNC out of their project funding.
- Temporary supplies are exempt from SNC for a period not exceeding 12 months limited in capacity and to be used for construction purposes only.

8.4.1 Exemptions for payment of SNC and connection cost may be granted as per City approved process linked to dedicated funding which must be used to offset any revenue foregone through the granting of exemptions.

8.4.2.1 Exemptions could be considered for applications that can demonstrate a contribution to socio-economic outcomes identified in the City's Integrated Development Plan (IDP), strategies and policies,

8.4.2.2 The applicant must pay a contribution of the charges applicable, either upfront or as per an agreed payment plan, which must include provisions relating to the exemptions that may be granted in terms of clause 8.4.2.1.

Next Steps: Proposed Timeline

Action	Role-player	Timeframes
Review and Sign-off of Concept Note (post tabling at Mayco Caucus)	MMC: Cllr Van Reenen ED: Energy Executive Mayor	June 2022
Submission of Concept Note to Mayor's office	Yogini Jivanji: Strategic Policy Ismail Jefferies: EGD	June 2022
Drafting	EGD and Strategic Policy	July 2022 – August 2022
Energy PC – formal tabling to request Public Participation	EGD and Strategic Policy	24 November 2022
Public Participation	PP Unit, Strategic Policy, Communications	1 - 28 February 2023
Energy PC for Approval	PC committee	4 September 2024
Mayco Agenda for Approval	Mayco	15 October 2024
Council Agenda for Approval	Council	30 October 2024



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For Further Questions, please contact Ismail Jefferies