

FREE BASIC ALTERNATIVE ENERGY POLICY

(Households Energy Support Programme)



the dme

Department:
Minerals and Energy
REPUBLIC OF SOUTH AFRICA

MINISTERIAL FOREWORD

In 2000, Government announced its intent to provide free basic services to indigent households. In this regard various services including energy were identified as basic services to be supported by Government's programmes with respect to indigent households.

Free Basic Electricity was launched by the Department in 2003, with the aim to support indigent households in meeting their basic energy needs. However the programme suffers in most areas because of limited grid availability. After seeing this, the Department realised the need to support indigent households that reside in un-electrified areas with free basic alternative energy.

In this regard, the policy on Free Basic Alternative Energy is intended to provide indigent households with alternative energy where electricity is not available. Since it is the local sphere of government that is tasked with discharging such a service, there is a need to strike a balance between a number of factors including but not limited to: - availability of energy sources, allocated funding, etc.

I trust that the combination of our three current programmes namely: Integrated National Electrification Programme, Free Basic Electricity and Free Basic Alternative Energy under the auspices of the Department will go a long way in improving the quality of life of the less fortunate South Africans.

Ms Buyelwa Sonjica, MP
Minister of Minerals and Energy

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i) Abbreviations and acronyms

BEE	Black Economic Empowerment
DME	Department of Minerals and Energy
Dplg	Department of Provincial and Local Government
EWP	Energy White Paper on Energy Policy
FBAE	Free Basic Alternative Energy
FBE	Free Basic Electricity
FBS	Free Basic Service
INEP	Integrated National Electrification Programme
SABS	South African Bureau of Standards
SHS	Solar Home System

ii) Definitions

“Department” means the Department of Minerals and Energy;

“Energy White Paper” means the White Paper on Energy Policy for South Africa of 1998;

“Free Basic Electricity” means specified free amount of electricity supply deemed necessary to support basic electricity services for indigent household as determined from time to time;

“Free Basic Alternative Energy” means any other form of basic energy excluding electricity (including solar home system) deemed necessary to support basic energy needs of an indigent household as determined from time to time and funded by the government;

“Indigent household” means indigent household as identified by Municipality;

“Municipality” means a municipality as defined in the Municipal Systems Act, (Act No32 of 2000);

“National Electrification Programme” means the Integrated National Electrification Programme under the auspices of the Department of Minerals and Energy intended to address the backlogs in the household electrification in South Africa; and

“Service Provider” that means an agent (person or institution or any combination of persons and institutions), which provides service(s) on behalf of the Municipality.

Executive Summary

Energy poverty is a constant challenge to the government and as a result, government needs to provide support to affected communities. Energy poverty tends to be confined or prevalent within geographic boundaries. Furthermore, energy sources also differ in terms of availability, cost and the level of convenience associated with application.

The policy sets the fundamental basis on which Free Basic Alternative Energy (FBAE) needs to be embraced and applied. Guidance is provided on what a Municipality should consider before embarking on the FBAE roll out scheme. The policy recognizes funding limitations and thus encourages careful and sincere identification of beneficiaries.

A non-exhaustive list of available energy carriers is attached with their known pros and cons to assist municipalities in making informed choices on energy carriers. The list is deliberately non prescriptive to afford municipalities a chance to identify what would be best for the circumstances they find themselves in.

CHAPTER 1

1.1. Introduction

The Free Basic Alternative Energy programme's objective is to support indigent households in un-electrified areas by providing them with free basic energy to meet some of their basic needs such as cooking, etc. This intervention by government is therefore aimed at alleviating some of the difficulties associated with access to energy in those households.

The focus in Free Basic Alternative Energy is on the indigent households, it is important that the proper identification of the indigent households is emphasized for the program to yield desired results. The Municipalities should exercise diligence in selecting the beneficiaries of the FBAE program so as to maximize the impact and uplift the un-electrified indigent households.

Municipalities have a responsibility to administer and provide FBAE to indigent households within their jurisdiction.

1.2. Objectives of the policy

The objectives of the policy are the following:

- to facilitate the provision of basic energy needs to indigent South African households that do not have access to electricity;
- where possible, to address a whole suite of socio-economic issues that arise from inadequate provision of energy to households, inter-alia, job creation, etc;
- to minimise health risk by promoting safe use of these energy carriers;
- to ensure that energy carriers chosen are sustainable, safe and easily accessible to the indigent households; and
- to maximize efficient use of energy carriers for the benefit of all citizens.

CHAPTER 2

2. Implementation of FBAE

2.1. Funding of FBAE

Funding is a critical aspect to a successful implementation of any poverty alleviation initiative including FBAE. In line with national government support to its programme, funds are already allocated to Municipalities for this programme through the Equitable Share grant disbursed by **dplg** to local government. These funds are classified as Free Basic Electricity/Energy, where no electricity infrastructure exists; these funds must be channelled to fund FBAE. Municipalities are encouraged to supplement the FBE grant from their own income in ensuring that indigent households receive the FBAE.

2.2. Beneficiaries of FBAE

The sole intention of FBAE policy is to assist in the provision of energy to households. Municipalities are well placed to take a leading role in providing this service as well as identifying the right beneficiaries of FBAE.

2.3. Guide for selecting FBAE areas

The FBAE programme must commence in areas:

- most distant from the grid electricity;
- where no Solar Home System Programme is planned
- where there are no immediate plans to electrify the area;
and/ or
- where energy poverty is prevalent.

2.4. Guide to energy carriers to be funded through the FBAE programme

Municipalities must select suitable energy carrier/s to be funded and supplied through their areas. The following aspects need to be considered carefully before a final choice is made of the carriers:

- the energy carrier must be safe and environmentally friendly;
- supply channels must be available or easily be established within the jurisdiction of the Municipality;
- the energy carrier must be affordable to the Municipality;
- the energy carrier must be sustainable;
- provision of such an energy carrier must create job opportunities for local people where possible; and
- the energy carrier must be adaptable to indigent households

The list of common energy carriers mentioned in ANNEXURE 1 which is not exhaustive will assist municipalities with the selection of an appropriate energy carrier(s).

2.5. Safe application of alternate energy carriers.

Once a Municipality has identified an energy carrier(s) suitable for its area of jurisdiction, the Municipality must conduct awareness campaigns informing the beneficiaries on how best to apply the chosen energy carrier(s). The campaigns must include but not limited to safe use of the energy carrier, safe handling and storage to minimise health risk of such energy carrier(s).

2.6. Supply chain management

In order to facilitate the implementation of FBAE, it is essential for the supply chains to be adequately managed without negatively affecting innovative cost and efficiency initiatives

The supply chain can be managed by the Municipality participating as a Service Provider or entering into Service Delivery Agreements with a Service Provider for the provision of FBAE. A Municipality may not delegate the identification of indigent households to a third party.

2.7. Municipality acting as a Service Provider

Once a Municipality has identified an energy carrier(s), it must investigate a reasonable method of acquiring the preferred energy carrier(s) at a least cost to itself. These could include but not limited to tendering, negotiating or any other approved procurement process to achieve lowest prices. In this process a Municipality must also facilitate the distribution of the energy carrier(s) to the identified indigent households or access point within the residential areas if distribution is not possible.

2.8. External Service Providers

The Municipality must first consider facilitating the distribution or the supply of the identified energy carrier(s) using its own resources. In an event where the Municipality lacks resources of providing the service, it may appoint an external Service Provider as per Municipal Systems Act, 2000 (Act No32 of 2000). The service provider must carry the responsibility of implementing the FBAE under the supervision of the Municipality. The Municipality must ensure that the service provider

provides the FBAE to beneficiaries as per municipal identified indigent households.

2.9. Reporting and monitoring

The Municipality has a duty to ensure that only the indigent households receive FBAE. From time to time, the Municipality must verify that all beneficiaries are legitimately designated. All indigent households benefiting from the FBAE must be registered and the figures must be submitted to the Department of Provincial and Local Government (**dplg**). **Dplg** will prescribe the format of reporting.

At national Departmental level detailed monitoring mechanisms will be put into place to measure such things as the quality and cost-effectiveness of Free Basic Services programmes, levels of satisfaction amongst beneficiaries, the relevance of Free Basic Services programmes to actual situations, the impact of such programmes on poverty alleviation, and the levels of congruity between qualifying customers and non-qualifying customers.

CHAPTER 3

3. Evaluating Policy Performance

3.1. A range of evaluation mechanisms will be developed and implemented to complement the monitoring process. These will be designed to suit the particular circumstances of different Free Basic Alternative Energy. Such mechanism will be directly related to the aims, objectives and anticipated outcomes of Free Basic Alternative Energy Policy.

3.2. An important requirement of evaluation processes (and indeed of monitoring processes) will be the need to ensure effective stakeholder involvement. This includes involvement in the establishment of evaluation targets and criteria, as well as in the design and implementation of evaluation mechanisms.

3.3. With respect to evaluation criteria, it is proposed that the following broad criteria should form the basis for the evaluation of Free Basic Services Policy at National, Provincial and Local levels (qualitative measures.):

(a) **Effectiveness:** Were the results envisaged in the vision, mission and goals achieved?

(b) **Efficiency:** Were human, financial, institutional and technical resources used in the most efficient and cost-effective way?

(c) **Adequacy:** To what extent were core policy problems resolved by Free Basic Services strategies?

(d) **Equity:** To what extent have Free Basic Services policies and strategies served to eliminate existing disparities, to

promote greater representitivity, and to ensure greater equity in employment and service delivery?

- Black Economic Empowerment (BEE), Small, Medium and Micro-Enterprises (SMME's) and Job creation: How supportive is the policy to the BEE and job creation?
- Quality of life of the indigent: What is the socio-economic impact of the policy to the indigent?

(e) **Responsiveness:** How responsive has the implementation of Free Basic Services Policies and strategies been to the actual needs and preferences of the stakeholders, in particular Municipalities?

(f) **Appropriateness:** Have Free Basic Services Policies and strategies been appropriate to meeting the requirements of the overall policy context set by the Government?

CHAPTER 4

4. Conclusion

Given the scale of energy poverty in certain areas, it is expected that an affected Municipality will quickly engage the role players in ensuring that the affected community is served as per objectives of the policy.

A Municipality:

- ❑ Has an obligation to identify a suitable energy source(s) for its community and ensure its effective distribution to the identified indigent households;
- ❑ May choose various energy carriers as the situation may dictate;
- ❑ Must give energy to the value of R55 as a minimum to an un-electrified indigent household. The figure should increased on an annual basis by the inflation rate plus 1,5%. The Department will then revise this minimum on a five-year cycle.
- ❑ Must ensure that the FBAE programme reaches indigent households; and
- ❑ Has a responsibility to ensure fraud prevention measures are in place.

ANNEXURE 1

1. Conventional Household Alternative Energy Carriers

(Alternatives to Electricity)

1.1. Paraffin

1.1.1. Application

Paraffin is used in rural, peri-urban and urban areas. It is mainly used for lighting and heating.

1.1.2. Advantages

Paraffin has high heat energy content and is easily transported and decanted into smaller containers. It also finds application in grid-electrified households for heating to avoid high electricity prices or where electricity is deemed to be expensive. It has a wider distribution network which makes it accessible country wide.

1.1.3. Disadvantages

There are no appropriate containers for storing paraffin and becomes prone to ingestion by small children, leading to various incidents such as fire accidents, poisoning and death in severe cases. Burning paraffin also produces fumes that might cause respiratory infections.

1.1.4. Appliances

Paraffin appliances are relatively inexpensive and are easily available. There is no formal maintenance programme for paraffin appliances. In most cases, the stoves are of poor quality and therefore require

standardization. It is recommended that households use appliances that carry SABS stamp of approval.

1.2. Liquefied Petroleum Gas (LPG)

1.2.1. Application

LPG is used in households for lighting and heating.

1.2.2. Advantages

LPG is a clean burning and efficient fuel that has low waste. LPG has a higher calorific value than coal or paraffin making it more efficient particularly as a heating fuel. The other additional advantage of LPG over other energy sources is its spontaneous heat release that quickens heating.

1.2.3. Disadvantages

LPG is relatively expensive and as a result, it is not affordable to indigent households. LPG might be uneconomic if used for lighting purposes.

1.2.4. Appliances

LPG appliances are relatively expensive. Since appliances and cylinders are produced by branded suppliers, the quality and the level of standardization of appliances is relatively good. It is recommended that households use appliances that carry SABS stamp of approval.

1.3. Coal

Coal is used predominantly in the domestic sector as a heating fuel.

1.3.1. Advantages

Coal is readily available in areas where the distribution channels are well developed. Coal is a long burning energy source and has a high calorific value (heat content).

1.3.2. Disadvantages

Coal has a high content of air borne particulates and poisonous volatile organic compounds. The grade of coal available for domestic use has high sulphur content which if burnt in a household might result into respiratory infections.

1.3.3. Appliances

Household appliances are expensive. Homemade appliances are easily manufactured. There are no formal maintenance programmes for commercial appliances.

1.4. Bio-Ethanol gel

Ethanol gel is used for heating. It is a new energy carrier in the market.

1.4.1. Advantages

Ethanol gel is non-spilling (high viscosity) and portable even in small quantities, non-explosive, odourless, long and cold burning, non-polluting relative to other fuels and affordable and has a high calorific value.

1.4.2. Disadvantages

Currently, there are limited suppliers of this product. Mechanisms for distributing ethanol gel throughout the country need to be explored. It is a newly developed product in the market.

It has low energy content, the flame burns at a lower temperature and therefore it is required in larger quantity. SABS is developing standards for ethanol gel.

1.4.3. Appliances

Since ethanol gel is a new energy carrier, appliances for it might not be available in common retailers. Appliances are available from the manufactures of ethanol gel and are currently relatively inexpensive.

5. References

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