



REPORT TO: ENERGY PORTFOLIO COMMITTEE

1. ITEM NUMBER **EN 12/09/24**

2. SUBJECT

APPROVAL OF THE SHARED-NETWORK CHARGES POLICY

ONDERWERP

GOEDKEURING VAN DIE BELEID OOR GEDEELDENETWERK-HEFFINGS

ISIHLOKO

**UKUPHUNYEZWA KOMGAQONKQUBO ONGEENTLAWULO ZOLWABELWANO
LOTHUNGELWANO**

P4071

3. DELEGATED AUTHORITY

In terms of delegation part 7(1)(7)

This report is for DECISION AND FOR NOTING BY

- Committee name** : Energy
- The Executive Mayor together with the Mayoral Committee (MAYCO)
- Council

Making progress possible. Together.

4. DISCUSSION

The purpose of the report is to seek approval and adoption of the Shared Network Charges Policy as attached in Annexure A.

The City of Cape Town (CCT) Electricity Generation and Distribution Department administers a Shared Network Charge (SNC). A policy position on the charge was originally developed in 2005 and at the time, the charge was referred to as the Development Capital Tariff with the conditions for its application set out in a Council report, together with various Tariff Calculations, and the report was adopted by Council in 2005.

An opportunity exists to bring the conditions that apply into a formal policy and through the CCT's existing policy process. 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 the country in terms of National Regulatory Standard NRS 069¹ a name change was effected in 2017 to 'Shared Network Charge'.

An SNC is imposed for any new and upgraded connections and is required to contribute towards the cost incurred to increase the capacity of the shared network to meet the additional demand imposed by either a new or upgraded development or connection and the additional capacity requested. The tariff applies to both consumers and generators connecting to the shared network. The SNC ensures that those customers who benefit most directly from the availability of infrastructure contribute their fair share to the cost of that infrastructure.

The conditions were developed in alignment with the NRS, as well as recognised best practice with the intent of ensuring equity, affordability and sustainability.

The public participation plan on the draft Shared Network Charges Policy was supported and approved on 24 November 2022 at the Energy PC meeting. The public participation process commenced on 1 February 2023 and concluded on 28 February 2023. 13 comments were received with intensive engagements with SubCouncils. These comments were recorded in the attached spreadsheet as Annexure B. None of the comments received during the public participation process resulted in objections or required changes to the policy.

¹ NRS 069, 'Guidelines for Distribution Connection Charges for Loads (as amended).'

- 4.1. Financial Implications None Opex Capex
 Capex: New Projects
 Capex: Existing projects requiring additional funding
 Capex: Existing projects with no Additional funding requirements

4.2. Policy and Strategy Yes No

4.3. Legislative Vetting Yes No

4.4. Legal Implications Yes No

4.5. Staff Implications Yes No

4.6. Risk Implications Yes The risks for approving and/or not approving the recommendations are listed below:

No Report is for decision and has no risk implications.

No Report is for noting only and has no risk implications.

4.7. POPIA Compliance Yes It is confirmed that this report has been checked and considered for POPIA compliance.

5 RECOMMENDATIONS

It is recommended that:

Energy Portfolio Committee (PC):

- The Shared-Network Charges policy as contained in Annexure A be recommended for onward submission to the Executive Mayor together with the Members of the Mayoral Committee for onward submission to Council for approval.
- The inputs received during the Public Participation process and the City's responses thereto on the Shared-Network Charges policy as contained in Annexure B be noted and support the City's responses thereto.

Executive Mayor together with the Members of the Mayoral Committee:

- The Shared-Network Charges policy as contained in Annexure A be recommended to Council for approval.
- The inputs received during the Public Participation process and the City's responses thereto on the Shared-Network Charges policy as contained in Annexure B be noted and support the City's responses thereto.

Council:

- a) The inputs received during the Public Participation process and the City's responses thereto on the Shared-Network Charges policy as contained in Annexure B be considered and support the City's responses thereto.
- b) The Shared-Network Charges policy, as included in Annexure A, be approved.

AANBEVELINGS

Daar word aanbeveel dat:

Portefeuljekomitee oor energie:

- Die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae A, aanbeveel word vir verdere voorlegging aan die uitvoerende burgemeester tesame met die lede van die burgemeesterskomitee vir verdere voorlegging aan die Raad vir goedkeuring.
- Daar kennis geneem word van die insette gedurende die openbaredeelneproses en die Stad se reaksies wat betref die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae B, en die Stad se reaksies daarop te steun.

Uitvoerende burgemeester tesame met die lede van die burgemeesterskomitee:

- Die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae A, vir goedkeuring by die Raad aanbeveel word.
- Daar kennis geneem word van die insette gedurende die openbaredeelnameproses en die Stad se reaksies wat betref die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae B, en die Stad se reaksies daarop te steun.

Raad:

- a) Die insette ontvang gedurende die openbaredeelnameproses en die Stad se reaksies wat betref die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae B, oorweeg word en die Stad se reaksies daarop te steun.
- b) Die beleid oor gedeeldenetwerk-heffings, soos vervat in bylae A, goedgekeur word.

IZINDULULO

KUNDULULWE ukuba:

IKomiti yeSebe lezaMandla oMbane:

- Makwenziwe isindululo sokuba uMgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano oqulathwe kwisihlomelo A ungeniswe kuSodolophu weSigqeba ekunye namalungu eKomiti yeSigqeba sakhe ukuze udluliselwe kwiBhunga liwuphumeze.
- Makuqwalaselwe izimvo ezifunyenwe ngexesha lenkqubo engeNtathonxaxheba yoLuntu neempendulo zeSixeko kumgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano oqulathwe kwisihlomelo B, kwaye kuxhaswe iimpundulo zeSixeko emva koko

USodolophu wesiGqeba lekunye namalungu eKomiti yesiGqeba sakhe:

- Makwenziwe isindululo kwiBhunga sokuphumeza uMgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano oqulathwe kwisihlomelo A.
- Makuqwalaselwe izimvo ezifunyenwe ngexesha lenkqubo engeNtathonxaxheba yoLuntu neempendulo zeSixeko kumgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano oqulathwe kwisihlomelo B, kwaye kuxhaswe iimpundulo zeSixeko emva koko

IBhunga:

- a) Makuthathekwe ingqalelo izimvo ezifunyenwe ngexesha lenkqubo engeNtathoxaxheba yoLuntu neempendulo zeSixeko kumgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano oqulathwe kwisihlomelo B, kwaye kuxhaswe iimpendulo zeSixeko emva koko.
 - b) Makuphunyezwe umgaqonkqubo ongeeNtlawulo zoLwabelwano loThungelwano, njengoko uqulathwe kwisihlomeloA.
-

ANNEXURES

ANNEXURE A - SHARED NETWORK CHARGE POLICY FOR ENERGY DIRECTORATE


ANNEXURE B - PUBLIC PARTICIPATION TABLE OF COMMENTS



FOR FURTHER DETAILS CONTACT

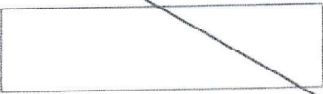
NAME **Ismail Jefferies** CONTACT NUMBER **021 444 8358**
 E-MAIL ADDRESS **Ismail.Jefferies@capetown.gov.za**
 DIRECTORATE **Electricity Generation and Distribution** FILE REF NO **P4071**
 SIGNATURE : DIRECTOR **Leslie John Rencontre** Digitally signed by Leslie John Rencontre
 Date: 2024.08.15 17:24:07 +02'00'

EXECUTIVE DIRECTOR

NAME **KADU NASSIEP.** COMMENT:
 DATE **19 AUG 2024**
 SIGNATURE 

THE ED'S SIGNATURE REPRESENTS SUPPORT FOR REPORT CONTENT AND CONFIRMS POPIA COMPLIANCE

CHIEF FINANCIAL OFFICER

NAME _____ COMMENT:
 DATE _____
 SIGNATURE 

DIRECTOR: POLICY AND STRATEGY

- SUPPORTED FOR ONWARD SUBMISSION – PRESCRIBED DEVELOPMENT PROCESS FOLLOWED
- NOT SUPPORTED – PROVIDE COMMENT

NAME **HUGH COLE** COMMENT:
 DATE _____
 SIGNATURE **Hugh Cole** Digitally signed by Hugh Cole
 Date: 2024.08.23 08:53:06 +02'00'

Making progress possible. Together.



MANAGER: LEGISLATIVE VETTING

- ANNEXURE TO THE REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S POLICIES, BY-LAWS AND ALL LEGISLATION RELATING THERETO.
- ANNEXURE NON-COMPLIANT WITH POLICIES, BY-LAWS AND STRATEGIES.

NAME TIMOTHY ZEEMAN COMMENT:

DATE

SIGNATURE **Timothy Zeeman** Digitally signed by Timothy Zeeman
Date: 2024.08.23 11:09:55 +02'00'

MAYORAL COMMITTEE MEMBER

NAME COMMENT:

DATE

SIGNATURE **Xanthea Limberg** Digitally signed by Xanthea Limberg
Date: 2024.08.27 14:50:30 +02'00'

LEGAL COMPLIANCE

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
- NON-COMPLIANT

NAME COMMENT:

DATE

SIGNATURE  Digitally signed by Jason Sam Liebenberg
Date: 2024.09.02 09:37:48 +02'00'

Certified as legally compliant based on the contents of the report.

Making progress possible. Together.



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.

SHARED NETWORK CHARGE POLICY FOR ENERGY DIRECTORATE

(POLICY NUMBER XXXXX)

APPROVED BY COUNCIL: DDMMYY
CXX/XX/XX

TITLE: SHARED NETWORK CHARGE POLICY

REFERENCE CODE **XXXX**

DOCUMENT CONTROL

| | |
|-----------------------|---|
| Responsible Director: | Director: Electricity Generation and Distribution |
| Version Number: | YYYY-MM-DD |
| Document status: | Approved by Council on x July 20xx |
| Next review date: | June 20xx |
| Contact details: | 021 444 xxxx |

CONTENTS

DEFINITIONS.....3

1 PROBLEM STATEMENT7

2 DESIRED OUTCOMES7

3 POLICY PARAMETERS8

4 STRATEGIC INTENT9

5 STRATEGIC ALIGNMENT9

6 ROLE PLAYERS AND STAKEHOLDERS10

7 REGULATORY CONTEXT.....10

8 POLICY DIRECTIVE DETAILS11

9 IMPLEMENTATION.....15

10 MONITORING, EVALUATION AND REVIEW.....15

DEFINITIONS

For the purposes of this policy, except where clearly indicated otherwise, the words and expressions set out below have the following meanings:

| | |
|--------------------------|--|
| Authorised Capacity (AC) | The capacity per point of supply made available by the service provider and paid for by the customer or developer. |
| Backyard Dwelling | Backyard dwellings refer to informal structures on formal, residential erven, regardless of ownership. These structures are used for habitation and may be positioned behind, in front of, or next to the primary dwelling. |
| City | means the City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of the City acting in terms of delegated authority; |
| Commercial Customer | As defined in the City's Tariff Policy (as amended annually). |
| Connection Fee | The fee payable to the City by the customer to provide or upgrade the service connection needed to connect the customer's point of supply to the shared network of the service provider. This cost excludes shared network charges. |
| Council | Means the Municipal Council of the City. |
| Customer | A customer shall mean a consumer as defined in the City's Electricity Supply By-law, 2010. In the case of multiple-metered connections where separate units on the property are metered directly by the service provider, the occupier of each unit thus metered shall be deemed to be a customer. A customer could also be a generator of energy. |
| Developer | A natural person or a juristic person, whether in the public sector or the private sector, that carries out building and engineering operations to establish a development. |
| Development | Means the erection of a building or structure on land or the change in use of land, including township establishment, the zoning, the subdivision or consolidation of land or any deviation from the land use or use permitted in terms of the development management scheme. |
| Electrical Installation | Any machinery, on or in any premises, used for the distribution of electricity from a point of control to a point of consumption anywhere on the premises, reflecting items included and excluded in the Electrical Installation Regulations. |

| | |
|-------------------------------|--|
| External Engineering Services | <p>Means: (a)municipal engineering services infrastructure external to the development site boundary and includes both:</p> <ul style="list-style-type: none"> i) bulk engineering services, which means municipal services infrastructure external to the development, including land, required to provide engineering services to multiple users at a municipality-wide scale as indicated in the relevant master plans; and ii) link engineering services, which means municipal services infrastructure external to the development site boundary, including land, required to connect internal engineering services within the proposed development to proposed bulk engineering services; or <p>b) bulk and link engineering services as described above in a) but which also falls within the site boundary where the characteristics of the site so require external engineering services to be included on the site in addition to internal engineering services.</p> |
| Formal Housing Development | <p>A township development in a development area subdivided into serviced erven, road reserves and spaces for communal use. Dwellings can be either formal or informal (the latter usually with a view to constructing a formal dwelling in due course). This includes Subsidised Housing Developments, Gap Housing and any other housing developments meeting these criteria, whether not-for-profit or for commercial gain.</p> |
| Gap Housing | <p>Residential units to serve the gap in the housing market where people earn too little to enable them to participate in the private property market and too much to qualify for State assistance.</p> |
| Generator | <p>A power generation plant using renewable power plant primary renewable energy sources or fuel driven energy sources that is grid tied.</p> |
| Grant Funding | <p>A grant from National Treasury in this context is a full or partial subsidy that is provided to give access to basic municipal services to qualifying beneficiaries in order to establish sustainable human settlements.</p> |
| High Voltage (HV) | <p>Nominal voltage levels equal to or greater than 44 kV up to and including 132 kV.</p> |
| Informal dwelling | <p>A structure and unit of accommodation intended for human occupation, constructed of any material, even though such material or the construction method may not comply with the standards of durability intended by the National Building Regulations and Building Standards Act, 1977 (Act No. 103 of 1977).</p> |

| | |
|-----------------------------------|--|
| Informal Settlement | An unplanned settlement on land which may not have been surveyed or proclaimed as residential, consisting mainly of informal dwellings, and established with or without the permission of the land owner. |
| Internal Reticulation | The part of the electrical reticulation system, owned and operated by the service provider, that falls within the boundaries of a development and is necessary for the utilisation and development of the land. |
| Low Voltage | Nominal voltage levels up to and including 1 kV. |
| Maximum Export Capacity (MEC) | The contracted maximum export capacity, expressed in kW and based on a 30-minute integrating period per point of connection (POC) agreed to in writing between licensee and the customer, based on the requirements of the customer and the capacity of the network reserved for that customer's use under normal system conditions in all time periods. Generators apply for MEC. |
| Medium Voltage | Nominal voltage levels greater than 1 kV and less than 44 kV. |
| Net-consumer | Net consumer means a customer who imports (purchase) more electricity than the customer exports (feed-in to the network) over a rolling 12-month period. |
| Network Availability Charge (NAC) | Monthly tariff charges that are unbundled to reflect the costs associated with networks/wires and usually based on the utilised capacity of the supply. |
| Notified Maximum Demand (NMD) | Means the maximum demand or capacity notified in writing by the customer and accepted by the Service Provider as that which the customer requires the Service Provider to be in a position to supply on demand. For generators, or customers with embedded generation, MEC also applies. |
| Point of Consumption | Any point of outlet or the supply terminals of machinery, as defined in the Electrical Installation Regulations. |
| Point of Control | The point at which an electrical installation on or in any premises can be switched off by a user or lessor from the electricity supplied from the point of supply, or the point at which a particular part of an electrical installation on or in any premises can be switched off where different users occupy different portions of such premises. |
| Point of Delivery | A single point of delivery (is a point where electricity is delivered by the licensee). |
| Point of Supply | The point determined by the service provider at which the service provider supplies electricity to any premises. This is normally the point on the boundary of the property at which electricity is supplied to the property. The same applies to backyard dwellings. However, in the case of informal settlements and serviced-site developments with informal dwellings, it is the point where the service connection cable is connected to the customer's point of control (typically at the readyboard). |
| Prosumer | A customer who both produces and consumes electricity. |

| | |
|-----------------------------|--|
| Residential Customer | As defined in the City's Tariff Policy (as amended annually). |
| Reticulation | The medium voltage and the low voltage infrastructure, which together form the distribution system required to deliver electricity to the points of supply to customers, and includes service connections. |
| Service Authority | Means the City of Cape Town (the City). |
| Service Connection | The infrastructure required to form the dedicated electricity connection from the shared portion of the transmission or the distribution system to the point of supply, and includes items of a dedicated nature such as switchgear, cables, metering and load management equipment. In the case of informal settlements the service connection is deemed also to include the section of the electricity connection to the point of control. |
| Service Provider | As this policy deals only with the City's area of supply, the service provider shall be read as the City's Energy Directorate. |
| Serviced Site Development | A development that consists of cadastrally defined land units, each with one-on-one access to public services. Services may include water, sanitation, electricity or refuse removal. Such sites are allocated to beneficiaries as part of a housing project or informal settlement upgrading process. |
| Shared Network | The high, medium and low voltage infrastructure, which together form the transmission and distribution systems required to deliver electricity to the points of supply to customers. It excludes service connections and other infrastructure dedicated to the supply of a particular customer or customers. |
| Shared network Charge (SNC) | A charge to cover the cost incurred to increase the capacity of the shared network to meet the additional demand imposed by either a new or upgraded development or connection and the additional capacity requested. The capacity requested shall be either the Notified Maximum Demand (NMD) NMD or the Maximum Export Capacity (MEC). |
| SPLUMA | Means the Spatial Planning and Land Use Management Act, 2013 (Act 16 of 2013). |
| Sub-service Main | The infrastructure required to connect the customer's electrical installation to the point of supply. The sub-service main therefore forms the electrical connection between the point of supply and the point of control. |
| Subsidised Connection Fee | A reduced connection fee payable by qualifying customers in terms of the City's Tariff Policy. |
| Subsidised Housing | A housing development, whether public sector or private sector, where the beneficiaries qualify for a national housing subsidy. |
| Systems Act | Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) |
| Tariffs | As defined in the City's Tariff Policy (as amended). |
| Township | Means a group of pieces of land, or of subdivisions of a piece of land, which are combined with public places and are used for residential, industrial, business or similar purposes. |

ACRONYMS

| | |
|-----|--|
| AC | Authorised Capacity |
| EGD | Electricity Generations and Distribution |
| HV | High Voltage |
| MEC | Maximum Export Capacity |
| NAC | Network Availability Charge |
| NMD | Notified Maximum Demand |
| SNC | Shared Network Charge |
| SP | Service Provider |

1 PROBLEM STATEMENT

- 1.1 Local government is empowered to provide municipal services in terms of section 156(1) of the Constitution, and Section 8 of the Systems Act, 2000. This obligation is discharged through, among others, the provision and operation of infrastructure, including external infrastructure. Section 73(2)(c) of the Municipal Systems Act also requires that these services must be provided in a financially sustainable manner and Section 75A of the same Act empowers a municipality to impose, inter alia, charges to pay for services.
- 1.2 The Shared-network Charge (SNC) tariff is imposed for any new and upgraded connections and is required to contribute towards the cost incurred to increase the capacity of the shared network to meet the additional demand imposed by either a new or upgraded development or connection and the additional capacity requested.
- 1.3 The Shared-network Charge tariff ensures that those customers who benefit most directly from the availability of infrastructure contribute their fair share to the cost of that infrastructure.
- 1.4 The tariff applies to both consumers and generators connecting to the shared network.

2 DESIRED OUTCOMES

- 2.1 The objective of this document is to stipulate the principles and standard methods of calculating and applying policies for the recovery of electricity network charges within the City of Cape Town.
- 2.2 A further objective is to provide clarity on the equitable application of the shared-network tariff for new and upgraded electricity connections.

3 POLICY PARAMETERS

- 3.1 This policy applies to charges for new connections, developments or when an upgrade is required to the electrical capacity of an existing connection throughout the City of Cape Town's network area. Customers within the Eskom area of supply are excluded, as customers must approach Eskom for new connections or upgrades to the network.
- 3.2 As the service authority within the Cape Town municipal boundary, the City as per the City's Municipal Planning By-law, 2015, reserves the right to elect the service provider for certain areas within the Eskom supply area and include these areas in the City's area of supply, where the City's network infrastructure layout allows for this.
- 3.3 There are two types of charges which make up the total cost of increasing the electricity capacity of an existing connection:
- 3.3.1 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.
- 3.3.2 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.
- 3.4 This policy outlines the rationale and methodology for calculating the shared network charges related to the external engineering services applicable for changes to the electrical capacity of an existing connection.
- 3.5 This policy is not only applicable to net-consumers, but also applies in the case of prosumers and generators of electricity, where approved.
- 3.6 This policy excludes the charges for the following engineering infrastructure: roads, storm water, water, sewerage, public transport and solid waste. The charges for these services are covered in the City's Development Charges Policy for Engineering Services.
- 3.7 Downgrading of supplies is covered by the City's Notified Maximum Demand (NMD) rules directive.

4 STRATEGIC INTENT

- 4.1 This policy is based on recognised best practice and is intended to ensure equity, affordability and sustainability of electricity services.
- 4.2 There are two approaches to calculating the Shared Network Charge—
- 4.2.1 The deep charge approach is when much of the costs as possible are allocated to the connection charge and as little as possible to the tariff.
- 4.2.2 The shallow approach is when a portion of the costs are allocated to the connection charge and the remaining portion to the tariff base.
- 4.3 **Equity:** There must be a fair balance between a deep and shallow SNC approach so as to equitably share costs between customers/developers using a combination of tariff and connection charges to cover network costs.
- 4.4 **Transparency:** To provide transparency as to how connection charges are raised.

5 STRATEGIC ALIGNMENT

5.1 IDP 2022-2027

Objective 1: Increased job and investment in Cape Town Economy: The IDP recognizes that economic growth is dependent on the City doing the basics well and providing an essential foundation for more dignity and faster economic growth.

Objective 2: Increased access to quality and reliable basic services: Improving residents' living conditions and health in formal contexts through the provision of basic services is a key commitment of the City's IDP. Reliable access to electricity is critical for a life of dignity.

Objective 4: Well-managed and modernized infrastructure to support economic growth: The City's IDP commits to prioritise investment in infrastructure to ensure the delivery of basic services efficiently and effectively into the future.

Objective 16: A capable and collaborative city government: The City's IDP recognizes the need to contain costs and focus on the delivery of its core mandates to ensure the long-term financial viability of the municipality. Long-term fiscal health and administrative efficiency are maintained through responsible financial stewardship, effective risk management, performance management and robust internal administrative structures and processes. To ensure access to an affordable package of basic services, the City is to maintain its indigent application process and equitable cross-subsidisation regime to ensure affordable access to a package of basic services.

5.2 The City of Cape Town Human Settlements Strategy (HSS) (2021):

The Strategy commits the City to addressing informality by supporting the incremental, integrated development of informal settlements. This commitment recognises the dignity of residents and the importance of empowering residents in the on-going development of human settlements.

The HSS highlights the creation of an Informal Settlements Upgrading Pipeline (ISUP), outlining the various services that form part of an upgrading undertaking as well as the necessary conditions that must be met in order for upgrading to take place.

6 ROLE PLAYERS AND STAKEHOLDERS

The following role players are identified for the purposes of implementing the provisions of this policy:

- 6.1 City Electricity Generation and Distribution Department – responsible for the design of the network to facilitate the required capacity of new and existing customers.
- 6.2 Developers – responsible for payment of SNCs based on their development application in accordance with this policy.
- 6.3 Civil society responsible for payment of SNCs based on their application for increased capacity in accordance with this policy.
- 6.4 Government entities and City departments - responsible for payment of SNCs for new developments and upgrading of existing capacity requirements in accordance with this policy.

7 REGULATORY CONTEXT

The Shared-network Charge of the City's Energy Directorate forms part of the City's tariff structure and is underpinned by the following:

- 7.1 National legislation, through Section 75A of the Municipal Systems Act, further empowers a municipality 'to levy and recover fees, charges or tariffs in respect of any function or service of the municipality'. The City of Cape Town Municipal Planning By-law, 2015 (MPBL) gives effect to the municipal competencies conferred on Local Government in terms of Schedule 4 B of the Constitution.
- 7.2 Municipal Fiscal Powers and Functions Act, 2007 (Act No. 12 of 2007) ("the Act"), provides for, among other things, a regime for municipalities to levy development charges.
- 7.3 The City of Cape Town Municipal Planning By-law, 2015 (MPBL) part 6, section 64-66 sets out requirements for the provision of engineering services for land development and raising development charges while section 100 deals with imposing conditions.

- 7.4 Section 18 (Payment of Charges) of the City of Cape Town Electricity Supply By-law, 2010, as amended which stipulates that "the consumer shall be liable for all charges listed in the prescribed tariff for the electricity service as approved by the Service Authority". In Section 1 of the same document, Service Authority is defined as "the City of Cape Town, a metropolitan municipality established in terms of the law".
- 7.5 The name of the tariff was changed from development capital tariff (DC) to Shared-network Charge (SNC) with effect from 1 July 2017, a) to avoid confusion with development contributions payable for City services other than electricity, and b) to align with the term used by other electricity service providers across the country in terms of national standard NRS 069: Guidelines for Distribution Connection Charges for Loads (as amended).
- 7.6 A Notified Maximum Demand (NMD) and Maximum Export Capacity (MEC) Rules directive (December 2021) has been issued by NERSA and form a separate Directive. This is to provide the correct pricing signal that will allow the licensee to plan for the provision of new capacity.
- 7.7 Tariff Policies applicable to all tariff for electricity, water, sanitation and solid waste services provided by the City which is applicable to all sundry tariffs as provided for in the Schedule of Tariffs of the City.
- 7.8 City of Cape Town, Credit Control and Debt Collection By-law, 2006, and Policy.
- 7.9 National Energy Regulator of South Africa (NERSA) - Distribution-Tariff Code for licensed Distributors
- 7.10 Department of Mineral Resources and Energy Electricity Pricing Policy.

8 POLICY DIRECTIVE DETAILS

Connection fees and connection charges shall include dedicated costs and tariffs applicable to providing the dedicated assets, as well as the SNC tariffs applicable to the connection capacity applied for.

8.1 SNC Application

- 8.1.1 SNC is calculated in direct proportion to the authorised capacity applied for by the customer. The unit for authorised capacity shall be kVA (kilovolt-ampere).
- 8.1.2 The SNC tariff applicable shall depend on the nominal voltage level at which the connection is taken as indicated in Appendix A. These tariffs shall be published, typically on an annual basis together with other City charges and tariffs as per Tariff Policies approved annually.

- 8.1.3 The SNC charges becomes payable upon application and is based upon:
 - 8.1.3.1 The authorised capacity (AC) of the service connection applied for in case of new connections, or
 - 8.1.3.2 The increase in authorised capacity, for upgraded connections.
- 8.1.4 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.
- 8.1.5 SNC is not refundable if the existing site connection supply capacity entitlement is reduced.
- 8.1.6 The AC is reduced once the supply capacity is downgraded and any future increase will incur full SNC again.
- 8.1.7 The AC will be forfeited upon request to remove the POS and full SNC becomes payable on future request to service the property.
- 8.1.8 The AC will be forfeited and full SNC becomes payable if there is no supply for a period of 5 years to the property where no removal of supply was requested unless a Network Availability Charge (NAC) has been paid for the full period of no supply.

8.2 SNC calculation methodology

- 8.2.1 The SNC payable is based on the AC applied for. The unit of the tariff is R/kVA, with R (Rand) the unit for the charge payable and kVA (kilovolt-ampere) the unit for authorised capacity.
- 8.2.2 SNC should be differentiated by the generic point of the point of common coupling, which includes the supply voltage and network voltage as per Annexure A. The City shall determine the point of common coupling, and thereby also determine the network voltage and the applicable SNC tariff.
- 8.2.3 The SNC standard charges are calculated in R/kVA per voltage level to ensure every customer connected at that point contributes equitably to the upstream costs.
- 8.2.4 The SNC charges are calculated by dividing the replacement cost of the various network segments of the network by standard capacity of that particular network.
- 8.2.5 The additional or new capacity required is then determined for a customer or developer based on the AC applied for.

The charges are calculated for at least each network segment at the following voltage levels:

| Network Segment | Description |
|---|---|
| High Voltage | High Voltage consumer, supply taken from a 132 or 66 kV Main Substation or Switching Station. |
| High Voltage / 11 kV and High Voltage / 33 kV | Medium Voltage consumer, supply taken from a 132/66/33 kV Main Substation where transformation to medium voltage takes place. HV/33kV MV only where tariff is published and where the infrastructure exists. |
| 33 kV | Medium Voltage consumer, supply taken either from 33 kV Main station or 33 kV busbar, where available. |
| 11 kV | Medium Voltage consumer, Supply taken from 11kV protected substation or via a OBMU in secondary MV network. |
| 11 kV / Low Voltage | Low Voltage consumer, supply taken from secondary terminals of transformer/miniature substation. |
| Low Voltage | Low Voltage consumer, supply taken from a low voltage street furniture more than 20 m from substation. |

- 8.2.6 The asset replacement values should be calculated at least every 3 years to take cognisance of change in materials, labour, transport and other cost involved in creating these assets.
- 8.2.7 The asset replacement value involves obtaining the quantities of installed equipment and replacement values of each in order to obtain the total replacement values of each segment.
- 8.2.8 SNC recovers part of the cost of the network investment, the balance is recovered via the tariff structure. Network infrastructure costs recovered include the high voltage to medium voltage transformer down to the lowest voltage shared-network items, and excludes public lighting infrastructure. (Developers shall provide public lighting infrastructure in new developments, or for upgraded public roads).
- 8.2.9 SNC does not recover costs in providing additional network reliability investment costs e.g. N-1 reliability), which is done via tariffs.

8.3 **SNC Rebates**

- 8.3.1 Rebates are determined based on what network segment the applicant is to be connected to. Developers are required to install all internal engineering infrastructure required as well as all internal bulk engineering services downstream of the point of common coupling. No rebate is given for internal engineering infrastructure other than those required to provide a premium supply (e.g.N-1) and approved as part of the application. Note: this excludes any dedicated network items which are fully funded by the customer.

8.3.2 Rebates are applicable to bulk engineering external to the development where approval to install was granted to the applicant. Section 36 of the City of Cape Town Electricity Supply-By-law, 2010, as amended, also applies. The developer is responsible for all internal bulk services where indicated in the conditions pertaining to the application in accordance with published tariffs.

8.3.3 The rebate shall not exceed the SNC. Should the calculated rebate exceed the SNC, the applicant shall elect to:

8.3.3.1 Either delay the work until the City is able to provide the infrastructure for which the rebate is being contemplated. (The infrastructure may not be excluded or postponed until after the development has been completed – the development may not proceed without the infrastructure contemplated.) Note: the delay period is dependent on contracts available, time to issue a new tender for the work where no contracts exist, and on budget availability, or

8.3.3.2 Proceed without compensation to provide the infrastructure.

8.4 **SNC Grants / Subsidies**

8.4.1 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.

8.4.2 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.

8.4.3 Temporary supplies are exempt from SNC for a period not exceeding 12 months with a maximum capacity of 500 kVA and to be used for construction purposes only. If a temporary supply is required either for longer than 12 months or greater than 500 kVA, an SNC is applicable. The SNC capacity paid for on such a supply may be used to offset the final AC i.e. can be transferred to the final AC of the supply.

9 IMPLEMENTATION

9.1 SNC is payable upfront as a part of the application for a new, or upgrade to an existing, connection and is subject to conditions for granting development/subdivision/consent use/ land use approval processes. Payments should in all cases be made as follows:

9.1.1 In subdivisions before section 137 of the Municipal Planning Bylaw, 2015 clearance of the subdivided portion is given in terms of the approved subdivision plan.

9.1.2 Where a customer applies for a new connection or the upgrading of the authorised capacity of an existing connection, before approval of the application and commencing the upgrade of the connection.

9.2 Where a customer exceeds the authorised capacity before commencing with the required upgrading of the service connection, the City will implement a limit to the authorised capacity, or will charge an additional Capacity Charge until the SNC is paid and upgrading of connection is completed. It is the customer/generator's obligation to ensure the maximum demand of the installation is limited to the authorised capacity.

9.3 For rezoning and consent use, payment of charges stipulated in clause 3.3 should be paid before starting the upgrading of the network and approval of the land use application.

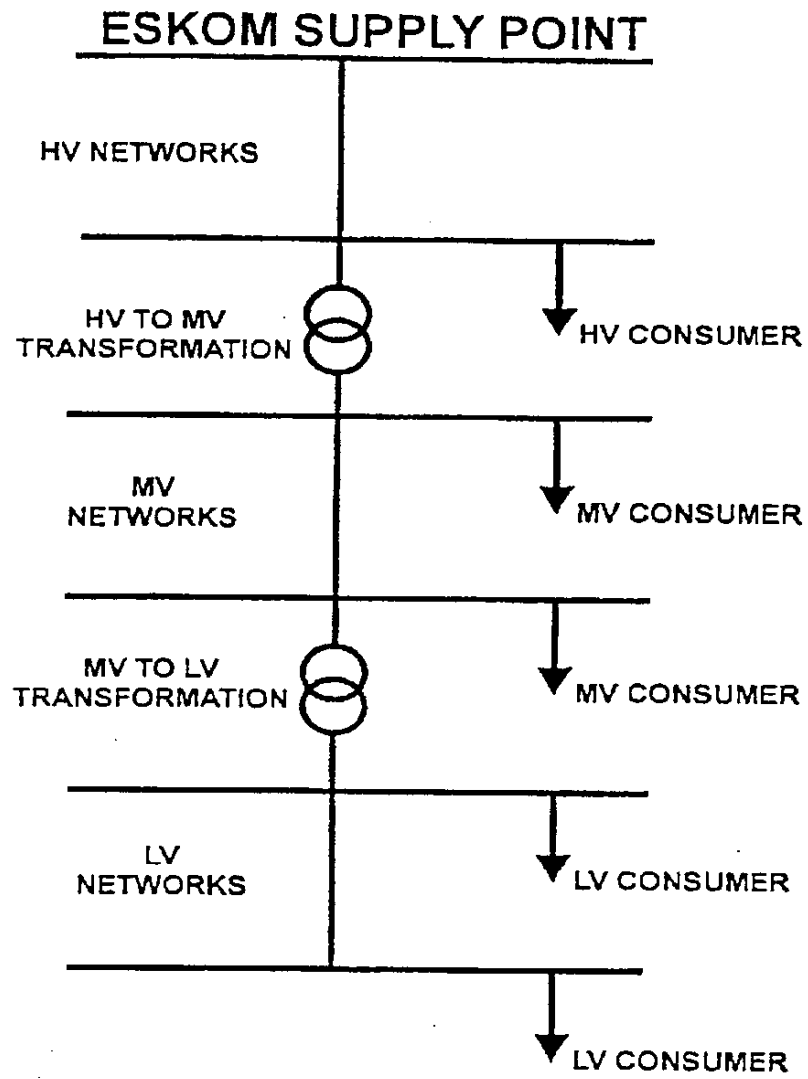
9.4 On completion of the internal electricity distribution infrastructure, including internal reticulation and external engineering services, to the City's EGD Department's satisfaction, it shall be handed over formally to the City's EGD Department. The applicant shall nonetheless remain responsible 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.

9.5 All of the above will be strictly adhered to and no agreement or guarantees will be accepted in lieu of compliance.

10 MONITORING, EVALUATION AND REVIEW

10.1 The implementation program shall be reviewed on an annual basis as part of the normal budget process.

10.2 This policy will be reviewed every ten (10) years or as needed.

Annexure A: Network segment for different voltage levels:

| ANNEXURE B | | | | | |
|-------------------------|-----------|--|---|---|-------------------|
| Organisation individual | Name | Copy email body and summary of the attachment (if applicable) | Summary of Comment | Drafting team response | Change made (Y/N) |
| SC 18 | Fred Monk | <p>Clir D Nelson stated that the challenges that we are going to have with this policy and what he experienced. A house that is being inherited in Grassy Park from parents that passed on and the daughters that are in their old age wants to rezone the property and applied for the new connection was informed to pay an amount of R33 000.</p> <p>They did not purchase the house, they inherited the house from their parents.</p> <p>There are people that need another connection onto their property but does not have the money to pay that amount.</p> <p>Lotus River has a number of inherited houses because of the context of the community. He said that the Subcouncil should get a presentation on this and if the areas like Lavender Hill, Lotus River, Grassy Park and Ottery we will be blind sighted and people will not benefit from this policy.</p> | How does the policy apply to inherited homes | A house that is inherited would have an existing capacity allocated already so no need for SNC unless upgrade to elec capacity required | N |
| SC 18 | Fred Monk | <p>The Chairperson, Clir K Southgate stated that there is too little time given for comment and said that there is complete misalignment as the comments need to be in by 28 February 2023.</p> <p>That the ward committee need to be consulted, which the meetings took place already and the Subcouncil only has two weeks until the end of the month for submission.</p> <p>He further stated whether the public participation process has become a tick box exercise and if so then concerns need to be raised in terms of the Act.</p> <p>Clir Gordon requested for extension of time.</p> <p>Mr Monk stated that he would request a meeting with the Department before or on 28 February 2023 to submit comments to meet the deadline.</p> | Process concern - public participation period | A meeting was held on 28 February with the Sub Council to hear their concerns and questions on the policy - all comments captured and responded to. Minimum public participation period is 14 days but this policy was released for double this required period. | N |
| SC 18 | Fred Monk | - | Exemptions for NGOs and Churches | Councils prerogative to grant exemptions through a Council decision but alternative funding needs to be identified. The department requesting the exemption can secure the capital for the capacity upgrades via City budget or grant funding (e.g. USDG for informal settlement upgrades) and then allocate to EGD to cover the cost of hte SNC - similar to how the DC exemptions occur currently. | N |
| SC 18 | Fred Monk | <ul style="list-style-type: none"> • Ald S Moodley raise a similar issue and in terms of the policy and trying to figure out how they can introduce the issue in terms of tariffs as there are two tariffs i.e. residential and commercial and where it lies the problem. • Need to find a way whether they deal with it in the draft policy or to bring about a position in terms of where NGO's, places of worship which we have now in terms of the rates we have clarified strictly places of worship, • CBO's and those that enjoyed rates benefits which need to be brought into a policy that they would enjoy the benefit of residential and not ask for a total exemption but ask that they be categorized under the residential charges/tariffs. • There is a huge difference between the residential and commercial tariffs. • How do we incorporate it into this policy for those that qualify, namely, NPO's, CBO's and places of worship? • Ald S Moodley stated that he wants a direction whereby they can influence the policy and whereby they want to say that there should be a category or to say that those NPO's and places of worship who qualify for the rates rebates in terms of our system be accommodated into the residential components. • Which means they will be paying a residential tariff instead of a commercial tariff. | Differentiated tariffs for residential and commercial and how these relate to CBOs, NGOs and places of worship - request that these be defined as residential | Clarity was provided around the need to consider this in the electricity tariff policy as it is out of scope of the draft policy that is currently open for public participation. The Electricity Tariff policy will be released for public participation in March 2023 as part of the annual update to the budget suite of policies - Residential customers allowed up to 100 amps of elec capacity (Whereas eskom only permits up to 60 amps for residential - beyond which different higher tariffs apply) | N |

| | | | | | |
|-------|--------------------|--|---|--|---|
| SC 18 | Fred Monk | <ul style="list-style-type: none"> • Cllr August referred to the low cost housing in informal settlements, the disadvantage areas with the heavy burden tariffs already and with no exemption to them either. | How does the policy apply in disadvantaged areas? | SNC doesn't apply in ESKOM areas. SNCs will be included in the USDG applications for informal settlement upgrades - therefore SNC for informal settlements funded from grant funding | N |
| SC 18 | Fred Monk | <ul style="list-style-type: none"> • Her second question was without the exemption is the cost going to be less or will it be the same as residential, the Cllr further required clarity on the low cost housing in informal settlements. | How does the policy apply in disadvantaged areas? | SNC doesn't apply in ESKOM areas. SNCs will be included in the USDG applications for informal settlement upgrades - therefore SNC for informal settlements funded from grant funding | N |
| SC 18 | Fred Monk | <ul style="list-style-type: none"> • She further stated that she does not see a clear directive in terms of the formal business such as the chain stores, manufacturing or production companies where they generate machinery versus the church that uses electricity such as the lights, piano or organ. • The difference is vast to box them together. | Clear distinguishing between type of business activity and amt of electricity needed? Is the policy fair? | Certain High energy users use capacity constantly through operating hours , others have erratic supply. However these profiles do not match residential profiles with two peaks. The different categories of users are more to do with their impact on the network rather than total amt of elec used. The user requests the capacity size and the City makes that capacity available to them 24/7 and does not differentiate how much capacity they use over time | N |
| SC 18 | Fred Monk | <ul style="list-style-type: none"> • Cllr M Petersen required on how do we charge owners of the development or do we charge them or do the City bear the cost of vandalism. • She further enquired how would it be fixed or how will it be fixed in the future in terms of getting a developer to take ownership for ensuring that once they place the infrastructure that it is secured. | Does the City or developer bear cost of vandalism of elec infrastructure? | Currently the City is bearing this cost of vandalism and responsible for replacement of on-site equipment (mini-sub and cables). This new policy would place the responsibility on the developer to safeguard and replace any equipment up until the development is occupied. Developers often in better position to understand threats and manage risk of vandalism and theft | N |
| HYS | Jenny Calder | This policy may be understood by those working in the industry but I fail to see clearly what the impact on residents is going to be. I think it should be written in a clearer manner detailing the steps which will be taken, giving the options available and to whom they're available. It would be fair to give an indication of price and a timeline as well. Thank you. | Need a clearer communication of the policy - giving the steps, options and to whom they're available | We have introduced a section to explain the difference between an SNC and connection fee. Relook at stakeholder list. A level of technical specificity is needed for the policy to give adequate direction. The intended audience is the development industry who are familiar with teh concepts relating SNCs and residents will be guided by professional services and City district staff | N |
| HYS | Trevor Webster | I see no reason to administer another income stream (SNC) to gather revenue for the development of the electrical infrastructure Council already has: 1. The connection fees, which can be adjusted to cover the cost of expanding and attaching new developments to the existing network. 2. The "Home User Tariff", which was justified by Council as going towards the maintenance and costs associated with electricity provision. Surely these measures are sufficient, without complicating revenue collection and the added bureaucracy that follows | How is this charge different from and justified in relation to connection fees and the Home user tariff? | Explanation available in policy - home user tariff is related to consumption of electricity and not elec capacity available to customer | N |
| SC 10 | Sharon B Makhuleni | The subcouncil SUPPORTS that the businesses who benefit from improvements or upgrades of electricity infrastructure contribute to cost implications of the project. | Positive | N/A | N |

| | | | | | |
|----------------------------------|------------------|--|--|--|---|
| Fish Hoek Ratepayers association | Brian Youngblood | <p>We don't think business and residential electricity generators should be charged shared network charges and connection fees for selling their excess power to the City from their Small Scale Embedded Generation (SSEGs) and their bi-directional meters should be installed free. To achieve the City's stated goal of four levels of load shedding sparing, it will need sources of electricity. By allowing the generators onto the City's grid, the City would then have more electricity to sell as the offset (difference paid to SSEGs vs buying from Eskom and non-availability from Eskom during load shedding). We understand that generators receive cash for selling their excess electricity to the City.</p> | How would SNC apply to those wanting to feed into the grid and any network capacity upgrades needed to do so? | <p>The amount of energy that they can produce is limited by the size of their system which is limited by the size of their connection to the City grid. Therefore, they may produce as much as they can equivalent to the size of their system. SNC only becomes applicable should customer want to upgrade their connection size.</p> | N |
| Fish Hoek Ratepayers association | Brian Youngblood | <p>We agree with the policy that formalises the practice that the customer who benefits because of this increase in electricity capacity pays for the costs associated with it. It wouldn't be fair for general customers who aren't directly benefiting from the expansion or upgrade, to pay for this.</p> <p>If new electricity consumers in Cape Town found it too expensive, they might not bother coming here. Note that high rates may slow first world developments, but not third world. We will be guided by the City to find this balance and payment for the provision of shared network and connections. However, we prefer the deep charge model. We do NOT think that new or upgraded developments should be encouraged, if they do not directly contribute to our local economy (businesses vs residents).</p> | Positive - We rely upon the City to find the balance between promoting business developments while still covering its costs. However, we prefer the deep charge model. | N/A | N |