



nelson mandela bay
M U N I C I P A L I T Y

ELECTRICITY TARIFF POLICY

FINAL VETTED DRAFT

POLICY HISTORY

TITLE OF POLICY	Electricity Tariff Policy					
POLICY OWNER	Chief Financial Officer (in conjunction with Executive Director: Electricity & Energy)					
POLICY CHAMPION	Mr Jackson Ngcelwane Senior Director: Budget & Financial Accounting Budget & Treasury Directorate Tel. : 041 506 1608 Email: jngcelwane@mandelametro.gov.za					
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FINAL VETTED DRAFT

**CONFIRMATION OF COMPLIANCE WITH THE NMBM POLICY DEVELOPMENT
FRAMEWORK – ELECTRICITY TARIFF POLICY**

It is hereby confirmed that the draft **Electricity Tariff Policy** conforms to the NMBM Policy Development Framework and has been vetted by the Policy and Research Office in the Office of the Chief Operating Officer.

It must be submitted to Council structures as follows:

- a) Executive Management (EXCO) for endorsement and recommendation for approval by Council structures,
- b) Budget and Treasury Standing Committee for recommendation for approval,
- c) Executive Mayoral Committee for recommendation for Public Participation,
- d) Executive Mayoral Committee for approval and recommendation for adoption by Council after Public Participation, and
- e) Council for adoption.

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PREAMBLE

Whereas section 74(1) of the Local Government: Municipal Systems Act 32 of 2000, requires a municipal council to adopt and implement a tariff policy on the levying of fees for municipal services;

And whereas the tariff policy at least should include the principles contained in section 74(2) of *the Act*; thus, giving effect to the By-Law required in terms of section 75 of *the Act*;

And whereas the tariff policy in terms of section 74(3) of *the Act*, may differentiate between different categories of users, debtors, service providers, services, service standards and geographical areas and other matters if the differentiation does not amount to unfair discrimination;

Now therefore the Municipal Council of Nelson Mandela Bay Municipality adopts the following Electricity Tariff Policy, to clearly set out the factors that influence electricity tariff setting. The tariff schedule will be as approved by Council during the budget approval process.

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ABBREVIATIONS

ATTP	Assistance to the Poor Policy
DORA	Division of Revenue Act
kVA	Kilo-volt ampere
kW	Kilowatt
kWh	Kilowatt-Hour
MFMA	Municipal Finance Management Act 56 of 2003
NERSA	National Energy Regulator of South Africa
NMBM	Nelson Mandela Bay Municipality
SSEG	Small-Scale Embedded Generation

1. DEFINITIONS

In this policy, unless the context indicates otherwise:

“Accounting Officer/Municipal Manager” means the Accounting Officer appointed in terms of section 82 of the Local Government: Municipal Structures Act 117 of 1998, and being the head of administration and Accounting Officer in terms of section 55 of the Local Government: Municipal Systems Act 32 of 2000;

“authorised capacity” means the capacity per point of supply made available by the Service Provider and paid by the customer or developer;

“break-even” occurs when the revenue is equal to the total of the fixed and variable cost associated with the provision of the service;

“consumer, customer, owner, occupier, and accountholder” refers to individuals and other legal entities against whom a tariff, fee, charge or other levy specific to identifiable services are levied. The levying of tariffs, fees, charges, etc. depends on statutory clauses, an approved tariff in terms of by-laws, contracts, agreements or tacit uses of services in certain circumstances. Such levies are payable on presentation of any invoice or monthly statement issued by the Chief Financial Officer who oversees the Budget and Treasury Office established in terms of Chapter 9 of the Local Government: Municipal Finance Management Act 56 of 2003. Payments are due by the date indicated for the transaction, in an agreement / contract or on an invoice or monthly statement;

“demand charge” means the charge payable per unit of *Maximum Demand* supplied during any thirty (30) consecutive days of the billing period measured in kilo-volt ampere (kVA);

“energy charge” means a charge for each kilowatt-hour (kWh) of electrical energy;

“Executive Director” means a person appointed by Council in terms of section 56(1)(a) of the Act as a manager directly accountable to the *Municipal Manager*;

“fixed costs” are costs which do not vary with consumption or volume produced or calculated;

“indigent households” are those households that are registered in terms of the Assistance to the Poor (ATTP) Policy of the *Municipality* meeting the qualifying criteria;

“maximum demand” means the highest averaged demand, measured in kVA or kW, during any integrating period within a designated period;

“Municipality” means the means the Nelson Mandela Bay Metropolitan Municipality, a Category A Municipality established in terms of Part 2 of Schedule 1 of Notice 85 in the Eastern Cape Provincial Gazette No. 654 on 27 September 2000, promulgated in terms of Section 12(1) of the Local Government: Municipal Structures Act 117 of 1998;

“network capacity charge” means a charge payable for each unit of Demand made available to the customer in accordance with the customers *Notified Maximum Demand*, measured in kVA. Standardized values may be used for residential customers;

“notified maximum demand” means the *maximum demand* or capacity notified in writing by the consumer and accepted by the Service Provider to be in a position to supply on demand;

“service charge” means a fixed charge to recover *fixed costs* such as network operations and maintenance, capital, meter reading, billing, etc. and may be recovered as a daily or monthly charge. It is applicable throughout the entire period

during which the relevant premises are connected to the supply mains irrespective of whether any electricity is used or not;

“the Act” refers to the Local Government: Municipal Systems Act 32 of 2000;

“total cost” is the sum of all fixed and *variable costs* associated with a service;

“trading services” are services that the Council has classified as trading services and the tariffs have been compiled with the intention that the Council makes a profit on the delivery of the services;

“variable cost” are costs that vary with consumption or volume produced;

“wheeling” means the conveying of electricity by a third party over the *Municipality’s* electricity grid with the intent of selling that electricity to a *customer*. It also refers to the delivery of energy over the municipal electricity network. It occurs when a non-utility owned generator sells the energy it produces directly to a third-party buyer / *customer* and not to the host utility, in this case the *Municipality*, or via a trader.

2. POLICY APPLICATION

- 2.1 This policy will be applicable to all the recorded *accountholder/s* (or users) of the electricity service within the *Municipality’s* area of jurisdiction as well as other institutions that may be outside the municipal boundary, for as long as they enjoy the service recorded in the *Municipality’s* records as per an agreement or contract to that effect between both parties (i.e. the *Municipality* and the *accountholder/s* or user).
- 2.2 The English version will be regarded as the official version of this policy (i.e. Electricity Tariff Policy).

3. PURPOSE OF ELECTRICITY TARIFF POLICY

- 3.1 The *Municipality* wishes to achieve the following objectives by adopting this Electricity Tariff Policy:
 - (a) To comply with the provisions of section 74 of the Local Government:

Municipal Systems Act 32 of 2000;

- (b) To give guidance to the Executive Mayor and responsible Mayoral Committee member/s regarding electricity tariff proposals that must be submitted to Council annually during the budget process for approval.

4. TARIFF PRINCIPLES

4.1 The following tariff principles will apply for all various services:

- (a) All users of municipal services will be treated equitably as practically possible;
- (b) The amount payable by *consumers* and / or *owners* will generally be in proportion to usage of the service and compliance with municipal by-laws;
- (c) *Indigent households* must have access to basic services, however, relief will be granted to *indigent households* in line with the applicable Assistance to the Poor Policy (ATTP) or Indigent Policy from financial year to financial year, and approved by Council;
- (d) Free basic services will only be possible if National Government pay to the *Municipality* in terms of the Division of Revenue Act (DORA) an equitable share allocation which covers the full costs of the free basic services;
- (e) Tariffs must reflect the *total cost* of services or must be cost reflective;
- (f) Tariffs must be set at a level that facilitates the sustainability of services.
- (g) Sustainability will be achieved by ensuring that:
 - (i) Cash inflows cover cash outflows. This means that sufficient provision for working capital and bad debts will be made;
 - (ii) Access to the capital market is maintained. This will be achieved by providing for the repayment of capital, maintaining sufficient liquidity levels and making profits on *trading services* to subsidise rates and general services;
 - (iii) Service providers retain a fair rate of return on their investments;
 - (iv) There is constant improvement on key financial ratios that are utilised to measure financial performance of the *Municipality*.
- (h) Provision may be made in appropriate circumstances for surcharges on tariffs based on Council approval;
- (i) Efficient and effective use of resources may be encouraged by providing for penalties or stepped tariffs to prohibit or restrict exorbitant use (an example can be made with punitive tariffs applicable during the water

drought situation for as long as they are approved by Council);

- (j) The extent of subsidisation of tariffs will be disclosed and such disclosure will include the extent of subsidisation of the poor or incentives made / given for local economic development;
- (k) Provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users, more especially when they are to promote job opportunities around the metropolitan area OR improve the economic viability of the municipal area;
- (l) VAT is excluded from all tariffs and will be additional to these tariffs when applicable;
- (m) The *Municipality* can introduce new tariffs or revenue raising strategies thereof as part of the budget process, which must be subjected to due processes and final approval by Council, and
- (n) This Electricity Tariff Policy will be binding on all the *Municipality's* electricity tariffs other than those governed by legislation, which supersedes the Local Government: Municipal Systems Act 32 of 2000.

4.2 Notwithstanding any of the above principles, *indigent households* identified as such would qualify for relief in terms of the Assistance to the Poor Policy / Indigent Policy.

5. ELECTRICITY TARIFFS

5.1 Electricity tariffs consist of consumption-based tariffs and sundry tariffs.

5.2 Consumption based tariffs will be used for the service consumption of electrical energy and/or demand capacity supplied, wheeled, installed or required by the customer.

5.3 Consumption based tariffs may consist of any combination of service charges, administration charges, *network capacity charges*, energy charges, *demand charges*, and wheeling charges (refer to Tariff Book). These charges may be further subdivided and may be seasonally differentiated.

5.4 Miscellaneous Fees and Tariffs, Special Tariffs, Shared-Network Charges, Streetlighting Tariffs and Subsidised Tariffs are set out in the Tariff Book.

6. CATEGORIES OF CUSTOMERS

- 6.1 Council may differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters if the differentiation does not amount to unfair discrimination.
- 6.2 Where there are substantial differences between the infrastructure used to provide services to specific groups of users within a category and/or standard of services provided, the Council may, after considering a report by the *Accounting Officer* or the relevant *Executive Director* of a Directorate in conjunction with the Chief Financial Officer determine differentiated tariffs for the different *consumers* within the specific category.
- 6.3 Consumption based tariffs will distinguish between Residential and Commercial / Industrial Customers as follows:
- 6.3.1 **Residential customers** will be *customers* in private residential establishments (including, but not limited to, houses, apartments, blocks of flat, townhouse complexes, retirement village / old age homes) where electricity is used primarily for residential use and *authorised capacity* provided to a single *customer*.
- 6.3.2 **Commercial / Industrial customers** are those not defined as residential *customers* and includes, but are not limited to, halls, places of worship, schools, sport clubs, restaurants, theatres, consulting rooms, establishments, and all other commercial and industrial premises, including establishments such as hotels, hostels, bed-and-breakfast establishments / guest houses, boarding houses / student accommodation.
- 6.3.3 There may be sub-categories for Residential Customers and Commercial / Industrial Customers based on Categories of Service.

7. INVESTMENTS AND INCENTIVE POLICY

- 7.1 The Council may introduce different Tariffs to incentivize businesses that are being established in the municipal area of jurisdiction.
- 7.2 The incentive scheme as per the previous point may be implemented in terms of

a separate policy that deals with such matters.

- 7.3 The economic benefit for the municipal area must be quantified (including, but not limited to job creation potential, contribution to the economic situation of the area, etc.).
- 7.4 The main objective of the investment and incentive policy must be to subsidise qualifying businesses in terms of their municipal accounts for services and not provide cash incentives or exchange cash.
- 7.5 All such incentives will be reflected, accounted for and disclosed separately in invoices / account statements, budgets, annual financial statements or reports that must be tabled to Council.
- 7.6 Such incentives must be reported to Council as and when they are approved and implemented.

8. INDIGENT RELIEF (ASSISTANCE TO THE POOR)

- 8.1 Tariffs will not reflect relief granted to *indigent households*. Such incentives will be developed in separate policies (e.g. Credit Control & Debt Collection Policy, Assistance to the Poor / Indigent Policy and Property Rates Policy of Council) and be subject to the discretion of Council to enhance sustainability.
- 8.2 Indigent relief will be reflected, accounted for and disclosed separately in invoices, account statements, budgets, annual financial statements, or reports.
- 8.3 During implementation of these policies, cognisance will be taken of the fact that the existing tariffs and procedures may require amendment to accommodate the above clauses and that such amendments may be phased in over a period of time.
- 8.4 *Indigent households* are expected to manage their consumption beneath the levels of relief granted and are responsible for the payment of electricity consumption above the levels of relief granted.

- 8.5 Assistance and management of *indigent households* is contained in the Assistance to the Poor Policy / Indigent Policy approved by Council.
- 8.6 The *Municipality*, however, retains the right to limit consumption, where applicable, through prepaid meters or restriction of services if the account of an assisted household falls into arrears.

9. CATEGORIES OF SERVICE

- 9.1 Electricity tariffs may be defined for different categories of service provided where these categories of service are based on:
- (a) Type of service;
 - (b) Level of Service Consumption;
 - (c) Type of connection;
 - (d) Time of use; and
 - (e) Other.
- 9.2 Type of service may include:
- (a) *Wheeling* (off-sets and imports);
 - (b) Embedded Generation;
 - (c) Municipality Supply.
- 9.3 Levels of Service Consumption may include all service consumption.
- 9.4 Type of connection may include Low Voltage, Medium Voltage or High Voltage supply at the Point of Supply. It may further include the *Authorised Capacity* at any one of these voltage levels.
- 9.5 Others may include the type of Meter installed, municipal property valuation and/or geographic location.
- 9.6 Qualifying Residential Customers (customers eligible in terms of the assistance to the poor policy of the Municipality), will be provided free allocation of 75 kWh per month at a *Notified Maximum Demand* of between 20A and 40A. This service may be subsidised.

10. APPLICATION OF TARIFFS

- 10.1 Electricity tariffs will be applied consistently with the categories of users and categories of services at each metered point of supply, provided that final discretion resides with the Service Provider.
- 10.2 Approved Miscellaneous Fees and Charges for Damages will be applied consistently by the *Executive Director: Electricity and Energy* or his Nominee, provided that final discretion resides with the Service Provider.
- 10.3 Where a choice of tariff exists, and the qualifying criteria has been met, however, the responsibility to undergo the regulated application process lies with the *customer*. No retrospective adjustments will be allowed.
- 10.4 Any approved change in the tariff will apply from the first day of the next calendar month.
- 10.5 Any Customer installing a meter must pay the cost up front irrespective of the reason for the installation.

11. WHEELING AND EMBEDDED GENERATION

- 11.1 All Embedded Generation and *Wheeling* related matters will find expression in the embedded generation (distribution energy resources) policy of the *Municipality*.

12. CONSUMPTION TYPES

12.1 Types of Consumption under the applicable tariffs

12.1.1 Domestic Consumption

- (a) Domestic *customers* will be *customers* in private residential establishments (including, but not limited to, houses, apartments, blocks of flat, townhouse complexes, retirement homes / old age homes) where electricity is used primarily for residential use and *authorised capacity* provided to a single *customer* including consumption by electrical apparatus associated with

these premises, which in the opinion of the Executive Director: Electricity & Energy is predominantly used for domestic reasons; and

- (b) Residential establishments operated by social welfare institutions registered under the National Welfare Act 100 of 1978.

12.1.2 Small Business Consumption

- (a) Consumption not defined under Domestic Consumption, which is supplied at 230 Volt, single phase. The load will normally not exceed 80 amps per line conductor for single phase or two-phase, three wire, services.

12.1.3 Medium Business Consumption

- (a) Consumption not defined under Domestic Consumption, which is supplied at 400 Volts three phase and 500 Volts (existing supplies only) three phase. The load will normally not exceed 200 kVA for 500-volt three phase, three wire, or 800 kVA for 400-volt three phase, four wire, services.

12.1.4 Large Business Consumption

- (a) Consumption not defined under Domestic Consumption, which is supplied at 6 600 Volts to 132 000 Volts, three phase.

12.1.5 Urban

- (a) *Consumers* whose point of supply is located within the municipal boundary.

12.1.6 Peri-Urban

- (a) *Consumers* whose point of supply is located outside the municipal boundary, but within the Council's licensed area of supply.

12.2 **Tariffs Applicable to Different Consumer Categories**

12.2.1 Domestic Tariff

- (a) Domestic *consumers* will be supplied with electricity, by contract, on Inclining Block Tariffs. *Consumers* can only select prepayment metering. In the case of existing credit metering, *consumers* will be read on a two-monthly cycle, and accounts, in those months when meters are not read will be based on estimated kilowatt-hour consumption.

12.2.2 Small Business Tariff

- (a) Small business *consumers* will be supplied with electricity, by contract, on a single rate tariff that includes a basic monthly charge. *Consumers'* meters will be read on a two monthly cycle, and accounts, in those months when meters are not read, will be based on estimated kilowatt-hour consumption.

12.2.3 Medium Business Tariff

- (a) Medium business *consumers* have the option of four different tariffs. *Consumers* with supplies above or below 200 kVA may select either tariff option below. Existing *consumers* can convert to one of the alternative tariffs upon payment of the prescribed fee for the alteration of metering. Only one tariff change per annum is allowed.
- (b) The tariff options are:
 - (i) Single Rate Medium Business Tariff (Supplies below 200 kVA)
 - a. Medium business *consumers* selecting the Single Rate Tariff will be supplied with electricity, by contract, on a single rate tariff that includes a basic monthly charge. *Consumers'* meters will be read on a two-monthly cycle, and accounts, in those months when meters are not read, will be based on estimated kilowatt-hour consumption.
 - (ii) Metered Demand Medium Business Tariff (Supplies above 200 kVA)
 - a. Medium business *consumers* with an average demand of more than 200 kVA, will be supplied with electricity, by contract, based on a basic monthly charge, a metered *maximum demand charge* and a metered kilowatt-hour charge. The *maximum demand charge* will be based on the half-hourly *maximum demand* in kVA of the monthly cycle in question and the full amount will be payable whether electricity was consumed for the full month or only part thereof. *Consumers'* meters will be read, or billing data may be remotely.
 - b. Where the official delegated to read the meter is unable to gain access to the metering equipment or the remote data download fails, the kVA demand for that cycle will be taken to be equal to

that of the previous cycle and the kWh consumption for that cycle will be estimated. A minimum *demand charge*, based on 70 kVA, will be applied to all *consumers* on this tariff option.

(iii) Time-of-Use Medium Business Tariff (Supplies above 200kVA)

- a. The Time-of-Use Tariff is available as an option to medium business *consumers* with a *maximum demand* of 200 kVA and above. Under this tariff option there are three different time periods, i.e. Peak, Standard and Off-Peak periods. Different energy rates are levied for metered kilowatt-hour consumption during peak, standard and off-peak periods. *Maximum demand*, measured in kVA, will be computed over half-hourly integrating periods, and levied on the *maximum demand* registered in the billing month.
- b. There are two seasonal periods (Winter and Summer) per annum with different charges applicable to each season. A basic monthly charge applies. *Consumers'* meters will be read, or billing data may be remotely downloaded on a one monthly cycle. Where the official delegated to read the meter is unable to gain access to the metering equipment or the remote data download fails, the kVA demand and the kWh consumption for that cycle will be estimated.

12.2.4 Large Business Tariff

- (a) Two large business tariffs are available. The Metered Demand Tariff and Time-of-Use Tariffs are available to all large business *consumers*. Only one tariff change per annum is allowed.

(i) Metered Demand – Large Business Tariff

- a. Large business *consumers* on the Metered Demand Tariff will be supplied with electricity, by contract, based on a basic monthly charge, a metered *maximum demand charge* and a metered kilowatt-hour charge. The *maximum demand charge* will be based on the half-hourly *maximum demand* in kVA of the monthly cycle in question and the full amount will be payable whether electricity was consumed for the full month or only part thereof.

- b. *Consumers* in this category will have their meters read remotely on a calendar month cycle. If the communication system fails and the metering equipment cannot be accessed to obtain readings, the kVA demand for that cycle will be taken to be equal to that of the previous cycle and the kWh consumption for that cycle will be estimated. A minimum *demand charge*, based on 70 kVA, will be applied to all *consumers* on this tariff.

(ii) Time-of-Use Large Business Tariff

- a. The Time-of-Use Tariff is available as an option to large business. Under this tariff option there are three different time periods, i.e. Peak, Standard and Off-Peak periods. Different energy rates are levied for metered kilowatt-hour consumption during peak, standard and off-peak periods. *Maximum demand*, measured in kVA, will be computed over half-hourly integrating periods, and levied on the *maximum demand* registered in the billing month.
- b. There are two seasonal periods (Winter and Summer) per annum with different charges applicable to each season. *Consumers* in this category will have their meters read remotely on a calendar month cycle. If the communication system fails and the metering equipment cannot be accessed to obtain readings, the kVA demand for that cycle will be taken to be equal to that of the previous cycle and the kWh consumption for that cycle will be estimated.
- c. A minimum *demand charge*, based on 70 kVA, will be applied to all *consumers* on this tariff. A basic monthly charge applies.

12.3 Seasonal Times

12.3.1 Winter = June, July and August

12.3.2 Summer = September to May

13. COST ELEMENTS

13.1 Cost Elements

13.1.1 The following cost elements may be used to calculate the tariffs of the different services:

- (a) **Fixed Costs:**
- (iii) Employee related costs applicable to the service to ensure that the service can be rendered on an on-going basis at the desired service level;
 - (iv) Capital costs on external loans; depreciation on assets obtained through grants; as well as depreciation on assets obtained through own funds, whichever are applicable to the service; and
 - (v) Any other costs of a permanent nature as determined by Budget and Treasury Directorate from time to time.
- (b) **Variable Cost:**
- (i) This includes all other *variable costs* that have reference or linked to the service.
- (c) **Total Cost:**
- (i) This is equal to the fixed cost, plus *variable cost*.

14. TARIFF TYPES APPLICABLE TO TRADING SERVICES

14.1 In determining the type of tariff applicable to the type of service, the *Municipality* may make use of any of the following six options or a combination thereof, where applicable:

- (a) **Single tariff:**
- (i) This tariff will consist of a cost per unit consumed. All costs will be recovered through unit charges at the level where income and expenditure *break-even*. Subject to a recommendation by the Chief Financial Officer, the Council may decide to approve profits on *trading services* during the budget meeting. Such profits will be added to the fixed and *variable cost* of the service for the purpose of calculating the tariffs.
- (b) **Cost related two-to-four-part tariff:**
- (i) This tariff will consist of two to four parts. Management, capital, maintenance and operating costs may be recovered by grouping certain components together e.g. management, capital and maintenance costs may be grouped together and may be recovered by a fixed charge, independent of consumption for all classes of consumers; or the *total costs* may be recovered by a unit charge per unit consumed. Three- and four-part tariffs will be used to calculate

the tariff for electricity and to provide for maximum and notified demand (kVA charges) and usage (kWh charges) during peak, standard and off-peak (Time-of-use charges) periods.

(c) ***Inclining block tariff:***

(i) This tariff is based on consumption levels being categorised into blocks, the tariff being determined and increased as consumption levels increase.

(d) ***Declining block tariff:***

(i) This tariff is the opposite of the inclining block tariff and decreases as consumption levels increase.

(e) ***Regulating tariff:***

(i) This tariff is only of a regulatory nature and the *Municipality* may recover the full or a portion of the cost associated with rendering the service.

(f) ***Cost plus mark-up tariff:***

(i) This tariff is for other services rendered.

(g) ***Use of system tariffs:***

(i) These tariffs are for customers using the municipal electricity infrastructure for *wheeling* electricity or connecting embedded generators. There will be applicable use of system charges which are defined in the tariff book.

14.2 NB: The *Municipality* may introduce any new tariff structure during the budget process for as long as the due processes are being followed to implement same.

15. CALCULATION OF TARIFFS FOR ALL MAJOR SERVICES

15.1 To determine the tariffs which must be charged for the supply of the four major services (electricity, refuse removal, sanitation and water), the *Municipality* will use service and expenditure classifications and cost elements contained in paragraph 13 above and identify all the costs associated with the service concerned, including specifically the following:

(a) Cost of bulk purchases in the case of water and electricity;

(b) Distribution costs, including distribution losses in the case of water and electricity;

- (c) Depreciation and finance charges;
- (d) Operations and Maintenance of infrastructure and other fixed assets;
- (e) Administration and service costs, including:
 - (i) *Service charges* levied by other support services such as finance, human resources, legal services, information technology services, etc.;
 - (ii) Reasonable general overheads such as the costs associated with the office of the *Accounting Officer* etc.;
 - (iii) Adequate contributions to the provisions for bad debts, working capital and obsolescence of stock; and
 - (iv) All other ordinary operating expenses associated with the service concerned including in the case of the electricity service, the cost of providing street lighting in the municipal area;
- (f) The cost of the democratic process in the *Municipality* – that is all expenses associated with the political structures of the *Municipality* – will form part of the expenses to be financed from property rates and general revenues and will also be included into the costing of the major services of the *Municipality*;
- (g) The intended surplus to be generated for the financial year, such surplus to be applied:
 - (i) As an appropriation to the capital replacement reserve (CRR); and /or
 - (ii) Generally, in relief of rates and general services; and
- (h) The *Municipality* will be guided by its Assistance to the Poor Policy (ATTP) / Indigent Policy to provide free kWh electricity per month to qualifying *indigent households* in line with the requirements of the ATTP.

15.2 Electricity Tariff Calculations

15.2.1 Electricity is a regulated commodity and the tariff determination guidelines issued by the National Electricity Regulator of South Africa (NERSA) for the specific financial year will form the basis of calculating the electricity tariffs.

15.2.2 Electricity tariff structure and principles in this policy document will from time to time change as per the requirements of NERSA.

15.2.3 To make electricity affordable to certain categories of *consumers*, cross subsidisation between and within categories of *consumers*, will be allowed based on the load factors of the categories and *consumer* profiles within the category.

- 15.2.4 The *fixed costs* or portions thereof will be recovered through an energy or time-of-use charge.
- 15.2.5 The basic charges for both conventional and pre-paid electricity will be the same.
- 15.2.6 Where a property is not connected to the electricity reticulation system, but can reasonably be so connected, an availability tariff will be payable.
- 15.2.7 To apply the abovementioned principles, the *consumer* types, consumption, and applicable tariffs are explained and reflected in the tables below.
- 15.2.8 The *Municipality* reserves the right to amend in its tariff structure and principles as the need arises or to implement to *NERSA* requirements and to further update the policy with such changes subject to council approval.

16. NOTIFICATION OF TARIFFS, FEES AND SERVICE CHARGES

- 16.1 After a draft budget as required by the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) has been tabled, the *Accounting Officer* must invite the local community to submit representations for consideration by Council. Such invitation includes the draft resolutions on taxes and tariffs proposed.
- 16.2 After approval of the annual budget in terms of section 24 of the MFMA, Council will give notice in terms of section 75A of *the Act* of all tariffs approved at the annual budget Council meeting and the *Municipal Manager* will without delay conspicuously display a copy of the resolution for a period of at least 30 days at the main administrative office/s of the *Municipality* and at such other place/s within the *Municipality* to which the public has access as the *Municipal Manager* may determine, as indicated in the advertisement.
- 16.3 A notice stating the purpose of the Council Resolution, date on which the new tariffs will become operational and invitation for objections, will be advertised by the *Municipality* in terms of section 75A(3)(b) of *the Act*.

17. IMPLEMENTING AND PHASING IN OF THE POLICY

- 17.1 All tariffs approved in line with this policy must have been considered at the annual budget meeting of Council for implementation at the beginning of the

new financial year.

17.2 The principle contained in this policy will be reflected in the various budget proposals submitted to Council on an annual basis, service by-laws as promulgated and adjusted by Council from time to time and the tariff by-laws referred to in Section 75 of *the Act*.

17.3 Council may determine conditions applicable to a community service of a regulatory nature. These conditions will be reflected in the standing orders of Council.

18. REVIEW OF THE ELECTRICITY TARIFF POLICY

18.1 This policy holds precedence over any previously adopted electricity tariff policies sanctioned by the Council.

18.2 The policy's review will be initiated at the end of the third year following its adoption anniversary.

18.3 Earlier review may be considered during the budgeting processes of Council or as circumstances dictate.

19. SHORT TITLE

19.1 This policy will be called the Electricity Tariff Policy of Nelson Mandela Bay Municipality.