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 SOLID WASTE MANAGEMENT SERVICES

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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 9 March 2020, NERSA approved a tariff increase to direct Eskom customers of 7.86%. This then equates to a 6.9% increase to Municipalities. On 14th May 2020 NERSA issued a guideline increase for the 2020/2021 financial year of 6.22%.

The above items as well as amendments to the Support Services Recharges and other internal City-determined costs result in the Electricity Generation and Distribution Department requiring a revenue decline from Sale of Electricity of 1.1% in order to meet the budgeted Operating Expenditure and, when coupled to the expected negative sales growth of -1.5%, results in a tariff increase requirement of an average of 4.83%. Subsequent to this, as a result of COVID-19 lockdown and the resulting economic impacts, it is predicted that sales growth of -6.5% is more likely (an additional 5% in lost sales is anticipated), however, given the uncertainty of this, the tariffs were not amended to reflect this at this time although further budget amendments were made in order to balance the budget.

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 29 May 2019 and by NERSA on 10 July 2019, and were implemented with effect from 1 July 2019.

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 2020/21 Financial Year:

- Clause 4.2.7 – Clause added to allow for the option for commercial customers to retain the green attributes of energy fed into the grid, and to be compensated at a different rate than if these attributes are transferred to the City.
- Clause 4.2.8 – "Council approved timetable" amended to read "1 September 2021" in order to provide the timetable by which all remaining Large Power User customers will migrate to the relevant Large User tariff.
- Clause 4.2.11 added to provide for the new Network Access Charge for relevant customers.
- Clause 4.2.13 – added "/or" to allow for specific industry types as approved in terms of the Investment Incentives Policy to access the benefit without the requirement for those industries to be located in a particular geographic area.
- Clauses 4.3.3 and 4.3.4 – removed the link to a deleted clause in the Credit Control and Debt Collection Policy, and now specify the relevant property valuation limits in the Tariff Policy.
- Clause 5.1 amended to reflect the latest draft implementation rules for Wheeling.
- Clause 7.1 amended to reflect the legislatively required approvals for the Regulated portion of the tariff (i.e. that portion of the tariff approved by both Council and NERSA)
- Clause 7.2 added to reflect the legislatively required approvals for the Unregulated portion of the tariff, as well as the requirements regarding any limitations that may be placed on this portion of the tariff.

1.3 Consumptive Tariff Proposals

For the 2020/21 financial year, the following is proposed for the Residential tariffs.

No changes are proposed in terms of eligibility, or structure, of the standard Residential Tariffs, nor are there any changes proposed in terms of the Free Basic Electricity allocation. All components increase by 4.83% across all three tariffs.

For the Residential Small-scale Embedded Generation 1 Tariff the Service Charge and Feed-in tariffs are retained at their current levels, with the Block 1 energy rate increasing by 7.18% to compensate for the loss of revenue brought about by the unchanged Service Charge and the Block 2 energy rate increases by the average of 4.83%. A new SSEG Incentive component of 25c/kWh is added, payable by the City for each kWh generated onto the grid for a 12-month period for all existing customers on this Tariff.

The Residential Small-scale Embedded Generation 2 Tariff is proposed to increase at the average of 4.83% across all consumption components, With the Feed-in tariff being set at 73.24c/kWh (excluding VAT), which is based on the lesser of the REIPPPP4 averaged costs for solar and wind energy or the estimated offset Eskom purchase cost as determined. The SSEG Incentive component is also added to this tariff, and will be applicable for a 12 month period for all existing and new customers on this Tariff.

All components of the Small Power User 1 and 2 Tariffs increase by the average amount. Any small variation to this is the result of rounding. A new Small Power User 3 tariff for very small supplies (less than 250kWh per month consumed) is introduced which does not have a service charge but a higher single energy charge. 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 4.83% across all components. Any variation to this that exists is once again the result of rounding.

The Large Power User Tariffs (non-Time of Use), as well as the Medium Voltage Time of Use Tariff this year only receive the average increase of 4.83%, and no longer get a higher than average increase. It is envisaged that nearly all customers remaining on these tariffs would benefit from changing to the applicable Time of Use tariff. Both the Large User HV Time of Use Tariff, and the Large User MV Time of Use Tariff (as well as all related tariffs) are now proposed to feature a split demand charge. The first component of this split is the Energy Demand Charge, which is the traditional, measured demand as previously. The second and new component, is the Network Access Charge, which is charged in accordance with the Notified Maximum Demand of a customer, as this is the amount of network infrastructure that has to be reserved for that customer, and non-utilisation of that reserved portion has previously not been charged for, but has resulted in incurred costs. For all MV customers, this Network Access Charge is set at zero for the coming year, with the Energy Demand Charge being increased by 4.83% over the existing period Demand Charge, as a measure to introduce the concept to the existing customers. For the HV tariff, where no customers currently exist, values (as per the tariff schedule) are attached to these components.

The Standard (now known as “Green”) Non-Residential Small-scale Embedded Generation Feed-in Tariff remains unchanged, as the philosophy behind this tariff is now the same as the new Residential Small-scale Embedded Generation Feed-in Tariff, but it was felt that this would be reduced over time, rather than through a reduction, as this tariff has been used to develop the business case for these systems. This tariff also by default transfers the green attributes of the energy fed into the grid to the City. The SSEG Incentive is added here too, and will be applicable for a period of 12 months for all new customers. A new “Black” Feed-in tariff is introduced at a lower level for such customers who wish to retain the green attributes of this energy.

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 has been reconsidered according to the latest implementation framework. What was previously known as two separate Wheeling Supplier Tariffs (Internal and External) is now rationalized to a single Wheeling Use of System Tariff. This tariff will be applied to the Customer, and is based on the Large User Medium Voltage Time of Use Tariff less the Eskom WEPS amount (this is the amount by which any Eskom supply point account would be adjusted by were such an agreement to encompass such a supply point). The Wheeling Use of System tariff includes the Service Charge, the Demand Charge and the newly introduced Network Access charge. The Wheeling Customer Tariff changes to reflect the energy component only, i.e. the difference between the Large User Medium Voltage Time of Use Tariff and the Wheeling Use of System tariff. The Large User Medium Voltage Time of Use Tariff increases by the average 4.83% across all components.

It must further be noted at this point that the rules and processes for Wheeling have not yet been finalized, the tariffs therefore will only become effective once the outstanding items have been resolved and Wheeling is implemented.

The tariff for Street Lighting and Traffic Signals energy increases by 4.82%.

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 to the Schedule for the 2020/21 financial year:
- Item 8.9 Tariff comparison done from AMI infrastructure over 1 month
- Item 21 Compensation payable by ECA Licensee for use of City infrastructure

The following item on the Schedule is deleted for the 2020/21 financial year:
- Tariff or load profile investigation – requiring equipment and personnel. This item is now covered via the AMI infrastructure, and as such is no longer necessary.

The following items on the Schedule are dependent on the Consumption Based tariffs, and are adjusted in accordance with the current tariff increase estimate of 4.83%:

- Item 10.6 will increase by the same amount as the Small Power User 2 energy charge.
- Item 13.1, Bulk Residential and Small Power User deposits increase by the average
- Item 13.2, Deposits for Large and Time of Use agreements decrease by 50%, in order to facilitate the migration of these customers from the non-Time of use Large Power User tariffs to the Time of Use Large User tariffs.
- Item 14.1, Unmetered Tariffs are recalculated in line with the proposed Small Power User 1 energy rate.
- Item 3.1 on the Street Lighting Schedule will increase by the average consumption tariff increase. It should also be noted that the usage of Green Energy Certificates is compulsory.

The following tariff was reassessed in terms of the actual cost of supplying the service:

- Item 8.8 Replacement of magnetic card for PPM system.
- Item 10.6, Energy fee for Hired Kiosks and meter boxes. This tariff changes from the SPU2 tariff to the new SPU3 tariff, per the motivation for the new tariff.

The following tariffs remain unchanged, and are mostly free services:

- Items 5.1, 5.2 and 5.3, quotation fees (remain a free service).
- Item 7.2 Retrofitting of existing credit meter with 60A single phase PPM as part of the meter replacement programme: reviewed in terms of the actual costs incurred and no increase is required at this time.
- Item 8.2 Accuracy test of residential meter on site: reviewed in terms of the actual costs incurred and no increase is required at this time.
- Item 11.1, temporary hire of MV switchgear equipment for breakdowns (these tariffs are dependent on the replacement value of the equipment only)
- Item 15.1, Provision of the Electricity Supply By-law (available as a free download from the City's website)

The following item was reviewed in terms of a complete change in methodology, and now reflects the effective cost of the green attributes of the energy provided, as based upon the full carbon tax that would apply to coal-generated energy:

- Item 17, Green Energy Certificates.

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

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

Revenue received from these tariffs for the previous three years compared to the budgeted income for the same period are as follows:

Year	Budget	Actual
2017	R 107 673 025.25	R 129 872 068.81
2018	R 100 971 922.61	R 162 400 295.44
2019	R 99 780 003.38	R 136 871 167.34

The primary factors in the variation between budget and actual for the three periods are Shared-network Charges (shown as Development Contributions on the financial statements), positive variations of R31.5m in 2017, R46m in 2018 and R19.2m in 2019, and positive variations for Fines, Penalties and Forfeits of R17.6m in 2018 and R19.9m in 2019. These two items are completely dependent on customer requirements/actions, and prudent budgeting would be to consider these variances as being anomalies, given that any variations are completely outside the control of the City. It would also be incorrect to infer that, especially in the case of the Shared-network Charges, that this equates to additional surplus, as it is related to network expansion/strengthening work that had to occur, and therefore additional expenditure was also incurred, with the net result of zero.

2. WATER AND SANITATION

As customers will be aware, the drought had a permanent impact on the overall consumption levels as well as consumption in the high usage steps used for cross-subsidisation. To stabilise the tariff structure, changes were already approved during the 2018/19 budget cycle to ensure that the cost of delivering the service was recovered to protect the sustainability of the service.

During the 2019/20 budget cycle, the City also effected the change from the 7 levels of reduction tariffs to 5 new levels of tariffs in line with the new water strategy. These 5 levels of tariff have been maintained for the 2020/21 financial year. The volumetric sets applicable to each of the levels have however been refined for the latest trends in the demand curve. It is also important to emphasise that as from the 2020/21 financial year, these tariff levels will be de-linked from the promulgated restriction levels. The tariff level will be aligned to the appropriate consumption set to ensure recovery of the cost to deliver the service.

Level 1 water and sanitation tariffs are recommended for implementation from 1 July 2020. There is a 4.5% tariff increased proposed on Level 1 tariffs and this increase is also applicable for the no restriction and emergency levels. The proposed 2020/21 increases for level 2 and level 3 tariffs are both 6.5% for water and 6.5% and 8% respectively for sanitation.

The proposed 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. Within the context of continued service delivery, the increase below CPI, recommended for implementation from 1 July 2020, have predominantly been achieved via the phasing of the New Water Plan as well as alignment of the operational cost associated with the latest water consumption levels.

The Bulk Water tariffs have also been adjusted to align with projected volumes and are reflected in the consumptive tariff schedules. The miscellaneous tariffs are levied by Water and Sanitation for the provision of various services by the Department. 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. There is a proposed 5.10% increase on miscellaneous tariffs. 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 2020/21 financial year include:

Consumptive:

- The de-linking of tariff levels from the promulgated restriction levels. The tariff level will be aligned to the appropriate consumption set to ensure recovery of the cost to deliver the service.
- Assistance to Charities and Non-Profit Organisations including animal shelters / early childhood development facilities / youth development facilities / local community museum facilities via a reduction in the volumetric tariff as well as not applying the fixed basic charge to this category.
- Assistance to the category where accommodation is provided to the vulnerable (including Homeless Shelters / Children’s homes / Homes catering for the health of physically and mentally challenged individuals / old age homes (as defined)) via a reduction in the volumetric tariff as well as not applying the fixed basic charge to this category.
- Treated Effluent Users – No fixed basic charge during periods when treated effluent is not provided.

Miscellaneous:

- The implementation of a Permit Application Fee related to industrial effluent for the direct disposal at a designated facility.

3. SOLID WASTE MANAGEMENT

The Solid 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 Collections of 3.5% & Disposal of 5%. An average increase has been applied on the Miscellaneous Tariffs for Cleaning of 5.10%.

The following amendments to the Tariff Policy are proposed:

- **Tariff Policy Changes**
  - Item 7.1.2.2 - New Rebates for Formal Households (excluding Sectional Title Schemes) – receive a rebated waste collection service based on property value as follows:
    - 7.1.2.2.1 - value from R1 and up to R300 000 receive a 100% rebate – this excludes Housing properties valued at R0, which will continue to receive 100% rebate;
    - 7.1.2.2.2 - valued between R300 001 and up to R350 000 receive a 50% rebate;
    - 7.1.2.2.3 - valued between R350 001 and up to R500 000 receive a 25% rebate.

- **Tariff Book**
  - Changes to the Rebated services provided are as follows:
    - 1.3.1.1.1.2 – this category will now include properties from R1 to R300,000 and will receive a100% rebate;
    - 1.3.1.1.1.3 – The category R100,001 to R150,000 has been deleted as it is no longer relevant;
    - 1.3.1.1.1.4 – this category will now include properties from R300,001 to R350,000 and will receive 50% rebate.

Failure to implement the proposed Tariff increases on 1 July 2020 will result in under recovery of Revenue required to meet anticipated expenditure for the 2020/2021 financial year.

CONSUMPTIVE SOLID WASTE TARIFFS 2020 / 2021

All Tariffs reflected below are exclusive of VAT

Solid Waste		2019/20 (excl. VAT)	2020/21 (excl. VAT)	2020/21 (incl. VAT)	Average Increase %
RESIDENTIAL COLLECTIONS					
Formal					
240l Container including Lockable Container	Rand per month	R 132.61	R 137.22	R 157.80	3.5%
INDIGENT REBATE - 240l Container including Lockable Container					
Block 1 (100% rebate) – property value from R1 up to R300 000	Rebate Rand per month	R -132.61	R -137.22	R -157.80	3.5%
Block 2 (50% rebate) – property value from R300 001 to R350 000	Rebate Rand per month	R -66.26	R -68.61	R -78.90	3.5%
Block 3 (25% rebate) – property value from R350 001 to R500 000	Rebate Rand per month	R -33.22	R -34.35	R -39.50	3.5%
ENHANCED SERVICE LEVEL INCLUDING LOCKABLE CONTAINER					
240l - Additional Container	Rand per container per month	R 132.61	R 137.22	R 157.80	3.5%
240l - 3x per week for cluster	Rand per container per month	R 397.65	R 411.57	R 473.30	3.5%
Informal					
Basic Bagged service	Rand per month	Free	Free	Free	-
NON-RESIDENTIAL COLLECTIONS					
240 LITRE CONTAINER INCLUDING LOCKABLE CONTAINER					
1 removal per week	Rand per container per month	R 158.35	R 163.91	R 188.50	3.5%
3 removal per week	Rand per container per month	R 474.87	R 491.48	R 565.20	3.5%
5 removal per week	Rand per container per month	R 791.65	R 819.39	R 942.30	3.5%
REFUSE AVAILABILITY					
All vacant Erven	Rand per month	R 78.52	R 81.30	R 93.50	3.5%
DISPOSAL SERVICES					
General Waste	Rand per ton	R 507.74	R 533.13	R 613.10	5%
Special Waste	Rand per ton or part thereof	R 672.96	R 706.61	R 812.60	5%
Builders Rubble	Rand per ton	R 21.04	R 22.09	R 25.40	5%