



SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

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2018/19 Electricity tariffs

Public participation process:
15 - 18 October 2018

S.M.A.R.T.
Future through Excellence

3 August 2018 Council resolution

On 3 August 2018 Council resolved by way of a special meeting the following:

- (i) that the connection/capacity charge for pre-paid domestic electricity consumers of 40 Ampere and 60 Ampere connections be suspended with effect from 1 July 2018;
- (ii) that a Special Task Team be established to investigate the electricity tariffs in detail and that the outcome of the investigation be submitted to a Council workshop;
- (iii) that the Council workshop be followed by a public participation programme;
- (v) that a follow-up report be submitted to Council by no later than December 2018 for reconsideration of this tariff;
- (vi) that the budget adjustment be submitted to the mid-year adjustment budget in January 2019.

Council workshop on 3 October 2018

Electricity tariffs

The Council workshop took place on 3 October 2018.

The report of the Special Task Team was presented to Council.

Deliberation took place.

It was decided at the end of the meeting that the public be informed of the findings and content of the Special Task Team report by way of a formal public participation process.



SALDANHA BAAI BAY

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PUBLIC PARTICIPATION MEETINGS: Pre-paid Domestic Electricity Tariffs and Connection/Capacity Charges

Saldanha Bay Municipality hereby invites all pre-paid domestic electricity consumers with a 40 Ampere and a 60 Ampere connection to attend a public participation meeting to discuss the 2018/19 pre-paid domestic electricity connection and capacity charges.

The Municipality encourages the active participation of pre-paid domestic electricity consumers in this public participation process.

Comments on the 2018/19 pre-paid domestic electricity tariffs can be submitted in writing to mun@sbm.gov.za or to the Municipal Manager, 17 Main Road, Vredenburg. The closing date for written inputs is 16h30 on Monday, 12 November 2018.

PUBLIC PARTICIPATION MEETINGS

Date	Time	Venue	Town/Suburb
Monday, 15 October 2018	17h00 - 19h00	Skilpad Community Hall	Vredenburg
	17h00 - 19h00	Louwville Community Hall	
	17h00 - 19h00	Paternoster Community Hall	Paternoster
Tuesday, 16 October 2018	17h00 - 19h00	Diazville Community Hall	Saldanha and Jacobsbaai
	17h00 - 19h00	Dial Rock Community Hall	
Wednesday, 17 October 2018	17h00 - 19h00	Sea Breeze Community Hall	Langebaan
Thursday, 18 October 2018	17h00 - 19h00	Hopefield Community Hall	Hopefield
	17h00 - 19h00	Green Village Community Hall	Green Village



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Formal written inputs

Only written inputs from the public will accepted.

By no later than 16:30 on Monday 12 November 2018.

Mark clearly the input as “***ELECTRICITY TARIFFS***”

Email

mun@sbm.gov.za

or

Hand delivered to:

**Municipal Manager
17 Main Road
Vredenburg**

Electricity Purchase from Eskom

- 4 Purchase points for reselling of electricity
- Each Purchase point from Eskom has different Tariff structure
- Eskom tariffs very complex based on a number of factors
 - Summer / Winter
 - Time of use
 - Demand and Connection Capacity Related
- Fixed Component payable to Eskom
- Usage component payable to Eskom

COST RECOVERY

Cost of Trading Service to be recovered from tariffs

COST DRIVER	TOTAL %	FIXED	VARIABLE
Bulk Purchase from Eskom	75	25	50
Salaries	10	10	-
Maintenance	6	6	-
Capital Costs	3	3	-
Other	6	6	-
TOTAL	100%	50%	50%

We need to recover about 50% of our costs even if no units are sold

NERSA BENCHMARKS

Annually NERSA gives Benchmarks for Tariffs
This Include Average Consumption and price ranges

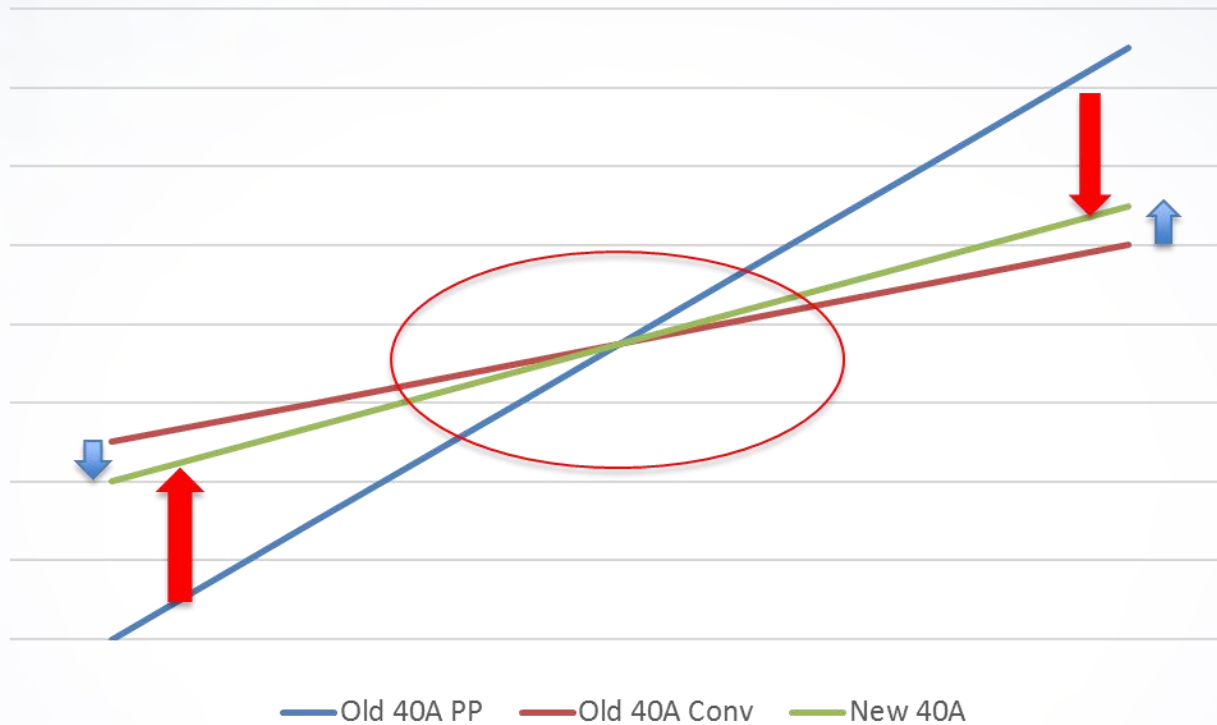
Domestic Low – 400 kWh Per Month R1.1756 to R1.2518 Per kWh
Our 30 Ampere single phase at 400 kWh is R1.27 per kWh

Domestic High – 800 kWh Per Month R1.4804 to R1.5348 Per kWh
Our 40 Ampere single phase at 400 kWh is R1.67 per kWh
Our 40 Ampere single phase at 800 kWh is R1.59 per kWh
Our 60 Ampere single phase at 800 kWh is R1.70 per kWh

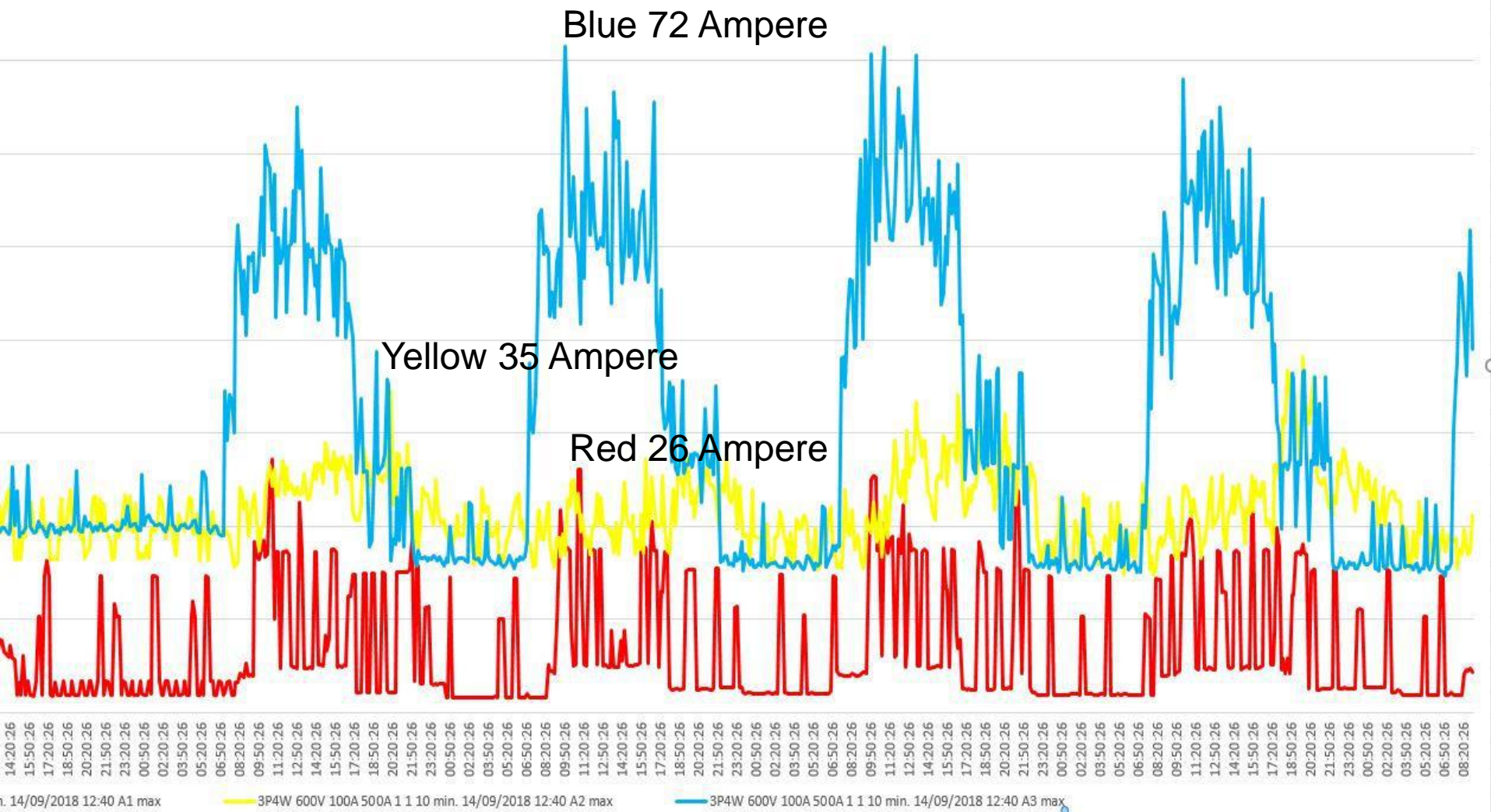
Commercial Low single phase – 2000kWh Per Month
Commercial Medium single phase – 3000kWh Per Month
Commercial Low single phase – 7000kWh Per Month

COMPARRISON OF OLD AND NEW TARIFF STRUCTURE

Chart Title



Balancing of Three Phase Connection



Impact of Council resolution on loss in Revenue

The impact on the loss in revenue from the 40A and 60A pre-paid consumers is R1.62 million per month. The loss of Revenue over a 12-month period will amount to R19.5 million.

The breakdown of this is as follows:

<u>Type of consumer</u>	<u>Quantity</u>	<u>Monthly capacity charge</u>	<u>Monthly loss in Revenue</u>	<u>Annual loss in Revenue</u>
40 Ampere	6 486 consumers	166.8	1,081,865	12,982,378
60 Ampere	3 642 consumers	250.2	911,228	10,934,741
Sub-total	10 128 consumers		1,993,093	23,917,118
<u>Less: Subsidy to indigent consumers</u>	2 235 consumers		- 369,195	- 4,430,341
Loss in Revenue			1,623,898	19,486,777

Budgeted Electricity Revenue 1 July '18 – 30 June 2019

	<u>2017/18 Budget</u>	<u>2018/19 Budget</u>	<u>%</u>
Revenue	321,662,754	342,585,934	6.5%
Less: Expenditure	308,924,887	325,137,911	5.2%
Employee related costs	22,397,797	25,109,702	
Bulk purchases	233,730,864	246,399,077	
Finance Costs	3,628,104	2,962,275	
Bad debts written-off	149,999	350,000	
Debt impairment	1,410,648	1,507,983	
Depreciation	18,194,067	17,029,365	
Departmental charges	14,379,360	15,301,956	
Other Expenditure	15,034,048	16,477,553	
Less: Redemption of loans	3,003,035	3,384,280	
Surplus	9,734,832	14,063,743	
Percentage Surplus	3.0%	4.1%	

2017/18 vs 2018/19 cost differential of pre-paid consumers

1.

Electricity usage: 350 kWh (20 Amp)

	<u>2017/18</u> Tariff	<u>2018/19</u> Tariff	<u>Increase/</u> <u>(Decrease)</u>	<u>%</u>
Electricity: Basic	0.00	0.00	0.00	
Service charge	0.00	0.00	0.00	
Connection charge	0.00	0.00	0.00	
Usage	416.64	387.24	-29.40	
V.A.T.	62.50	58.09	-4.41	
T O T A L	479.14	445.33	-33.81	-7.06%

2.

Electricity usage: 400 kWh (40 Amp)

	<u>2017/18</u> Tariff	<u>2018/19</u> Tariff	<u>Increase/</u> <u>(Decrease)</u>	<u>%</u>
Electricity: Basic	0.00	0.00	0.00	
Service charge	0.00	21.37	21.37	
Connection charge	0.00	166.80	166.80	
Usage	562.83	459.49	-103.35	
V.A.T.	84.42	97.15	12.72	
T O T A L	647.25	744.80	97.55	15.07%

3.

Electricity usage: 600 kWh (60 Amp)

	<u>2017/18</u> Tariff	<u>2018/19</u> Tariff	<u>Increase/</u> <u>(Decrease)</u>	<u>%</u>
	R c	R c	R c	
Electricity: Basic	0.00	0.00	0.00	
Service charge	0.00	21.37	21.37	
Connection charge	0.00	250.20	250.20	
Usage	921.49	764.29	-157.21	
V.A.T.	138.22	155.38	17.15	
T O T A L	1,059.71	1,191.23	131.52	12.41%

2017/18 cost differential between pre-paid and conventional domestic consumers

	<u>Monthly 2017/18 pre-paid tariff</u>	<u>Monthly 2017/18 conventional tariff</u>	<u>Monthly difference</u>	<u>Annual difference</u>
350 kWh (20 Amp)	479	511	32	386
400 kWh (40 Amp)	647	753	106	1,275
600 kWh (60 Amp)	1,060	1,158	99	1,185
1 600 kWh (60 Amp)	3,052	2,685	(367)	(4,408)

2018/19 cost differential between pre-paid and conventional domestic consumers

	<u>2018/19 pre-paid tariff</u>	<u>Monthly 2018/19 conventional tariff</u>	<u>Difference</u>
350 kWh (20 Amp)	445	445	-
400 kWh (40 Amp)	745	745	-
600 kWh (60 Amp)	1,191	1,191	-
1 600 kWh (60 Amp)	2 944	2 944	-

**2018/19 cost differential between pre-paid and conventional consumers
AFTER suspension of tariff**

	<u>2018/19 pre-paid tariff</u>	<u>2018/19 conventional tariff</u>	<u>Monthly difference</u>	<u>Annual difference</u>
400 kWh (40 Amp)	578	745	167	2,002
600 kWh (60 Amp)	941	1,191	250	3 002

Benchmark study

- City of Cape Town;
- Drakenstein municipality;
- Swartland municipality.

Extract of SBM electricity tariffs

Type of Consumer	Deposit Fixed Amount	Service Charge R/Month	Connection Charge R/Ampere	Energy Charge Block1 R/kWh	Energy Charge Block 2 R/kWh
R (Rand)	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
TARIFF 1: DOMESTIC CONSUMERS					
Low: <30 Ampere 1 Phase				1.1064	1.6218
High: >30 Ampere 1 Phase		21.37	4.17	1.0951	1.5240
Standard Connection Sizes					
Low: <30 Ampere 1 Phase	-	-	-	1.1064	1.6218
High: 40 Ampere Single Phase	2,137.00	21.37	166.67	1.0951	1.5240
High: 60 Ampere Single Phase	3,410.00	21.37	250.01	1.0951	1.5240
High: 80 Ampere Single Phase *	4,547.00	21.37	333.34	1.0951	1.5240
High: 20 Ampere Three Phase	3,410.00	21.37	250.01	1.0951	1.5240
High: 40 Ampere Three Phase	6,821.00	21.37	500.01	1.0951	1.5240
High: 60 Ampere Three Phase	10,231.00	21.37	750.02	1.0951	1.5240
Note 1: Block 1 = 0-350 kWh; Block 2 = All units above 350kWh					
Note 2: * The 80 Ampere single phase tariff is only applicable if energy saving measures are complied with and with approval from the Manager Electrotechnical Services					

kWh tariff of SBM Simplified

0 kWh - 350 kWh

R1.095 + 15% VAT

R 1.26

Above 351 kWh

R1.524 + 15% VAT

R 1.75

Extract of Cape Town's electricity tariffs

The **Home User Tariff** works as follows:

- A monthly service charge (to reflect on the consolidated monthly accounts as "Home User Charge") of (R130,44 plus VAT) = R150,00
- Block 1:
 - o 0 – 600 kWh per calendar month (161,15 c/kWh plus VAT) = 185,32 c/kWh
- Block 2:
 - o Above 600 kWh per calendar month (222,39 c/kWh plus VAT) = 255,75 c/kWh.

Extract of Drakenstein electricity tariffs

Domestic Energy Tariffs		2018/2019 Energy Charge R/kWh EXCL VAT
Domestic Life line 20 Amp: ≤ 400 kWh per kWh	Credit or Prepaid	R 1.0780
Domestic Life line 20 Amp: ≥ 400 kWh per kWh	Credit or Prepaid	R 1.5492
Domestic 1 phase > 20 Amp per kWh	Credit or Prepaid	R 1.5492
Domestic 3 phase > 20 Amp per kWh	Credit or Prepaid	R 1.5492
Domestic Fixed and Capacity Charges		2018/2019 Fixed Charge EXCL VAT
Domestic 1 phase 30 Amp:	Credit or Prepaid	R 157.62
Domestic 1 phase 40 Amp:	Credit or Prepaid	R 268.39
Domestic 1 phase 50 Amp:	Credit or Prepaid	R 335.49
Domestic 1 phase 60 Amp:	Credit or Prepaid	R 402.59

Extract of Swartland electricity tariffs

Tariff 1 •Residential Consumers (Houses, Flats & Farms)

Inclining Block Tariff		
Basic minimum	R	208.4630
Tariff per (0 - 50 kWh)	R	1.0514
Tariff per (51 - 350 kWh)	R	1.3519
Tariff per (351 - 600 kWh)	R	1.9027
Tariff per (> 600 kWh)	R	2.2407

Tariff 12 •Prepaid Meter System (Non-Indigent Residential)

Inclining Block Tariff		
Tariff per (0 - 350 kWh)	R	2.008900
Tariff per (> 350 kWh)	R	2.157400

SBM cost comparison with City of Cape Town

	<u>Saldanha Bay municipality</u>	<u>City of Cape Town</u>	<u>City of Cape Town Category</u>	<u>Monthly difference</u>	<u>Annual difference</u>
350 kWh (20 Amp)	445	444	Lifeline tariff	1	12
400 kWh (40 Amp)	745	841	Domestic tariff	(96)	(1 155)
400 kWh (40 Amp)	745	891	Home user tariff	(146)	(1 755)
600 kWh (60 Amp)	1,191	1 262	Home user tariff	(71)	(851)
1 600 kWh (60 Amp)	2 944	3 819	Home user tariff	(875)	(10 505)

The annual difference is even more considering the impact of the Council decision suspension

- An additional R2 002 for 40 Ampere
- An additional R3 002 for 60 Ampere

SBM cost comparison with Drakenstein municipality

	<u>Saldanha Bay municipality</u>	<u>Drakenstein</u>	<u>Monthly difference</u>	<u>Annual difference</u>
350 kWh (20 Amp)	445	434	11	132
350 kWh (30 Amp)	745	615	(170)	(2 043)
400 kWh (40 Amp)	745	1 021	(276)	(3 308)
600 kWh (60 Amp)	1,191	1 531	(340)	(4 080)
1 600 kWh (60 Amp)	2 944	3 311	(367)	(4 404)

The annual difference is even more considering the impact of the Council decision suspension

- An additional R2 002 for 40 Ampere
- An additional R3 002 for 60 Ampere

SBM cost comparison with Swartland (conventional metering)

	<u>Saldanha Bay municipality</u>	<u>Swartland (Conventional)</u>	<u>Monthly difference</u>	<u>Annual difference</u>
350 kWh (20 Amp)	445	667	(222)	(2 659)
400 kWh (40 Amp)	745	762	(17)	(201)
600 kWh (60 Amp)	1,191	1 142	49	585
1 600 kWh (60 Amp)	2 944	3 383	(439)	(5 268)

SBM cost comparison with Swartland (pre-paid metering)

	<u>Saldanha Bay municipality</u>	<u>Swartland (Pre-paid)</u>	<u>Monthly difference</u>	<u>Annual difference</u>
350 kWh (20 Amp)	445	703	(258)	(3 097)
400 kWh (40 Amp)	745	811	(66)	(792)
600 kWh (60 Amp)	1,191	1 242	(51)	(618)
1 600 kWh (60 Amp)	2 944	3 400	(456)	(5 470)

The annual difference is even more considering the impact of the Council decision suspension

- An additional R2 002 for 40 Ampere
- An additional R3 002 for 60 Ampere

Impact of suspension of tariff

From the Special Task Team investigation, it was found that:

- (a) The electricity tariffs promulgated by the municipality for the 2018/19 financial year, are less than those of the City of Cape Town, Drakenstein- and Swartland Municipalities;
- (b) The tariffs for 2018/19 has the result that the conventional and pre-paid consumers are paying the same for electricity. Fairness between the two groups is being enhanced through this;
- (c) The suspension of the connection/capacity fees for the 40 Ampere and 60 Ampere domestic consumers on 3 August 2018 in fact created that inequality again;
- (d) The annual loss in Revenue could amount to R19.5 million that will have to be recovered.

Thank You
