



## UNDERSTANDING RESIDENTIAL ELECTRICITY TARIFFS IN CAPE TOWN – 2024/25

(Applicable from 1 July 2024)

(NOT APPLICABLE TO ESKOM SUPPLIED AREAS)

### In the information set out below it should be noted that:

- Cape Town's electricity tariffs have been formulated in accordance with the Constitution, the Local Government: Municipal Systems Act and the Local Government: Municipal Finance Management Act.
- 1 unit of electricity is equal to 1 kWh;
- The step from Block 1 to Block 2 of the tariff is applied taking all the purchases for that month into account, not each individual purchase;
- The LIFELINE TARIFF must be requested by the customer, it is not applied automatically and is subject to meeting conditions/criteria;
- In assessing a particular customer, the average consumption over the previous 12 months, at the time of assessment, is used, along with the municipal property valuation of that customer, and the type of meter present;
- A LIFELINE customer whose previous 12-month average consumption is above 450 kWh is automatically moved to the DOMESTIC TARIFF, in September and March of each year;
- Residential premises with a supply of more than 100 Amps three-phase are treated as Commercial Customers.

### A. You will be eligible for the LIFELINE TARIFF if:

- FOR ALL CUSTOMERS:
  - You have a municipal property valuation of R500 000 or less; and
  - You receive less than 450 kWh per month on average, including any free electricity; and
  - You have a prepayment meter.
  - If you receive a pensioner or disabled persons rebate in terms of the Rates Policy, or are a tenant who otherwise would have qualified for such a rebate, or are registered as Indigent in terms of the Credit Control and Debt Collection Policy, the property valuation provision falls away.

*Note: The Municipal property valuation can be found on Municipal Rates monthly accounts.*

### More LIFELINE TARIFF notes

- FOR CUSTOMERS ON THE LIFELINE TARIFF WITH A PREPAYMENT METER:
  - If you receive a pensioner or disabled persons rebate in terms of the Rates Policy, or are a tenant who otherwise would have qualified for such a rebate, the property valuation provision falls away.
  - If you are registered with the City as indigent in terms of the City's Credit Control and Debt Collection Policy, the property valuation provision falls away.
- Under the LIFELINE TARIFF you will be eligible for Free Basic Electricity as follows:
  - 60 kWh if you receive less than 250kWh per month on average taken over the previous 12-month assessment period, including any free electricity;
  - 25 kWh if you receive more than 250 kWh but less than 450 kWh per month on average taken over the previous 12-month assessment period, including any free electricity.
- The LIFELINE TARIFF works as follows:
  - Block 1:
    - Free Basic energy – no charge to customer
    - Balance up to 600 kWh per calendar month (206.16 c/kWh plus VAT) = 237.08 c/kWh.
  - Block 2:
    - Above 600 kWh per calendar month (206.16 c/kWh plus VAT) = 237.08 c/kWh.
    - NOTE: The Block 2 rate as from 1 July 2024 is the same as the Block 1 rate for this tariff.

**B. You will be charged on the DOMESTIC TARIFF if:**

- You receive more than 450 kWh per month on average over any 12 consecutive month period, and if you have a prepayment meter and a municipal property valuation in excess of R500 000 but less than R1 000 000.
- The DOMESTIC TARIFF works as follows:
  - Block 1:
    - 0 - 600 kWh per calendar month (339.74 c/kWh plus VAT) = 390.70 c/kWh.
  - Block 2:
    - Above 600 kWh per calendar month (413.38 c/kWh plus VAT) = 475.39 c/kWh.

**C. You will be charge on the HOME USER Tariff if:**

- You have a credit meter (whatever your municipal property value), or you have a prepayment meter and a municipal property valuation of R1 000 000 or more.
- The HOME USER TARIFF works as follows:
  - A monthly service charge (to reflect on the consolidated monthly accounts as "HOME USER CHARGE") of (R245.03 plus VAT) = R281.78
  - Block 1:
    - 0 – 600 kWh per calendar month (298.70 c/kWh plus VAT) = 343.51 c/kWh
  - Block 2:
    - Above 600 kWh per calendar month (413.38 c/kWh plus VAT) = 475.39 c/kWh.

**Impact of the 2024/25 Tariff Increase (values include VAT)**

Indicative values only.

*Illustrative Examples of Average Monthly Account Values on the Home User Tariff:*

| Units Received (kWh) | 2023/24   | 2024/25   | % Increase |
|----------------------|-----------|-----------|------------|
| 250                  | R1 023.54 | R1 140.56 | 11.43%     |
| 450                  | R1 640.70 | R1 827.58 | 11.39%     |
| 600                  | R2 103.57 | R2 342.84 | 11.37%     |
| 800                  | R2 956.69 | R3 293.62 | 11.40%     |
| 1000                 | R3 809.81 | R4 244.40 | 11.41%     |
| 1500                 | R5 942.61 | R6 621.35 | 11.42%     |

*Illustrative Examples of Average Monthly Account Values on the Domestic Tariff:*

| Units Received (kWh) | 2023/24   | 2024/25   | % Increase |
|----------------------|-----------|-----------|------------|
| 250                  | R877.00   | R976.75   | 11.37%     |
| 450                  | R1 578.60 | R1 758.15 | 11.37%     |
| 600                  | R2 103.57 | R2 344.20 | 11.37%     |
| 800                  | R2 957.92 | R3 294.98 | 11.40%     |
| 1000                 | R3 809.81 | R4 245.76 | 11.41%     |
| 1500                 | R5 942.61 | R6 622.71 | 11.42%     |

*Illustrative Examples of Average Monthly Account Values on the Lifeline Tariff:*

| Units Received (kWh) | 2023/24   | 2024/25   | % Increase |
|----------------------|-----------|-----------|------------|
| 60                   | R0.00     | R0.00     | Unchanged  |
| 150                  | R190.40   | R213.37   | 12.07%     |
| 250                  | R401.95   | R450.45   | 12.07%     |
| 350                  | R687.54   | R770.51   | 12.07%     |
| 450                  | R899.09   | R1 007.59 | 12.07%     |
| 600                  | R1 216.41 | R1 363.21 | 12.07%     |
| 750                  | R1 856.25 | R1 718.83 | -7.40%     |

The Free Basic Electricity portion allocated to qualifying customers' forms part of the Block 1 receipts. Therefore, customers will only pay for a maximum of 540 kWh or 575 kWh (depending on which group of Lifeline customers they fall into) of the 600 kWh that makes up this Block, with the City paying for the remainder. Note however that this will only apply in any one individual month, and that the 450kWh per month average remains in place (should a customer buy 600kWh in one month, they will have to "make up" the difference by buying less in one or more other months in order to retain the Lifeline tariff benefit).

### **Illustrative Examples of How an Inclining Block Tariff Functions.**

It is important to note that the frequency of purchases in the month will not affect the total number of kWh received in that month, or the ultimate cost of those units. The examples below illustrate this for a Domestic customer purchasing 800 kWh of electricity per month at a cost of R3 294.98.

#### *Example A:*

Customer A purchases all R3 294.98 worth of electricity once off at the start of every month. For this they will receive 600 kWh at 390.70 c/kWh (R2 344.20 – the Block 1 portion), and 200 kWh at 475.39 c/kWh (R950.78 – Block 2) for a total of 800 kWh received.

#### *Example B:*

Customer B purchases their R3 294.98 worth of electricity in 2 equal purchases of R1 647.49. This means that for their first purchase they will receive 421.68 kWh at 390.70 c/kWh (R1 647.49 – a portion of the Block 1 allocation). For their second purchase of R1 647.49 they will receive 178.32 kWh at 390.70 c/kWh (R696.71 – the remainder of the Block 1 portion) and 200 kWh at 475.39 c/kWh (R950.78 – Block 2) for a total of 378.32 kWh. Both purchases together bring the total amount of electricity received to 800 kWh.

#### *Example C:*

Customer C purchases their R3 295 worth of electricity in 4 equal purchases of R823.75 each (note that in this scenario, the cost of the 800kWh is 2c more expensive than in the other scenarios, as a result of rounding). For their first two purchases they will receive 210.84 kWh at 390.70 c/kWh (R823.75 each – both purchases remaining within the Block 1 allocation) for a total of 421.68 kWh. For the third purchase the customer will receive 178.32 kWh at 390.70 c/kWh (R696.71 – the remaining portion of Block 1), plus 26.72 kWh at 475.39 c/kWh (R127.04 – a portion of Block 2) for a total of 205.05 kWh. For the fourth purchase of the month the customer will receive 173.28 kWh at 475.39 c/kWh (R823.75 – all Block 2). Adding all the purchases together we arrive at a grand total of 800 kWh received in the month.

#### *Example D:*

Customer D purchases their full annual amount of energy in one bulk purchase. They receive 9 600 kWh (800 times 12) for their single purchase. This is made up of 600 kWh at 390.70 c/kWh (R2 344.20 – Block 1), and 9 000 kWh at 475.39 c/kWh (R42 785.10 – Block 2). This brings the total cost for the year to R45 129.30 (which if divided by 12 for comparison purposes results in a monthly amount of R 3 760.78 – well above what the same amount of electricity would cost if bought in smaller monthly increments).

A Lifeline customer, purchasing their total amount for the year in this manner (i.e. in a single purchase), would further lose out on 11 months' worth of the Free Basic Electricity (275 kWh or 660 kWh in total depending on which allocation they receive). A Home User customer would still be required to pay all 12 months of Service Charge, so would not escape that through purchasing in this manner. It is therefore advisable to purchase only the electricity that is actually required in that month, and not to buy significantly more in one go.

### **The Free Basic Supply**

In July 2001, 20 free kWh per month were provided to all domestic customers supplied directly by Cape Town. In July 2003, this was increased to 30 free kWh. National Guidelines established late in 2003 recommended 50 free kWh for customers using less than 150 kWh per month on average. From January 2004, 50 free kWh per month were given to all domestic customers supplied directly by Eskom in the Cape Town municipal area

From July 2004, in order to more accurately target the indigent customers and to limit the cost of the free basic allocation, Council resolved that 50 free kWh per month would be provided to customers using less than 500 kWh per month on average.

Until 30 June 2013, the free basic supply of 50 kWh was provided to customers supplied at the Lifeline Tariff and to Eskom customers who purchase less than 250 kWh per month on average.

From 1 July 2013, for City customers have received the following:

- Customers on the Lifeline tariff receiving less than 250 kWh per month on average receive 60 kWh per month free basic supply;
- Customers on the Lifeline tariff receiving more than 250 kWh per month on average but less than 450 kWh per month on average receive 25 kWh per month on average.

For Eskom customers, those who purchase less than 250 kWh per month on average on one of the Homelight tariffs (so excludes anyone who may be on the Homepower tariffs) receive 50 kWh per month free, in terms of the Free Basic Electricity Agreement between the City and Eskom.