



**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

2022/23 BUDGET (MAY 2022)



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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 2022, NERSA approved a tariff increase to direct Eskom customers of 9.61%. This then equates to a 8.61% increase to Municipalities. To date, NERSA have not issued a finalised Guideline increase for regulated tariffs to Municipalities (the draft for consultation contained a Guideline increase of 7.47%, but this calculation contains several errors and does not in any way allow for changes in the amount of electricity sold).

CPI was set by the City at 4.6% for the coming financial year, and, together with the above bulk purchases increase, other required expenditure items and a reduction in sales volumes of 1.5% on a restated sales base for 2021/22 (increased by 0.7%), means that a total tariff increase of 9.5% is required for the coming financial year.

The unregulated portion of the tariff is made up of the Contribution to Rates (R1782.5m, or 24.75c/kWh on relevant energy portions) and the cost of street lighting (R532.7m or 6.67c/kWh). Subsidised energy tariffs (Lifeline Block 1 and Investment Incentive tariffs) only attract the street lighting portion, while the remainder attract both the Contribution to Rates amount and the street Lighting portion, for a total of 31.42c/kWh (as per the Consumptive Tariff Schedule in Annexure 6).

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 26 May 2021 and by NERSA on 14 July 2021, and were implemented with effect from 1 July 2021.



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 2022/23 Financial Year:

- Clause 4.1.5 clarified to include all scenarios where the cost of a Prepayment Meter will be able to be recovered via the Vending System
- Clause 4.1.6 added to provide an end date to the Small-scale Embedded Generation incentive (30 June 2025)
- Clause 4.2.5 added to clarify metering requirements for Small Power User 2 to be available
- Clauses 4.2.9 and 4.2.10 deleted as the tariffs to which they refer are no longer available (other clauses renumbered accordingly)
- Clauses 4.3.7 and 4.3.9 amended to remove specific references to Rates Policy clauses (this has proven problematic to update – tariff policy now references the specific nature of the rebate, rather than a specific clause number)
- References to “AMI Meter Reading Charge” amended to refer to “AMI Access Charge” to reflect the proposed update to the name of this charge

1.3 Consumptive Tariff Proposals

For the 2022/23 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 9.5% across all three tariffs.

For SSEG customers, the AMI Access Charge increases by CPI (as contained in the Miscellaneous Tariff Schedule), and the Residential SSEG Feed-in Tariff increases in line with CPI as well. The Incentive tariff (of 25c for each kWh fed into the grid) is retained, and is proposed to be extended to 30 June 2025.

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 9.5% 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 are discontinued and marked for deletion from the schedule for this year.



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 2021/22, 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 9.5% 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, and increase by 9.5% over the current financial year.

The Non-Residential Small-scale Embedded Generation Feed-in Tariff 1 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 Non-Residential Small-scale Embedded Generation Feed-in Tariff 2 (for customers wishing to retain the “green” benefits), 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 (with a proposed end-date of 30 June 2025).

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. The Wheeling Customer MV Tariff increases by the applicable projected Eskom increase of 9.61%, plus a small correction to bring the base tariff in line with what Eskom actually implemented for the 2021/22 financial year, while the Use-of-System Tariff increases by a balancing amount so that any energy bought from the City increases by the average of 9.5%. 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 9.5%.



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 2022/23 financial year:

- Item 2.1.2 added to accommodate the additional costs involved in the effective disconnection of an Unauthorised Small-scale Embedded Generation Connection (three-phase)
- Items 4.1.3 and 4.1.4 the Shared Connection Charges for 132kV and 66kV Network segments
- Item 9.2 the installation of one Quality of Supply (QOS) instrument per 11kV feeder supplying the customer
- Item 16.5.1 for the recovery of costs incurred for the replacement of stolen overhead service connection within 12 months of a previous such replacement

No items are deleted from the schedule for the 2022/23 financial year. All references to the discontinued Large Power User tariffs are removed.

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 9.5%:

- 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 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.

All other tariffs are either increased by CPI (4.6%), 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 cost of work to provide a new residential connection with a 60A single phase prepayment meter (item 3.2), where the municipal supply cable does not exist. This tariff previously did not recover the costs of providing this system, and has consequently been recalculated from a zero base in order to correct this, which has resulted in a significant increase in the cost of this service.

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.



2. WATER AND SANITATION

The Water and Sanitation Consumptive Tariffs are levied to recover the costs of providing the services.

The proposed tariff 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. This includes enhanced focus on the ageing sewer network infrastructure as well as upgrading of the sewer pump stations.

Level Water wise (no restriction) water and sanitation tariffs are recommended for implementation from 1 July 2022. There is a 6.5% tariff increased proposed on Level Water wise (no restriction) tariffs and this increase is also applicable for the proposed 2022/23 increases for level 1, level 2, level 3 and level emergency tariffs.

The Bulk Water tariffs, which is predominantly used for internal sales purposes, have been re-aligned in accordance with the latest circumstances and have been set at R5.73 (excluding VAT) per kilolitre.

The miscellaneous tariffs are levied by Water and Sanitation for the provision of various services by the Directorate. 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.

An average increase of 4.6% was applied to the 2021/22 tariffs to determine the applicable tariffs for the 2022/23 financial year. The revenue trends for the past 3 years are as follows:

	2018/19		2019/2020		2020/21	
	Plan	Actual	Plan	Actual	Plan	Actual
810100 Administration Fees	2 000 000	1 612 167	2 082 800	1 279 127	1 405 000	1 322 086
811210 Connection Fees	24 999 999	17 513 347	24 000 000	18 190 442	24 000 000	27 084 388
812740 Service Charges Other	4 708 800	4 302 213	4 903 744	3 775 495	3 000 000	3 051 604
860940 Laboratory Services	249 999	112 084	260 349	140 533	273 628	187 025
	31 958 798	23 539 811	31 246 893	23 385 597	28 678 628	31 645 103

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 2022/23 financial year include:

Consumptive:

- The Free Basic Services to indigent properties has been adjusted upwards to a monthly allocation of 15kl of water and 10.5kl of sanitation. This aligns the Free Basic Services to the Excessive Use approach introduced during the previous financial year.

Miscellaneous:

- The miscellaneous tariff schedules have been amended to allow for:
- New scientific services tariffs for laboratory test items;
 - Refinement and pricing of the re-sizing of meters as well as the installation of leadings (e.g. new sub-divisions);
 - Refinement and pricing of the application for new sewer connections;
 - Clarification that where sewage is removed via a tanker service, one removal does not exceed 10kl.



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 5% & Disposal of 5%. An average increase has been applied on the Miscellaneous Tariffs for Cleaning of 4.6%.

The following amendments to the Tariff Policy are proposed:

- **Tariff Policy Changes**
 - Cosmetic changes to the following definitions:
 - Domestic Waste;
 - Lockable;
 - Recycling Container;
 - Residential Properties.
 - Change to the definition of Vacant land to align with the Rates Policy:
 - Property that is currently categorised as vacant land and where construction has commenced but which is incomplete, will be deemed to be vacant land and will remain categorised as such until the completion of the building works and the use of the property is determined by the Municipal Valuer for categorisation purposes.
 - Cosmetic changes to the following item numbers:
 - 1.2;
 - 1.3.1;
 - 6.1.1.1.1 to 6.1.1.1.4;
 - 6.1.6.6 to 6.1.6.10;
 - 6.2.1.1.1 to 6.2.1.1.2;
 - 6.2.2.4;
 - 6.2.2.5.1 to 6.2.2.5.3;
 - 7.2;
 - New item added – 16.5 - The approval for the purchasing of Special Waste permits lies with the Director: Solid Waste Management
- **Tariff Book changes:**
 - Cosmetic changes to the following items:
 - 1.3.1.1.1;
 - 1.3.1.1.1.1 to 1.3.1.1.1.2;
 - 1.3.1.1.1.4 to 1.3.1.1.1.10;
 - 1.3.1.3.2.2;
 - 1.3.1.3.2.5

Failure to implement the proposed Tariff increases on 1 July 2022 will result in under recovery of Revenue required to meet anticipated expenditure for the 2022/2023 financial year.



CONSUMPTIVE SOLID WASTE TARIFFS 2022 / 2023

All Tariffs reflected below are exclusive of VAT

Solid Waste		2021/22 (excl. VAT)	2022/23 (excl. VAT)	2022/23 (incl. VAT)	Average Increase %
RESIDENTIAL COLLECTIONS					
Formal					
240l Container including Lockable Container	Rand per month	142.00	R 149.13	R 171.50	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 -142.00	R -149.13	R -171.50	5%
Block 2 (50% rebate) – property value from R300 001 to R350 000	Rebate Rand per month	R -71.04	R -74.61	R -85.80	5%
Block 3 (25% rebate) – property value from R350 001 to R500 000	Rebate Rand per month	R -35.57	R -37.30	R -42.90	5%
ENHANCED SERVICE LEVEL INCLUDING LOCKABLE CONTAINER					
240l - Additional Container	Rand per container per month	R 142.00	R 149.13	R 171.50	5%
240l - 3x per week for cluster	Rand per container per month	R 426.00	R 447.30	R 514.40	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 169.65	R 178.17	R 204.90	5%
3 removal per week	Rand per container per month	R 508.70	R 534.17	R 614.30	5%
5 removal per week	Rand per container per month	R 848.09	R890.49	R 1024.10	5%
REFUSE AVAILABILITY					
All vacant Erven	Rand per month	R 84.17	R 88.35	R 101.60	5%
DISPOSAL SERVICES					
General Waste	Rand per ton	R 556.61	R 584.43	R 672.10	5%
Special Waste	Rand per ton or part thereof	R 737.74	R 774.61	R 890.80	5%
Builders Rubble	Rand per ton	R 23.04	R 24.17	R 27.80	5%