

ANNEXURE 1

MUNICIPAL TARIFF GUIDELINE INCREASE, BENCHMARKS AND PROPOSED TIMELINES FOR MUNICIPAL TARIFF APPROVAL PROCESS FOR THE 2016/17 FINANCIAL YEAR

Consultation Paper

07 March 2016

Table of Contents

1. EXECUTIVE SUMMARY	3
2. BACKGROUND.....	4
2.1. MUNICIPAL TARIFF REVIEW FLOW CHART	5
2.2. ISSUES CONSIDERED IN THE ANALYSIS OF THE MUNICIPAL TARIFF REVIEW	5
2.3. SUBMISSION OF D-FORMS INFORMATION	6
3. DETERMINATION OF THE MUNICIPAL TARIFF GUIDELINE	7
3.1. THE FORMULA FOR CALCULATING THE GUIDELINE:	9
4. THE MUNICIPAL ELECTRICITY TARIFF BENCHMARKS	10
4.1. THE MUNICIPAL ELECTRICITY TARIFF BENCHMARKS FOR THE 2015/16 FINANCIAL YEAR	10
5. THE FINANCIAL BENCHMARKS.....	15
6. MUNICIPAL TARIFFS ABOVE THE NERSA BENCHMARKS.....	16
7. THE PROPOSED MUNICIPAL ELECTRICITY TARIFF BENCHMARKS FOR 2016/17	17
8. TIMELINES FOR MUNICIPAL TARIFF APPROVAL PROCESS AND GUIDELINE DETERMINATION.....	23

Abbreviations and Acronyms

A	Ampere
BP	Bulk Purchase
BPI	Bulk Purchase Increase
CC	Capital Charges
c/kWh	Cents per kilowatt-hour
CCI	Capital Charges Increase
CPI	Consumer Price Index
D-forms	Distribution Forms
EPT	Electricity Pricing and Tariffs
ERA	Electricity Regulation Act, 2006 (Act no.4 of 2006)
ERTSA	Eskom Retail Tariff Structural Adjustment
IBT	Inclining Block Tariff
kVA	Kilovolts-Amps
kWh	Kilowatt-hour
LF	Load Factor
MD	Maximum Demand
MFMA	Municipal Finance Management Act, 2003 (Act no.56 of 2003)
MWh	Megawatt-hour
MYPD	Multi-Year Price Determination
NERSA	National Energy Regulator of South Africa
OC	Other Costs
OCI	Other Costs Increase
R	Repairs
RCA	Regulatory Clearing Account
RI	Repairs Increase
S	Salaries
SI	Salaries Increase
TOU	Time-of-Use
V	Volt

1. EXECUTIVE SUMMARY

The National Energy Regulator (NERSA) is the regulatory authority over the energy sector in South Africa and its mandate includes the regulation of the electricity supply industry. In terms of section 4(ii) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), the Energy Regulator must regulate electricity prices and tariffs.

The Energy Regulator, on an annual basis, approves a percentage guideline increase and reviews the municipal tariff benchmarks. The guideline assists the municipalities in the preparation of their budgets and tariff adjustment applications. The benchmarks are revised and used in the evaluation of the municipal tariff applications. These benchmarks are developed per tariff category.

On 10 November 2015 NERSA received Eskom's Regulatory Clearing Account (RCA) application for the first year (2013/14) of the third Multi-Year Price Determination (MYPD3) period. The RCA is an account in which all variances in Eskom's allowed expenses are deposited. The balance in the RCA account can either be in Eskom's or the customers' favour. NERSA applies a prudence test to all the costs presented by Eskom in their application.

The Energy Regulator made its determination on Eskom's RCA on 01 March 2016. Subsequently, the determination on Eskom's Retail Tariff Structural Adjustment (ERTSA) was approved on 07 March 2016.

The municipal tariff guideline increase is developed based on Eskom's approved bulk price increase of electricity to municipalities and the increase on the municipalities' cost structures. Hence the approval of the municipal guideline increase subsequent to the determination of ERTSA. It should be noted that it is for this reason that the consultation on the guideline increase and benchmarks for the 2016/17 financial year will be taken into consideration in March/ April 2016.

The Energy Regulator is requesting the stakeholders to comment on the guideline increase, the benchmarks and the proposed timelines as set out in this consultation paper. The comments should be addressed to: **Ms Tabisa Nkopo** or **Ms Nthabiseng Mapitsing** at **The National Energy Regulator, Kulawula House, 526 Madiba Street, Arcadia, Pretoria** or

emailed to: municguideline@nersa.org.za. The deadline for the submission of comments is 07 April 2016.

NERSA will not hold a public hearing on the key issues highlighted in the consultation paper, but will follow the notice and comment procedure in terms of Section 4 (3) of the Promotion to Administration Justice Act, 2000 (Act No. 3 of 2000). This is due to the fact that in the past, few to no presenters attended the public hearing to make representations to NERSA.

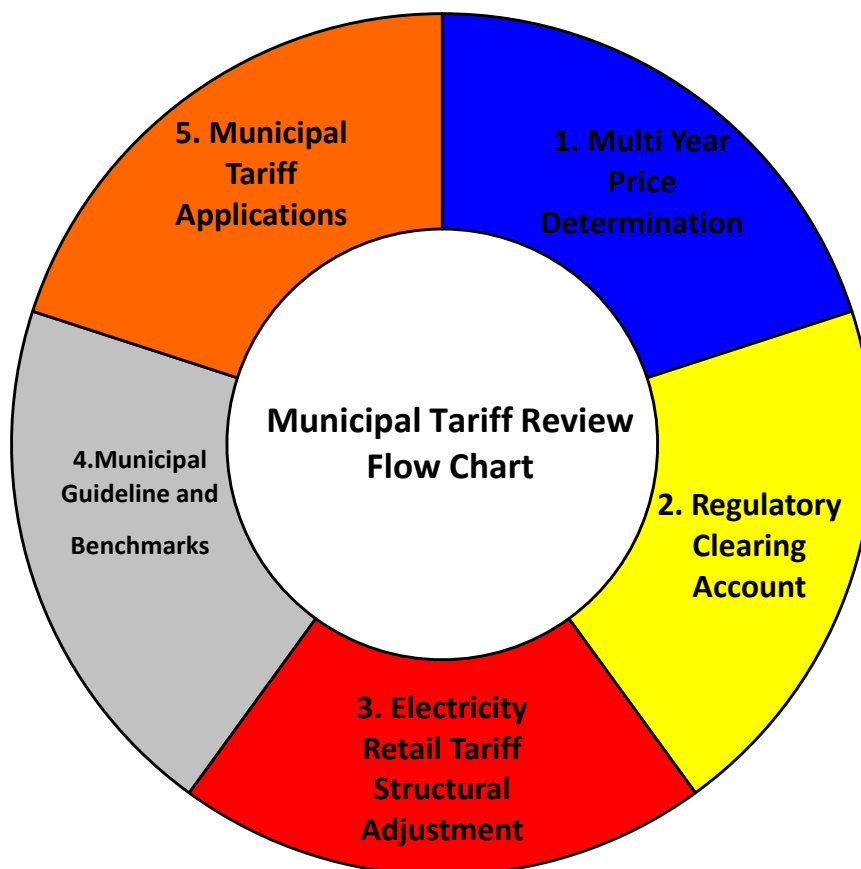
2. BACKGROUND

The consultation paper incorporates price or tariff adjustments by municipal distributors, the municipal tariff benchmarks, tariff applications and the approval processes. Eskom generates approximately 95% of the energy that is consumed in the country and the municipal distributors purchase their energy from Eskom. All municipalities are informed about the approved guideline percentage increase. This is not an automatic increase for the municipalities and private distributors. As a result, NERSA allows licensees to submit their proposed price adjustments or tariff increases annually for approval by the Energy Regulator.

Benchmarks are based on five tariff/customer categories and the corresponding average consumption levels. NERSA acknowledges that these are average consumption levels and that there may also be other tariff classes at various municipalities that will cater for other customer classes or consumption levels. Where such circumstances exist, the municipality's tariff applications will be treated on a case-by-case basis.

According to the NERSA timelines, the municipal tariff guideline and benchmarks will be approved in April 2016. Municipalities are required to submit their tariff applications to NERSA as soon as possible upon receipt of the municipal tariff guideline letter.

2.1. The municipal tariff review flow chart



2.2. Issues considered in the analysis of the municipal tariff review

NERSA approved a Cost of Supply (COS) study framework as it is a requirement of the Electricity Pricing Policy (EPP). The municipalities purchase power at the bulk supply tariff and sell it to end users at a tariff that is associated with a specific customer category. The tariff rates for customers in each tariff category are computed to reflect the cost of electricity supply to that category of customers. Therefore, municipalities are urged to perform cost of supply studies so that the revenue earned by the municipalities per tariff category is aligned with the cost to supply electricity.

The following factors, among others, will be taken into account when determining the average cost to supply:

- a) bulk purchases;
- b) bad debts;
- c) reasonable energy losses;
- d) direct and indirect charges;
- e) salaries and wages; and
- f) capital charges.

Furthermore, the municipalities' overall financial and technical performance will be reviewed prior to a final decision on the overall tariff increase. Indicators to be considered in this regard mainly include:

- a) percentage surplus;
- b) percentage energy losses;
- c) percentage power costs;
- d) repairs and maintenance;
- e) bad debt provision; and
- f) average selling price/average purchase price ratio.

2.3. Submission of D-form information

NERSA held workshops and one-on-one interactions with municipalities per province in order to assist municipalities with the completion of the Distribution forms (D-forms). This process ran parallel with the submission of the D-forms. Access to the D-form templates can be obtained through the NERSA website (www.nersa.org.za). The closing date for the submission of the D-forms is 31 October annually. Municipalities that have been contacted by NERSA regarding inaccurate or outstanding data are required to ensure that accurate information is submitted timeously to NERSA, in order to ensure that proper analysis is done and the approval of the tariff applications is achieved. The distribution forms that are primarily used for the tariff approval process are D1 (Financial information), D2 (Market information) and D3 (Human Resources information).

These forms contain information regarding the financial position, efficiency levels of the municipality, data regarding the customer's

consumption patterns and the number of customers per tariff category. This information assists NERSA in the analysis of the tariffs and in determining the revenues that the municipality collects from the various tariff categories.

NERSA will not consider any municipal tariff applications without the submission of appropriate and accurate D-form information.

3. DETERMINATION OF THE MUNICIPAL TARIFF GUIDELINE

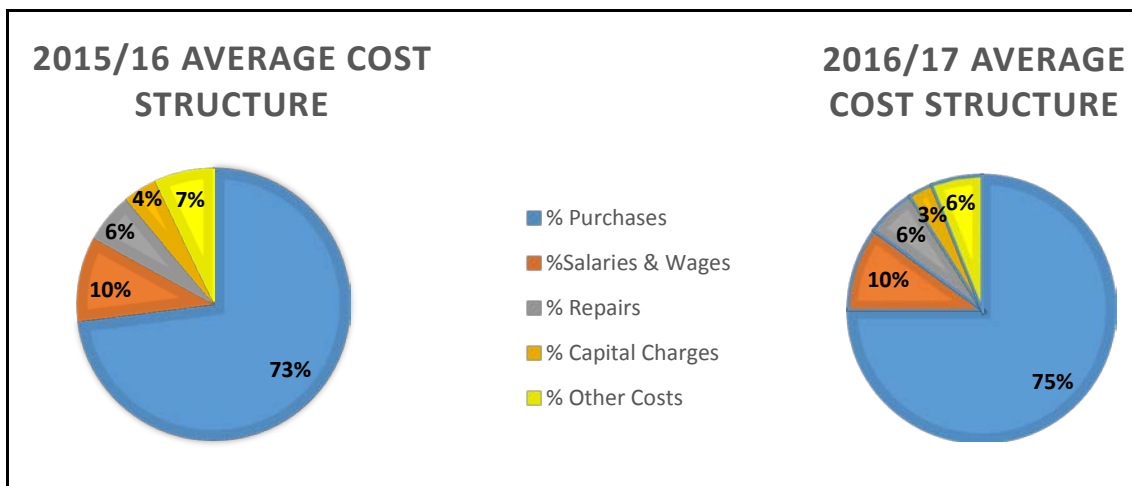
The following issues and assumptions were made when developing the percentage guideline increase for 2016/17.

On 01 March 2016 NERSA granted Eskom an average increase of 9.4% to Eskom's RCA application for the first year (2013/14) of the MYPD3 control period. Furthermore, the ERTSA application was approved on 07 March 2016, leading to a bulk increase of 7.86% for municipalities. This is due to the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('the MFMA') time lag (the municipalities' implementation date is 01 July whereas Eskom's financial year starts on 01 April).

The following issues were considered when developing the percentage guideline increase for 2016/17:

- a) The 2013/14 D-form information was used to determine whether there would be changes to the municipality's cost structures.
- b) A stratified random sampling amounting to 126 D-forms was done.
- c) The chosen sample would be useful in determining whether the weights of the cost drivers that have been developed need to be revised or maintained.

The pie chart below indicates the findings from the analysis done from the various sized municipalities.



The data from the computed various sized municipalities indicated a change in the weights of the cost structures. The municipal bulk purchases have increased from 73% to 75%; this increase results from Eskom's cumulative electricity prices. The average percentage for salaries and wages has been maintained at 10% in order for municipalities to incorporate the recruitment of skilled staff, additional staff and the allowance for paying scarce skills allowance. NERSA requires municipalities to spend 6% of their total ring-fenced electricity revenue on repairs and maintenance to ensure a sustainable electricity supply system. The capital charges and other costs weights decreased from 4% to 3% and 7% to 6% respectively, due to increase in the weight of bulk purchases.

Municipalities must submit their specific cost drivers should they be different from the ones presented by NERSA in the consultation paper. This will assist NERSA in considering municipalities on a case-by-case basis based on their actual cost structures.

Stakeholder Comment # 1

Stakeholders are invited to comment on the changes in the breakdown of the cost weighting that NERSA has taken into consideration when developing the guideline.

In developing the guideline, the following assumptions on cost increases were made:

- a) Bulk purchases will increase by 7.86% as indicated in the Eskom standard tariff submission for the 2016/17 financial year.
- b) Consumer Price Index (CPI) – 6.6%¹.
- c) Salary increases – CPI plus 1%².
- d) Repairs and maintenance, capital charges and other costs will increase by CPI.

3.1. The formula for calculating the guideline increase:

$$\begin{aligned} \text{MG} &= (\text{BP} \times \text{BPI}) + (\text{S} \times \text{SI}) + (\text{R} \times \text{RI}) + (\text{CC} \times \text{CCI}) + (\text{OC} \times \text{OCI}) \\ &= (75 \times 0.07857) + (10 \times 0.076) + (6 \times 0.066) + (3 \times 0.066) + (6^3 \times 0.066) \\ &= 5.893 + 0.760 + 0.396 + 0.198 + 0.396 \\ &= \underline{\underline{7.64\%}} \end{aligned}$$

Where:

- MG = % Municipal Guideline Increase
- BP = % Bulk purchases
- BPI = % Bulk purchase increase
- S = % Salaries
- SI = % Salaries increase
- R = % Repairs
- RI = % Repairs increase
- C = % Capital charges
- CCI = % Capital charges increase
- OC = % Other costs
- OCI = % Other costs increase

¹ As indicated in the National Treasury (Budget Review) 2016

² As indicated in Circular No. 31/2015: Salary and Wage Collective Agreement

³ The 'capital charges and other costs' has been reduced due to increase in the weight of bulk purchase.

Table 3: Calculation of the guideline for the 2016/17 financial year

COST LINE ITEM	REVISED MUNIC % OF TOTAL COST	EXPECTED INCREASE %	WEIGHTED AVERAGE EXPECTED INCREASE %
Purchases	75	7.857	5.893
Salaries and wages	10	7.6	0.760
Repairs & Maintenance	6	6.6	0.396
Capital charges in total	3	6.6	0.198
Other Costs ⁴	6	6.6	0.396
% increase			7.64

Municipalities applying for an increase that is above the guideline will have to justify their increases to the Energy Regulator and the approval will be based on the following requirements:

- a) a detailed plan on the additional funds requested needs to be presented to NERSA as part of the motivation for the above-guideline increase (the municipality must provide a detailed revenue analysis whereby it indicates the revenue when using the approved guideline percentage increase versus the actual required revenue and the list of items, i.e. repairs and maintenance, where the extra funds will be allocated);
- b) the approved funds must be ring-fenced to ensure that the extra funds are strictly utilised for the identified projects;
- c) municipalities must report to NERSA on a six-monthly basis on how the additional funds are utilised; and
- d) funds not utilised for the purpose for which they were approved will be clawed back in the following financial year.

4. THE MUNICIPAL ELECTRICITY TARIFF BENCHMARKS

4.1. The municipal electricity tariff benchmarks for the 2015/16 financial year

The existing benchmarks are based on five assumed tariff/customer categories, as set out below.

⁴ Charges allocated from and to municipal departments, general expenses (costs related to the Municipal Electricity Department but not indicated on the D-forms).

4.1.1 Current benchmarks

- **Domestic (Block 1 – 4)**

Table 1: Average Domestic Benchmarks

Domestic Inclining Block Tariffs (IBTs)			
Block 1 (0 – 50 kWh) (c/kWh)	Block 2 (51 – 350 kWh) (c/kWh)	Block 3 (351 – 600 kWh) (c/kWh)	Block 4 (>600 kWh) (c/kWh)
72 – 79	93 – 100	134 – 141	160 – 166

The alternative domestic Inclining Block Tariff (IBT) structures and benchmarks are as indicated below.

- **Domestic Low**

Table 2: Average Domestic Low

Domestic Inclining Block Tariffs (IBTs)	
Block 1 (0 – 350 kWh) (c/kWh)	Block 2 (351 – 600 kWh) (c/kWh)
91 – 96	132 – 138

- **Domestic High**

Table 3: Domestic High

Domestic Inclining Block Tariffs (IBTs)	
Block 1 (0 - 350 kWh) (c/kWh)	Block 2 (351 - 600 kWh) (c/kWh)
89 – 94	130 – 136
Basic Charge (R/month)	

- **Domestic Non-IBT Benchmark**

Table 4: Average Domestic Non-IBT Benchmarks

Domestic Non - Inclining Block Tariffs (IBTs)	
Domestic Low 400 kWh (c/kWh)	Domestic High 800 kWh (c/kWh)
101 – 107	126 – 131

4.2. Commercial Benchmarks

4.2.1 Commercial Benchmarks Prepaid and Conventional Single Phase

- Commercial Prepaid Single Phase

Table 5: Average Benchmarks for Commercial Prepaid Single Phase

Commercial – Prepaid (2000 kWh)
c/kWh
167 – 174

- Commercial Conventional Single Phase - Low

Table 6: Average benchmark for Commercial Low

Commercial – Low (2000 kWh)
c/kWh
155 – 160

- Commercial Conventional Single Phase - Medium

Table 7: Average benchmark for Commercial Medium

Commercial – Medium (3000 kWh)
c/kWh
150 - 156

- Commercial Conventional Single Phase - High

Table 8: Average benchmark for Commercial High

Commercial – High (7000 kWh)
c/kWh
132 - 138

4.3.1 Commercial Benchmarks Prepaid and Conventional Three Phase

- Commercial Prepaid Three Phase

Table 9: Average Benchmarks for Commercial Prepaid Three-Phase

Commercial – Prepaid (5500 kWh)
c/kWh
167 – 174

- Commercial Conventional Three Phase – Low

Table 10: Average benchmark for Commercial Low

Commercial – Low (5500 kWh)
c/kWh
117 – 122

- Commercial Conventional Three Phase – Medium

Table 11: Average benchmark for Commercial Medium

Commercial-Medium (11500 kWh)
c/kWh
111 – 116

- Commercial Conventional Three Phase – High

Table 12: Average benchmark for Commercial High

Commercial (22000 kWh)
c/kWh
108 – 113

4.3. Agriculture Benchmarks

- Agriculture Low

Table 13: Average benchmark for Agriculture Low

Agriculture – Low (2000 kWh)
c/kWh
180 – 185

- Agriculture Medium

Table 14: Average benchmark for Agriculture Medium

Agriculture – Medium (3000 kWh)
c/kWh
171 – 176

- Agriculture High

Table 15: Average benchmark for Agriculture – High

Agriculture – High (7000 kWh)
c/kWh
146 – 151

4.4. Industrial Benchmark

- Industrial Low

Table 16: Average benchmark for Industrial – Low

Industrial – Low (43800 kWh)
c/kWh
151 – 159

- Industrial Medium

Table 17: Average benchmark for Industrial – Medium

Industrial – Medium (98 550 kWh)
c/kWh
148 – 154

- **Industrial High**

Table 18: Average benchmark for Industrial – High

Industrial- High (730 000 kWh)
c/kWh
134 – 139

4.4.1 Time-of-Use Benchmark

Table 19: Average benchmarks for Industrial TOU

Industrial	Industrial
(Based on Eskom’s Nightsave)	(Based on Eskom’s Megaflex))
43 800 kWh	43 800 kWh
(c/kWh)	(c/kWh)
185 – 191	122 – 128

5. THE FINANCIAL BENCHMARKS

The table below indicates the weights of the financial benchmarks for the 2016/17 financial year. The municipalities that operate within these benchmarks are considered to run a sustainable and efficient electricity business.

Financial benchmarks

	Current Benchmarks	Revised Benchmarks	Financial Benchmarks (Acceptable Range)⁵
Percentage Power cost	73%	75% ⁶	58% - 78%
Percentage Surplus	15%	15% ⁷	10% - 20%
System losses	10%	10% ⁸	5% - 12%
Average Sales Price/Average Purchase Price ratio	1:1.58	1:1.58	1:1.58 – 1:1.62
Repairs & Maintenance	Minimum of 6%		
Debt collection rate	95%		

⁵ The acceptable ranges are NERSA’s allowable ranges.

⁶ In accordance with the municipal cost structure as indicated in the municipal tariff guideline consultation paper.

⁷ The applicable financial benchmark for municipalities.

⁸ The applicable technical benchmark for municipalities.

- The municipalities are encouraged to improve their debt collection rate, as this will assist them in collecting revenue that will enable them to be efficient and effective, as well as sustainable.

Stakeholder Comment # 2

Stakeholders are invited to comment on whether NERSA should consider other indicators when determining the efficiency of the municipality.

6. MUNICIPAL TARIFFS ABOVE THE NERSA BENCHMARKS

Municipalities applying for tariffs that are outside the approved benchmarks must justify such increases and the following information must be submitted:

- the total number of customers per tariff category – municipalities that do not have an appropriate customer base must submit the full detail of its customer profile, as well as the associated revenues;
- expected revenues per tariff category;
- the forecasted total sales;
- the average maximum demand per tariff (where applicable);
- the actual consumption; and
- the load profile in percentages (both summer and winter, where applicable).

The municipalities are encouraged to develop time-of-use tariffs in order to enable the customer to benefit from shifting their load. This will also enable municipalities to charge their customers prices that are similar to what Eskom is charging them.

7. THE PROPOSED MUNICIPAL ELECTRICITY TARIFF BENCHMARKS FOR 2016/17

7.1 The revised benchmarks

The benchmarks for the 2016/17 financial year have been developed as follows for the different tariff categories.

7.1.1 Domestic Benchmarks (Block 1 – 4)

- Block 1 – The 2015/16 benchmarks were increased by CPI⁹ of 6.6%.
- Block 2 – The 2015/16 benchmarks were increased by CPI plus 1% (6.6 % + 1%¹⁰).
- Block 3 and 4 – The 2015/16 benchmarks were increased by the municipal tariff guideline increase of 7.64%¹¹.

Table 20: Average Domestic Benchmarks

Domestic Inclining Block Tariffs (IBTs)			
Block 1 0-50 kWh c/kWh	Block 2 51-350 kWh c/kWh	Block 3 350-600 kWh c/kWh	Block 4 >600 kWh c/kWh
77 - 84	101 - 108	144 - 152	173 - 179

7.1.2 The alternative domestic IBT benchmarks were developed as follows:

- Domestic Low & High
 - Block 1 – The 2015/16 benchmarks were increased by 7.10%.
 - Block 2 – The 2015/16 benchmarks were increased by the municipal tariff guideline increase of 7.64%.

⁹ The 6.6% is the current CPI as indicated in the Budget Review 2016.

¹⁰ The second block has been increased by 7.10% to align it to the Eskom Homelight tariffs.

¹¹ The 7.64% is in accordance with the municipal tariff guideline increase for the 2016/17 financial year.

- **Domestic Low**

Table 21: Average Domestic

Domestic Inclining Block Tariffs (IBTs)	
Block 1 (0 – 350kWh)	Block 2 (351 – 600 kWh)
c/kWh	c/kWh
98 - 103	142 - 149

- **Domestic High**

Table 22: Average Domestic High

Domestic Inclining Block Tariffs (BTs)	
Block1 (0 -350 kWh)	Block 2 (351 – 600 kWh)
c/kWh	c/kWh
95 - 101	140 - 146
Basic Charge (R/month)	

7.1.3 The domestic tariffs Non-IBT

- This tariff is developed for those municipalities that are unable to implement IBTs.
- The 2015/16 domestic Non-IBT tariff benchmarks were increased by the municipal tariff guideline increase of 7.64%.

Table 23: Average Domestic Non-IBT

Domestic Inclining Block Tariffs (IBTs)	
Domestic Low (400 kWh)	Domestic High (800 kWh)
c/kWh	c/kWh
108 - 115	136 - 141

7.2 Commercial Benchmarks

7.2.1 Commercial Benchmarks Prepaid and Conventional Single Phase

The commercial single phase tariffs for the 2015/16 benchmark were increased by the municipal tariff guideline increase of 7.64%.

- **Commercial Prepaid Single Phase**

Table 24: Average Benchmarks for Commercial Prepaid Single

Commercial – Prepaid (2000 kWh)		
c/kWh		
180	-	187

- **Commercial Conventional Single Phase – Low**

Table 25: Average benchmark for Commercial

Commercial – Low (2000 kWh)		
c/kWh		
167	-	172

- **Commercial Conventional Single Phase - Medium**

Table 26: Average benchmark for Commercial Medium

Commercial – Medium (3000 kWh)		
c/kWh		
161	-	168

- **Commercial Conventional Single Phase - High**

Table 27: Average benchmark for Commercial -

Commercial - High (7000kWh)		
c/kWh		
142	-	149

7.2.2 Commercial Benchmarks Prepaid and Conventional Three Phase

- The commercial three-phase prepaid tariff for the 2015/16 benchmark were increased by the municipal tariff guideline increase of 7.64%.

- **Commercial Prepaid Three-Phase**

Table 28 : Average Benchmarks for Commercial Prepaid Three-Phase

Commercial – Prepaid (5500 kWh)		
c/kWh		
180	-	187

- The commercial conventional three phase tariffs have been revised as comments received from municipalities indicated they were too low. The benchmark is developed by benchmarking against the 2015/16 average energy rates for municipalities.

- **Commercial Conventional Three Phase – Low**

Table 29: Average benchmark for Commercial Three Phase – Low

Commercial - Low (5500 kWh)		
c/kWh		
142	-	148

- **Commercial Conventional Three Phase – Medium**

Table 30: Average benchmark for Commercial Three Phase – Medium

Commercial - Medium (11500 kWh)		
c/kWh		
135	-	141

- Commercial Conventional Three Phase – High

Table 31: Average benchmark for Commercial High

Commercial - High (22000 kWh)		
c/kWh		
132	-	138

7.3 Agriculture Benchmarks

- The agriculture tariffs for the 2015/16 benchmarks were increased by the municipal tariff guideline increase of 7.64%.

- Agriculture Low

Table 32: Average benchmark for Agriculture – Low

Agriculture - Low (2000 kWh)		
c/kWh		
194	-	200

- Agriculture Medium

Table 33 : Average benchmark for Agriculture – Medium

Agriculture - Medium (3000 kWh)		
c/kWh		
184	-	190

- Agriculture High

Table 34: Average benchmark for Agriculture – High

Agriculture - High (7000 kWh)		
c/kWh		
157	-	163

7.4 Industrial Benchmark

- The industrial tariffs for the 2015/16 benchmarks were increased by the municipal tariff guideline increase of 7.64%.

- **Industrial Low**

Table 35: Average benchmark for Industrial – Low

Industrial - Low (43 800 kWh)		
c/kWh		
163	-	171

- **Industrial Medium**

Table 36: Average benchmark for Industrial – Medium

Industrial - Medium (98 550 kWh)		
c/kWh		
160	-	166

- **Industrial High**

Table 37: Average benchmark for Industrial – High

Industrial - High (730 000kWh)		
c/kWh		
144	-	150

7.5 Industrial Time-of-Use

- The benchmarks for the municipalities that buy at Eskom's Megaflex tariff have been adjusted by the guideline increase of 7.64%.

Table 38: Average benchmarks for Industrial Time-Of Use (TOU) Megaflex

Industrial TOU (43 800 kWh) (Based on Eskom's Megaflex)		
c/kWh		
131	-	138

- The benchmarks for the municipalities that buy at Eskom's Nightsave tariff have been adjusted by the guideline increase of 7.64%.

Table 39: Average benchmarks for Industrial Time-Of Use (TOU) Nightsave

Industrial TOU (43 800 kWh) (Based on Eskom's Nightsave)		
c/kWh		
199	-	206

8. TIMELINES FOR MUNICIPAL TARIFF APPROVAL PROCESS AND GUIDELINE DETERMINATION

Municipalities are bound by among other legislation, the MFMA and Municipal Systems Act (MSA). According to the MFMA budgetary process, a budget circular to all municipalities is issued by National Treasury by the end of November annually. This circular takes into account NERSA's approved guideline increase.

It is anticipated that municipalities will compile and submit tariff applications for NERSA's consideration from April 2016. In line with the MFMA requirements stated below, NERSA will attempt to complete and finalise the municipal tariff approval process by 15 March 2015.

Section 43 of the MFMA states that:

- (1) *If a national or provincial organ of state in terms of a power contained in any national or provincial legislation determines the upper limits of a municipal tax or tariff, such determination takes effect for municipalities on a date specified in the determination.*
- (2) *Unless the Minister on good grounds approves otherwise, the date specified in a determination referred to in subsection (1) may -*
 - a) *If the determination was promulgated on or before 15 March in a year, not be a date before 1 July in that year; or*
 - b) *If the determination was promulgated after the 15 March in a year, not be a date before 1 July in the next year.*

The table below shows the timelines and processes leading to the approval of municipal electricity tariffs.

Table 40: Approval of the Municipal Tariff Guideline and Benchmarks

ACTIVITY/TASK	DATE
Modelling of municipal tariff guideline and benchmarks	Oct –Nov 15
Publishing of the municipal guideline, benchmarks and proposed timelines consultation paper on NERSA’s website	08 March 16
Workshop and consultations with key stakeholders (NT, AMEU, SALGA)	March 16
Closing date for stakeholder comments	08 April 16
NERSA’s decision of the municipal guideline increase, benchmarks and proposed timelines	April 16
Communicate approved guideline, benchmarks and proposed timelines to municipalities	April 16

Table 41: Municipal Tariff Review Process for the 2016/17 Financial Year

Municipalities compile and submit tariff applications for consideration by NERSA	April – May 16
NERSA’s consideration and approval of tariff applications and communication of NERSA’s decision to municipalities	April – Jun 16
Public Hearing ¹² for above guideline increase	May – Jun 16
Consideration and approval of applications above the guideline	May – Jun 16

¹² NERSA will hold two Public Hearings for the municipalities applying for above-guideline increases.

Communicate NERSA's decision to licensees	April – Jun 16
Receipt and analysis of tariff review (appeal) applications	April – Jun 16
Consideration and approval of review applications	April – Jun 16
Communicate NERSA's decision to licensees	April – Jun 16

Stakeholder Comment # 5

Stakeholders are invited to comment on the appropriateness of the municipal tariff approval process and timelines with regard to the MFMA prescribed budgetary process.