



CITY OF CAPE TOWN  
ISIXEKO SASEKAPA  
STAD KAAPSTAD

# Electricity Tariff FAQs

Last update: September 2018

Visit [www.capetown.gov.za/budget](http://www.capetown.gov.za/budget) for related information.

**Table of Contents**

Table of Contents ..... 2

**ELECTRICITY TARIFFS IN GENERAL ..... 3**

- 1. What are the City’s different electricity tariffs? ..... 3
- 1. How does the City decide on what price to set electricity at? ..... 4
- 2. Why does my relative/friend receive free units every month but I do not? ..... 4
- 3. Why does electricity become more expensive at the end of the month? ..... 5
- 4. I am getting fewer units than I should be for electricity purchases. What could be the reason for this? ..... 5
- 5. My relative/friend who is supplied by Eskom or who lives in another municipality does not pay as much as I do. Why is this? ..... 5

**HOME USER TARIFF: ..... 5**

- 6. Why is there a fixed service charge for the Home User Tariff? ..... 5
- 7. What costs are covered by the service charge? ..... 6
- 8. There are reports of a drop in demand for electricity within the metro. Is this true and is the Home User Tariff related to this drop in demand? ..... 6
- 9. Who has been affected by the introduction of the Home User Tariff? ..... 6
- 10. How do I know that you will accurately value my property? ..... 6
- 11. My house is worth R1 million, why should I have to pay the same service charge as someone who’s house is valued at R15 million? ..... 7
- 12. Does the service charge not discourage people from installing solar geysers and small-scale embedded generation (SSEG) – something that is encouraged by the City? ..... 7
- 13. Why is the City forcing those residents who are actually using less electricity by installing small-scale embedded generation (SSEG) to pay a service charge for a service they do not use? ..... 7
- 14. How is this service fee reflected on my municipal account? ..... 7
- 15. How is the introduction of the Home User Tariff impacting Lifeline and Domestic Tariff customers? ..... 7
- 16. What is the City doing about theft of electricity and tampering of meters to get free electricity? Why do I have to pay for people who are stealing electricity? ..... 8

**Disclaimer:**

This document is subject to frequent updating and should be regarded as a living document which aims to provide clarity on electricity tariff-related matters.

**ELECTRICITY TARIFFS IN GENERAL**

**1. What are the City’s different electricity tariffs?**

The City of Cape Town currently has two different electricity tariff structures – Lifeline and Domestic. Under the [budget 2018/19](#), the City has implemented a third tariff, called the [Home User tariff](#). This tariff was previously in effect and the City has implemented it again to ensure that a stable income is gathered for reliable service delivery. Thus, the income that is generated is not based solely on how much or how little electricity is used as it still costs the same to provide the service. There is also a small-scale embedded generation (SSEG) tariff for customers with [grid-tied feed-in](#) SSEG systems, such as solar PV.

The table below provides further information on each of the tariffs.

	<b>Lifeline</b>	<b>Domestic</b>	<b>Home User</b>	<b>SSEG</b>
What is it?	A special, highly subsidised two-block inclining tariff aimed at prepaid indigent customers who receive on average 450 kWh or less per month.	A two-block inclining tariff applicable to residents who receive more than 450 kWh per month.	A fixed service or delivery charge to partially cover the cost of delivering electricity regardless of how much electricity is used  AND a two-block inclining tariff.	A fixed service charge to cover the cost of delivering electricity  AND a two-block inclining tariff  AND a feed-in tariff.
Who qualifies?	You have a prepaid meter AND receive, on average, less than 450 kWh per calendar month, including any free electricity, AND have a municipal property valued at R400 000 or less  OR  You receive a partial rates rebate as a pensioner, disabled person or tenant that would otherwise qualify for a such a rebate  OR  You are registered as an indigent person with the City	You own a house valued at more than R400 000 but less than R1 million  AND  You have a prepaid meter	You own a house valued R1 million or more  AND  Your home has a prepaid meter  OR  You have a credit meter regardless of property value	You have a grid-tied feed-in SSEG system

Is there an option to receive free electricity?	Yes, you receive 60 free kWh per month if you use less than 250 kWh (on average)  OR  25 free kWh per month if you use between 250 and 450 kWh (on average)	NO – but you can find out what <a href="#">financial relief services are available for individuals</a> including how to obtain the rebates mentioned	NO	NO
How am I charged?	Residents are charged 126,85c per kWh for the first 350 kWh they buy during a calendar month, and 255,75c for every kWh after that.	Residents are charged 210,32c per kWh for the first 600 kWh they buy during a calendar month, and 255,75c for each kWh they buy after that.	Residents are charged R150 per month plus an energy fee of 185,32c per kWh for the first 600 kWh per month, and 255,75c per kWh for each kWh they buy after that.	Residents are charged R14,21 per day plus an energy fee of 138,26c per kWh for the first 600 kWh per month, 255,75c per kWh for each kWh they buy after that. For excess electricity fed onto the grid, residents' accounts are credited at a feed-in tariff of 84,95c per kWh.

For more information, see [Understanding Residential Electricity Tariffs](#)

**1. How does the City decide on what price to set electricity at?**

The City's electricity tariffs have been formulated in accordance with legal statutes, including the Local Government: Municipal Systems Act and The Local Government: Municipal Finance Management Act, as well as with guidelines established by the National Energy Regulator of South Africa.

We also take the following into account when deciding on the price of electricity:

- Any proposed price increases by Eskom
- The Electricity Generation and Distribution Department's operating and maintenance costs
- Changes in the amount of electricity residents are using
- The economic outlook and inflation

It really is a careful consideration and we are mindful of various aspects, including affordability, the needs of indigent people as well as the costs of providing electricity to all in the metropole.

The City makes no profit from the sale of electricity. Income goes toward providing electricity to residents in Cape Town and to the rates account for shared services across communities, such as fire services; and also to assist our most vulnerable residents.

**2. Why does my relative/friend receive free units every month but I do not?**

Not all electricity tariff structures offer the same benefits. Only those residents who qualify to be on the Lifeline tariff structure receive free units of electricity.

### **3. Why does electricity become more expensive at the end of the month?**

It is not cheaper to buy in bulk.

The price of electricity does increase as the month progresses. We charge residents one flat rate for the first 600 units they purchase at the start of the calendar month and then another rate for the units they use after that, until the end of the month. Residents are advised to purchase only the amount of electricity they need for the month and no more to avoid buying more than necessary at the higher rate. It is not cheaper to buy in bulk. If you buy 600 units at the beginning of the month and then buy more in the same month, you will move onto a higher price band.

### **4. I am getting fewer units than I should be for electricity purchases. What could be the reason for this?**

There are two possible reasons for this.

- I. You may be purchasing more units of electricity than you actually need.
- II. Your account may be unpaid or in arrears – the arrears could be for any municipal services, not only electricity. If the City has been unable to contact you or you have not responded to a final restriction of service warning letter, then we will load the arrears onto your prepaid electricity meter and recoup the money owed every time you purchase electricity. Again, this applies for all monies owed to the City, including rates and water. We offer extensive support to those who approach us for assistance to see how debt and arrears can be managed. Ignoring the problem does not make it go away.

Remember, you can pay your municipal account, including outstanding arrears, in three ways – either online at [www.capetown.gov.za](http://www.capetown.gov.za), online with other pay services, or over the counter at any post office or bank.

### **5. My relative/friend who is supplied by Eskom or who lives in another municipality does not pay as much as I do. Why is this?**

No two metros are ever the same. Residents living in Cape Town should not compare their electricity bills with family or friends in other metros such as Johannesburg, Durban, East London or Pretoria. Each metro has a different mix of industrial, commercial and residential customers and, as such, their electricity use will be different. Cape Town is also located further away from the major power stations in the north of the country and as a result pays up to three percent more for electricity than the City of Johannesburg.

Remember that there are more commercial and industrial customers in Johannesburg, and this boosts income in comparison to the Cape Town metro, due to the differences in the actual economies.

The structures of the tariffs are also different from one metro to another.

Furthermore, within the geographic boundary of Cape Town, approximately 25% of electricity connections are supplied directly by Eskom. The tariff structures on these connections are different from the City's supply areas.

## **HOME USER TARIFF:**

### **6. Why is there a fixed service charge for the Home User Tariff?**

We use 25% of the money that comes from electricity sales to help repair and maintain our electricity grid which enables us to deliver electricity to all properties. 65% of the income goes toward buying electricity from Eskom and 10% goes to the rates account for shared services. Whether you use more or less electricity, it costs the same to connect you to the network. However, under the current tariff

formula, only those residents buying more than 600 units per month are able to help with these costs. Those who buy less receive a subsidised amount for their electricity.

We do not think that this is fair or sustainable, especially if these customers live in high value properties and are not financially vulnerable.

The Home User tariff seeks to correct this. The tariff has a lower unit cost for the first 600 units of electricity but has a monthly charge of R150. This amount is lower than the amount of R251, 85 which was proposed in 2017/2018.

The monthly service charge aims to recover the cost of maintaining the service connection. Previously this was built into the unit price for electricity. **The introduction of the service charge therefore results in a significant decrease in the price of electricity per kWh.**

This model where fixed charges are recouped separately has already been implemented by Eskom, Johannesburg City Power, and the City of Mangaung, among others. Our municipality also previously had a service charge until 2011, when it was discontinued as a result of a regulatory requirement. In 2016, Nersa gave the go-ahead for the re-implementation of a fixed charge.

#### **7. What costs are covered by the service charge?**

Money generated from the service charge helps to maintain the infrastructure of our grid, including power lines, substations, transformers and electricity meters. It is vital that we start to cover these costs. Tariffs are revenue neutral, so the City does not make a profit from this income. We need a balanced budget. This means we cannot over- or under-recover income. Some 25% goes toward the maintenance of the grid, 65% to Eskom and 10% to the rates account.

#### **8. There are reports of a drop in demand for electricity within the metro. Is this true and is the Home User Tariff related to this drop in demand?**

Yes, this is true. Capetonians are becoming more energy-efficient and this is both commendable and advisable. Yet, we need to be financially stable, not just environmentally sustainable. Due to the decline in usage, it is not possible to rely on electricity consumption to cover fixed costs as this will lead to unequal distribution of costs among the customer base. We need to be as fair as possible but admittedly there is no one-size-fits-all approach that will adequately cover every individual household circumstance.

A hybrid tariff such as the Home User tariff, which has a fixed cost but also looks at usage, will help cover the cost of energy purchases from Eskom so residents still have a financial incentive to save electricity. You will also be protected to some extent from future price shocks as a result of declining sales. Such shocks are a reality and we need to do everything that we can to mitigate against this.

Due to the decline, we also need to create more certainty in the income that we get and a fixed cost is necessary to do this.

#### **9. Who has been affected by the introduction of the Home User Tariff?**

Residents who own properties valued at R1 million and over and those still using the old credit meters will be placed on the Home User Tariff. If you use more than 600 kWh per month on average, you will see no financial impact resulting from the move. This is because, at this rate, both the Domestic and Home User Tariffs have equivalent monthly accounts.

#### **10. How do I know that you will accurately value my property?**

With four million residents across a wide spectrum of economic prosperity, there is no one-size-fits-all tariff structure that can perfectly cater for the circumstances of everyone. However, we believe that

property values are most workable as they provide a reasonable indicator of financial means, and can be tracked via the [City's valuations process](#).

The City's property valuation system is based on the market value of the property, based on real sales data for similar properties in the area. Factors such as the erf size, number of rooms, number of bathrooms, and amenities such as pools, garden and garages are all taken into account. For those with particular circumstances, it is advisable to see if there is a [form of assistance](#) that they could qualify for.

**11. My house is worth R1 million, why should I have to pay the same service charge as someone who's house is valued at R15 million?**

The service charge has been created to help to recoup the cost of maintaining the service connection. Customers living on properties worth more than R1 million are not considered vulnerable/destitute enough to be subsidised from the income received from the rest of the customer base. The cost of providing the service remains the same, irrespective of the property value.

**12. Does the service charge not discourage people from installing solar geysers and small-scale embedded generation (SSEG) – something that is encouraged by the City?**

Residents are encouraged to continue with energy efficiency and small-scale embedded generation endeavours as they will still see a positive benefit. Even though they are not exempt from paying the service delivery charge, their consumption will slowly reduce and this will lead to a lower municipal account with the City, as a significant component of the tariff is based on consumption. The City, however, still has to maintain the network and cannot do so if income is erratic. It also needs to maintain the network to ensure that these customers can use it when they need to.

**13. Why is the City forcing those residents who are actually using less electricity by installing small-scale embedded generation (SSEG) to pay a service charge for a service they do not use?**

Everyone who is connected to the grid is using the services of the grid and should therefore pay for it. The cost of maintaining the service connection remains the same no matter how much electricity is used at the point of supply. Even if residents install SSEG and use very little energy from the grid, the same wear and tear on the network remains. If residents, who choose to install SSEG, did not pay the service charge, then it would leave a smaller group of people to cover the entire cost of maintaining the grid and this is not financially sustainable. What happens to those residents who live in high value properties but have a limited income, such as pensioners or tenants?

We will deal with all exceptional cases under our basket of [indigent benefits](#).

Residents can also still qualify for the Lifeline Tariff despite their property value if their:

- household income is less than R4 000/month;
- electricity consumption is lower than 350kWh/month.

**14. How is this service fee reflected on my municipal account?**

It will reflect as a separate line item on the monthly rates account under SUNDRIES.

**15. How is the introduction of the Home User Tariff impacting Lifeline and Domestic Tariff customers?**

Residents who are on the Home User Tariff allow the City to be able to subsidise the cost of electricity to these customers for longer. These customers also no longer, in turn, subsidise those who have installed energy-efficiency measures such as solar water heaters or photovoltaic (PV) systems.

**16. What is the City doing about theft of electricity and tampering of meters to get free electricity? Why do I have to pay for people who are stealing electricity?**

We are doing our absolute best to curb this problem. We have already dealt with nearly 6 000 electricity tampering and 3 000 cable theft cases. Accounts were adjusted to the value of some R164 million after it was found that customers had tampered with infrastructure to get electricity without wanting to pay for it. This excludes R31 million issued in contravention notices.

Tampering and illegal connections are disadvantaging those customers who diligently pay for their electricity consumption as these losses artificially increase the electricity tariffs. Residents can report any suspicious activities near the electricity infrastructure to the City's Metals Theft Unit on 0800 222 771.

Faulty street lights and electricity theft and outages can be reported to 0860 103 089, by SMS to 31220 or by email to [power@capetown.gov.za](mailto:power@capetown.gov.za)

Awareness initiatives are under way across the metro. The City is asking all members of the public to assist us to drive the message that tampering is not okay.