



City of Johannesburg

2020/21 Tariff Presentation

June 2020

City Power Draft Proposed Tariff increase for FY2020/21

Key Determinants of Proposed average Tariff increase of 8.1%(FY1920 - 13.07%))

- **NERSA approved Eskom annual average tariff increase for FY20/21 is 8.1%,**
- **NERSA approved liquidation of the Eskom Regulatory Clearing Account (RCA) R9 652 million in favor of Eskom in FY20/21,**
- **Total approved Eskom annual average tariff increase inclusive of RCA for FY20/21 is 8.8%, effective from 1 July 2020,**
- **Since the increase to municipal customers is implemented on 1 July 2020 only it is separately determined as part if NERSA, annual Eskom Retail Tariff & Structural Adjustment (ERTSA), due by 31 March 2020,**
- **NERSA FY20/21 Municipal Tariff Guideline Increase and Benchmark Tariffs to determine increase to municipal customers,**
 - **Draft Consolation paper on guideline increase to be publish by 31 March 2020**
 - **Final NERA approved Municipal Tariff Guideline Increase and Benchmark Tariffs for FY20/21 likely approval date: 31 April 2020**
- **Shareholder and stakeholder considerations including but not limited to following:**
 - **Financial sustainability,**
 - **Cost reflectivity,**
 - **Affordability,**
- **The Proposed annual average increase of 8.1% is preliminary and subject to change pending finalisation of NERSA processes.**

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Proposed Tariff and Structural Changes for FY 20/21

- All service and capacity charges (Rand/month) across all customer categories is proposed to increase by 8.1%.
- All large power user (LPU) demand charges (Rand/kVA) proposed to increase by 8.1%,
- All energy charges (c/kWh) across all customer categories also to increase by 8.1% except for the following customer categories which will be subjected to varied increase to energy charges;
 - residential prepaid,
 - prepaid business
 - conventional business,
 - LPU Time of Use (TOU),
 - Residential Reseller.
- It is proposed to reduce the size of block 1 and to increase block 2 in the following manner:
 - Block 1 to be reduced to 0-300kWhs from 350kWhs
 - Block 2 to be reduced to 301-500kWh from 351-500kWhs
 - Block 3 to remain at all consumption greater than 500kWh
- To further align average residential Prepaid Tariff to the average Residential Conventional tariff to further reduce level of cross-subsidisation,
- Review the Residential Reseller blocks from five to three block to align to their residential prepaid customer tariff structure,

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Proposed Tariff and Structural Changes for FY 20/21..2

- To **increase the energy charges applicable to LPU TOU customers by 10.6%** to achieve greater alignment between these customer categories and LPU Demand categories,
- To **limit the increase to conventional business customer's energy charges (c/kWh) to 5.80%** to gradually align to **NERSA benchmark tariffs**,
- To gradually over two financial years subject **residential and business prepaid customers** to making contribution to the **cost of availability of supply of electricity**,
- Proposed fixed charge to be based one of the following:
 - **Capacity Charge of R200, R400 respectively for residential prepaid and business prepaid** subject to NERSA approval,
 - **Municipal Surcharge of R200, R400 respectively for residential prepaid and business prepaid** subject to **Council approval**,
- Introduction of **Distribution use of system charge (wheeling tariff)** to start facilitate to future business model by **transportation of clean energy over our electricity infrastructure on behalf of renewable generators**.

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Comparison of current Residential Conventional and Prepaid Tariffs

Residential Conventional 60A (Current)				Residential Prepaid (Current)			
	Block Size	Tariffs (c/kWh)	1200 Rand		Block Size	Tariffs (c/kWh)	1200 Rand
Block 1	<=500	134.08	670.4	Block 1	<=350	139.42	487.97
Block 2	>500<=1000	153.87	769.35	Block 2	>350<=500	159.92	239.88
Block 3	>1000<=2000	165.22	330.44	Block 3	>500	182.23	1 275.61
Block 4	>2000<=3000	174.32	-				
Block 5	>3000	182.87	-				
			1 770.19				2 003.46
Total Basic Charges			548.84	Total Basic Charges			-
Service Charge			139.09	Service Charge			
Capacity Charge			409.75	Capacity Charge			
Total Charges			2 319.03	Total Charges			2 003.46
Average Selling Price-ASP (c/kWh)			193.25	Average Selling Price (c/kWh)			166.96
ASP Energy Only (c/kWh)			147.52	ASP Energy Only (c/kWh)			166.96
ASP Basic Charges Only (c/kWh)			45.74	ASP Basic Charges Only (c/kWh)			-

CURRENT

- At consumption levels of 1200kWh/m prepaid tariff on average 13.1% lower,
- Difference mainly attributable to R548.84 Basic Charges to Conventional Customers,
- The energy charge to prepaid customers however 13% higher,
- Proposed to further reduce block 1 to 300kWh,
- Introduce basic charges/municipal surcharge of R200,
- Due to Inclining block tariff (IBT) impact on customer to vary for different customer depending on kWh usage,
- 1200kWh customer to experience 21% increase.

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Comparison of Proposed Residential Conventional and Prepaid Tariffs

Residential Conventional 60A (Proposed)				Residential Prepaid (Proposed)			
	Block Size	Tariffs (c/kWh)	Rand		Block Size	Tariffs (c/kWh)	Rand
Block 1	<=500	144.94	724.7024	Block 1	<=300	146.67	440.01
Block 2	>500<=1000	166.33	831.67	Block 2	>300<=500	174.31	348.63
Block 3	>1000<=2000	178.60	357.21	Block 3	>500	202.28	1 415.93
Block 4	>2000<=3000	188.44	-				
Block 5	>3000	197.68	-				
			1 913.58				2 204.56
Total Basic Charges			593.30	Total Basic Charges			200
Service Charge			150.36	Service Charge			
Capacity Charge			442.94	Capacity Charge			200
Total Charges			2 506.87	Total Charges			2 404.56
ASP (c/kWh)			208.91	Average Selling Price (c/kWh)			200.38
ASP Energy Only (c/kWh)			159.46	ASP Energy Only (c/kWh)			183.71
ASP Basic Charges Only (c/kWh)			49.44	ASP Basic Charges Only (c/kWh)			16.67

PROPOSED

- At consumption levels of 1200kWh/m prepaid tariff on average be only 4.1% lower,
- Difference mainly attributable to higher Basic Charges to Conventional Customers,
- The energy charge to prepaid customers however 15% higher,
- Proposed to further reduce block 1 to 300kWh,
- Introduce capacity charges/municipal surcharge of R200,
- If the capacity charges/municipal surcharge is limited to R100 only differential will reduce to 8.1% at 1200kWhm,
- 1200kWh customer to experience 15% increase.

Thank you

