



**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 5 March 2021, NERSA approved a tariff increase to direct Eskom customers of 15.06%. This then equates to a 17.8% increase to Municipalities. On 12 March 2021, NERSA issued a Consultation Paper on Guideline Increases for regulated tariffs. This Consultation Document contained an overall revenue requirement increase of 14.59% as a Guideline for Municipal increases. A municipal guideline increase of 14.59% was approved by NERSA according to the Guideline on municipal electricity price increases for 2021/22 dated 15 May 2021.

MFMA Circular No. 108 is expecting increases to Eskom Municipal tariffs to be between 16% and 20%. Municipalities are expected to mitigate this negative impact of the increase by improving efficiencies on both revenue collections and the spending side. Both of these initiatives have been considered and adjustments made accordingly.

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 increase from Sale of Electricity of 13.4% in order to meet the budgeted Operating Expenditure and, when coupled to the expected sales growth of 0%, results in a tariff increase requirement of an average of 13.48%. CPI is set by the City at 3.1% for the coming year.

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 27 May 2020 and by NERSA on 9 July 2020 and, in the case of the Small-scale Embedded Generation tariffs, 14 August 2020, and were implemented with effect from 1 July 2020.



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 2021/22 Financial Year:

- Change to the definition of a “Customer” to include Generators where relevant
- Inclusion of a definition of Maximum Export Capacity (MEC) to facilitate Generation facilities
- Clause 4.1.2 added to allow the Director: Electricity Generation and Distribution or his nominee to levy approved Sundry tariffs and recovery of damages
- Existing clause 4.2.5 deleted, replaced with a new clause specifying that customers wishing to take their supply at Small Power User 2 with AMI installed can now do so, but shall be required to pay the AMI Meter Reading Charge
- Existing clause 4.2.6 deleted, replaced with a new clause specifying that customers with AMI installed, and non-residential Small Scale Embedded Generation shall not be permitted to take their supply at the Small Power User 3 tariff.
- Clause 4.2.7 added to state that customers can only take their supply at Small Power User 3 if they have a prepayment meter installed.
- Clause 4.2.8 amended to reflect the amended nomenclature for the non-residential feed-in tariffs.
- Clauses 4.2.11 and 4.2.12 amended to include Maximum Export Capacity
- Clause 4.3.1 amended to include AMI
- Clause 4.3.11 amended to reflect a rationalization of the Residential Small Scale Embedded Generation Tariffs to allow customers to take their supply at the Home User tariff plus the AMI Meter Reading Charge and (where applicable) the Residential Feed-in Tariff.
- Clause 4.3.12 added to allow any Home User customer to take their supply via AMI should they so choose, subject to the installation of an AMI meter at their own expense, and the payment of the Monthly AMI meter reading charge.
- Clause 5.2 added to allow for Generators within the City Distribution Network to wheel to customers outside of the City Distribution Network.
- Clause 5.3 added to provide for a scenario where energy is wheeled to a customer but not consumed where the customer can now be compensated for that energy.

1.3 Consumptive Tariff Proposals

For the 2021/22 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 13.48% across all three tariffs.



The Residential Small-scale Embedded Generation 1 Tariff is discontinued in its entirety. The Residential Small-scale Embedded Generation 2 Tariff is renamed to the Residential Small-scale Embedded Generation Tariff, and is now merely the Feed-in component, which increases by 3.1%. All Residential customers currently on the Residential Small-scale Embedded Generation tariffs will be moved to the Home User tariff, with the Feed-in component, and the AMI Meter Reading Charge added to this tariff. It must be noted that for the Residential SSEG 2 customers, this amounts to exactly the same as what they currently experience. For Residential SSEG 1 customers, the effective reduction of the service charge overall, along with the increase in feed-in rate, makes this tariff no less beneficial than the tariff they are currently on. The SSEG incentive tariff of 25c/kWh remains unchanged for the year, and is applicable to all energy fed back into the grid.

All components of the Small Power User Tariffs increase by the average amount. Any small variation to this is the result of rounding. Small Power User 3 tariff (for very small supplies - less than 250kWh per month consumed) which was not approved by NERSA and therefore not implemented is again applied for. 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 13.48% 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 also receive the average increase of 13.48%. It is envisaged that nearly all customers remaining on these tariffs would benefit from changing to the applicable Time of Use tariff, and as such these tariffs will be discontinued as from 1 September 2021.

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 again proposed to feature a split demand charge (although this was not approved by NERSA for 2020/21, resulting in the non-implementation of the HV tariff). 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 (or Maximum Export Capacity) 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 again set at zero for the coming year, with the Energy Demand Charge being increased by 13.48% 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 Non-Residential Small-scale Embedded Generation Feed-in Tariff 1 (formerly “Green”) remains unchanged, as it is felt that this should be reduced over time, rather than through a reduction, as this tariff has been used to develop the business case for these systems. The Black” Feed-in tariff now renamed to the Non-Residential Small-scale Embedded Generation Feed-in Tariff 2, is slightly reduced in order to account for a change in the Carbon Tax rate. The SSEG Incentive tariff remains applicable to all customers here too, and is unchanged at 25c/kWh.

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 remains the same for the coming year. A new Wheeling Excess Energy Feed-in Tariff (a Time-of-Use tariff) is introduced in order to account for the scenario where energy is wheeled to a customer, but isn’t consumed, to allow for the customer to be compensated for the energy. The tariff is based on the Eskom WEPS tariff (the amount by which the bulk Eskom account would be adjusted by), less a loss factor as determined by NERSA as per their Cost of Supply framework, and a factor to account for the fact that the customer will retain the green attributes of the energy (the same mechanism is employed in the determination of these rates as is employed in the calculation of the Non-Residential Small-scale Embedded Generation 2 tariff). The Wheeling Customer MV Tariff increases by the applicable projected Eskom increase of 15.06%, while the Use-of-System Tariff increases by a balancing amount so that any energy bought from the City increases by the average of 13.48%. The Service Charge for the Wheeling Use-of-System charge is set at double the normal Large User Medium Voltage Service Charge to account for the extra administration that is required in order to facilitate wheeling.

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 13.48%.



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 2021/22 financial year:

- Item 4.1.2 added to accommodate Shared-network Charge for High Voltage / 33kV connections.
- Item 8.11 the AMI Meter Reading Fee to allow for customers on Home User or Small Power User 2 to utilize AMI should they so choose (this will include SSEG customers where applicable as detailed previously).

The following items on the Schedule is deleted for the 2021/22 financial year:

- Effective disconnection / reconnection of tampered supply / unauthorized connection – tariff is no longer utilized as it forms part of other tariffs
- Other Revenue Protection Tariffs are also discontinued as they are also no longer utilized.
- Shared-network Charges for connection upgrades are now charged at the same rate as new connections, and this section is therefore discontinued.
- Retrofitting of existing credit meter with 60A single phase PPM as part of the meter replacement programme is no longer charged to the City by the contractor, and therefore no longer needs to be recovered from the customer.
- Tariff comparison done from AMI infrastructure over one month is also discontinued.

The item for Replacement of Magnetic card for PPM that was reported as being deleted in March has been reviewed and reinstated on the schedule at an unchanged level for 2021/22.

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 13.48%:

- Item 10.6 will move to the SPU3 tariff if approved by NERSA, otherwise will remain as SPU2.
- Item 13.1, Bulk Residential and Small Power User deposits
- Item 13.2, Deposits for Large and Time of Use agreements
- Item 14.1, Unmetered Tariffs.
- Item 3.1.2 (Table Mountain Lighting) on the Street Lighting Schedule will increase by the average consumption tariff increase.

Item 17, Green Energy Certificates was reviewed in terms of a change in the Carbon Tax on which it is based. The methodology for the sale of these items is also amended to only be available in blocks of 10kWh, in order to compensate for rounding and administrative corrections required because of rounding of smaller units.



All other tariffs are either increased by CPI (3.1%), or else were determined from a zero base, which can result in a variety of different increases, depending on the make-up of the actual tariff. In most instances these prices are dependent upon external pricing, and may result in a significant increase, a zero change, or a decrease in the price.

A specific issue was identified around the drilling of test holes (the real cost had in recent years escalated far more than was allowed for in the tariffs, and this resulting in a significant increase in the price for this item.

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
2018	R 62 815 561	R 62 648 448
2019	R 63 420 175	R 59 930 701
2020	R 83 299 422	R 73 437 458

Key to the variances of these items between budget and actual is the fact that all the Miscellaneous Tariffs are purely driven by customer action. Note that the above does exclude the Shared-network Charges. Any variance in the Shared-network charges does not constitute either a net gain or net loss to the City, as these charges are levied in order to recover the costs of network infrastructure upgrades that may or may not be required, depending on customer requirement.



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.

Level Water wise (no restriction) water and sanitation tariffs are recommended for implementation from 1 July 2021. There is a 5% tariff increased proposed on Level Water wise (no restriction) tariffs and this increase is also applicable for the proposed 2021/22 increases for level 1, level 2, level 3 and level emergency tariffs.

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.

The Bulk Water tariffs have also been increased by 5%. 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 3.10% 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 2021/22 financial year include:

Consumptive:

- The approach to domestic metering will be changed by discontinuing the installation of water management devices. The latest technology of conventional meters will be used going forward and the City will continue to explore alternative metering available to improve water demand management in its effort to be a water wise City.
- Where water management devices have been used to manage demand and prevent excessive use, the City will now issue warning letters to properties where excessive use has been identified and provide them opportunity to reduce consumption to within acceptable volumes before action is performed through a WATER ABUSE focused procedure.
- Where properties registered as indigent reflect usage exceeding 15kl per month for two consecutive months, the City will alert the property via warning letter to the need to reduce consumption. Where, after due process of advising on the level of consumption, the determined volume is still exceeding 15kl per month for the third month, the property will be subject to the installation of a flow limiting disc placing the property on a drip system.
- Measures to regularize meter connections in low cost housing areas, where the new connection applications were not submitted during development, have been included in the Tariff Policy.
- New tariffs (for internal use only) have been introduced to accommodate the change required to reflect bulk water purchases as inventory through the municipal Chart of Accounts.

Miscellaneous:

- The miscellaneous tariff schedules have been amended to allow for the discontinuation of the connection charges related to water management device installations.



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 4.41%. An average increase has been applied on the Miscellaneous Tariffs for Cleaning of 3.10%.

The following amendments to the Tariff Policy are proposed:

- **Tariff Policy Changes**

- Items 6.1.5 and 6.1.6 have been combined into item 6.1.5 and reads as follows:
The replacement cost of the Container will be for the property owner when lost/stolen or damaged as a result of the negligence of the property owner or persons residing at, visiting, or occupying the property. Bins damaged by the City during collection operations and as a result of wear and tear will be replaced at no cost;
- Item 7.1.3: Updated the reference number to the Credit Control and Debt Collection Policy to 24 (4) (b). The table referred to in this reference number has been removed from this policy;
- Item 7.1.4: Updated the reference number to the Credit Control and Debt Collection Policy to 19 (1) (i). The table referred to in this reference number has been removed from this policy;
- The definition for Special waste has been updated to read as follows:
includes solid waste, requiring special handling, e.g. all low hazard wastes for example off spec food, non-infectious animal carcasses, approved sanitary waste, etc. Adherence to our Waste Management License requires that all special waste types will require prior approval for acceptance from the City's Scientific Services Branch.

- **Tariff Book**

- Item 1.3.5.2.5.1 change to the remarks column to read as follows: Applicable to all Landfill Sites. The City may consider waiving the tariff in the event that Clean Builders Rubble is required at all Landfill sites, as part of covering material to rehabilitate the site, provided it is disposed of directly at the facility.

Failure to implement the proposed Tariff increases on 1 July 2021 will result in under recovery of Revenue required to meet anticipated expenditure for the 2021/2022 financial year



CONSUMPTIVE SOLID WASTE TARIFFS 2021 / 2022

All Tariffs reflected below are exclusive of VAT

Solid Waste		2020/21 (excl. VAT)	2021/22 (excl. VAT)	2021/22 (incl. VAT)	Average Increase %
RESIDENTIAL COLLECTIONS					
Formal					
240l Container including Lockable Container	Rand per month	R 137.22	R 142.00	R 163.30	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 -137.22	R -142.00	R -163.30	3.5%
Block 2 (50% rebate) – property value from R300 001 to R350 000	Rebate Rand per month	R -68.61	R -71.04	R -81.70	3.5%
Block 3 (25% rebate) – property value from R350 001 to R500 000	Rebate Rand per month	R -34.35	R -35.57	R -40.90	3.5%
ENHANCED SERVICE LEVEL INCLUDING LOCKABLE CONTAINER					
240l - Additional Container	Rand per container per month	R 137.22	R 142.00	R 163.30	3.5%
240l - 3x per week for cluster	Rand per container per month	R 411.57	R 426.00	R 489.90	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 163.91	R 169.65	R 195.10	3.5%
3 removal per week	Rand per container per month	R 491.48	R 508.70	R 585.00	3.5%
5 removal per week	Rand per container per month	R 819.39	R 848.09	R 975.30	3.5%
REFUSE AVAILABILITY					
All vacant Erven	Rand per month	R 81.30	R 84.17	R 96.80	3.5%
DISPOSAL SERVICES					
General Waste	Rand per ton	R 533.13	R 556.61	R 640.10	4.41%
Special Waste	Rand per ton or part thereof	R 706.61	R 737.74	R 848.80	4.41%
Builders Rubble	Rand per ton	R 22.09	R 23.04	R 26.50	4.41%