

ANNEXURE 1

**MUNICIPAL TARIFF GUIDELINE INCREASE,
BENCHMARKS AND PROPOSED TIMELINES FOR
MUNICIPAL TARIFF APPROVAL PROCESS FOR THE
2019/20 FINANCIAL YEAR**

Consultation Paper

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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	Kilovolt-Ampere
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	Salary Increase
TOU	Time-of-Use
V	Volt

1. EXECUTIVE SUMMARY

The National Energy Regulator of South Africa (NERSA) is the regulatory authority of 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 increase assists the municipalities in the preparation of their budgets, while the revised benchmarks are used in the evaluation of the municipal tariff applications.

On 7 March 2019, the Energy Regulator made a determination on Eskom's fourth Multi-Year Price Determination (MYPD4). The Energy Regulator subsequently, approved Eskom's Retail Tariff Structural Adjustments (ERTSA) on 13 March 2019.

The municipal tariff guideline increase is developed based on Eskom's approved bulk price increase of electricity to municipalities and the increase in the municipalities' cost structures. Hence, the approval of the municipal guideline increase is subsequent to the determination of the ERTSA. The benchmarks are developed to ensure that tariffs across municipalities are not vastly different.

The Energy Regulator is requesting that stakeholders comment on the percentage 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 of South Africa, Kulawula House, 526 Madiba Street, Arcadia, Pretoria** or emailed to: municguideline@nersa.org.za. The deadline for the submission of comments is 12 April 2019.

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. This is also due to time constraints, as the Energy Regulator must approve the guideline in time for the municipalities to table their budgets to their councils.

2. BACKGROUND

This consultation paper focuses on the process involved in determining the municipal guideline and benchmarks and include among other things, the tariff application process. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural, residential customers and municipalities. It also buys electricity from and sells electricity to the countries of the Southern African Development Community (SADC). All municipalities and relevant stakeholders are informed about the approved guideline percentage increase upon approval. 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.

NERSA benchmarks are based on five tariff 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.

Policy position 23 of the Electricity Pricing Policy, 1998 (GG No. 31741 of 19 December 1998) ('the EPP') states that electricity distributors shall undertake Cost of Supply (COS) studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA standard to reflect changing costs and customer behaviour.

In support of the EPP, NERSA developed a COS Framework to be used by all licensed electricity distributors ('licensees') in South Africa. The framework will be used as a guideline to licensees when developing their COS studies. NERSA will continue to support and engage all licensees in order to ensure a smooth transition towards COS study implementation.

According to NERSA's timelines, the municipal tariff guideline and benchmarks will be approved on 25 April 2019. NERSA acknowledges that this is contravention of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ('MFMA'), due to other processes that need to be followed before the approval of the municipal tariff guideline and benchmarks. Municipalities are therefore 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 Approval Process

The figure below outlines the process followed in the approval of the Guideline and Benchmarks, as well as the municipal tariff application process.

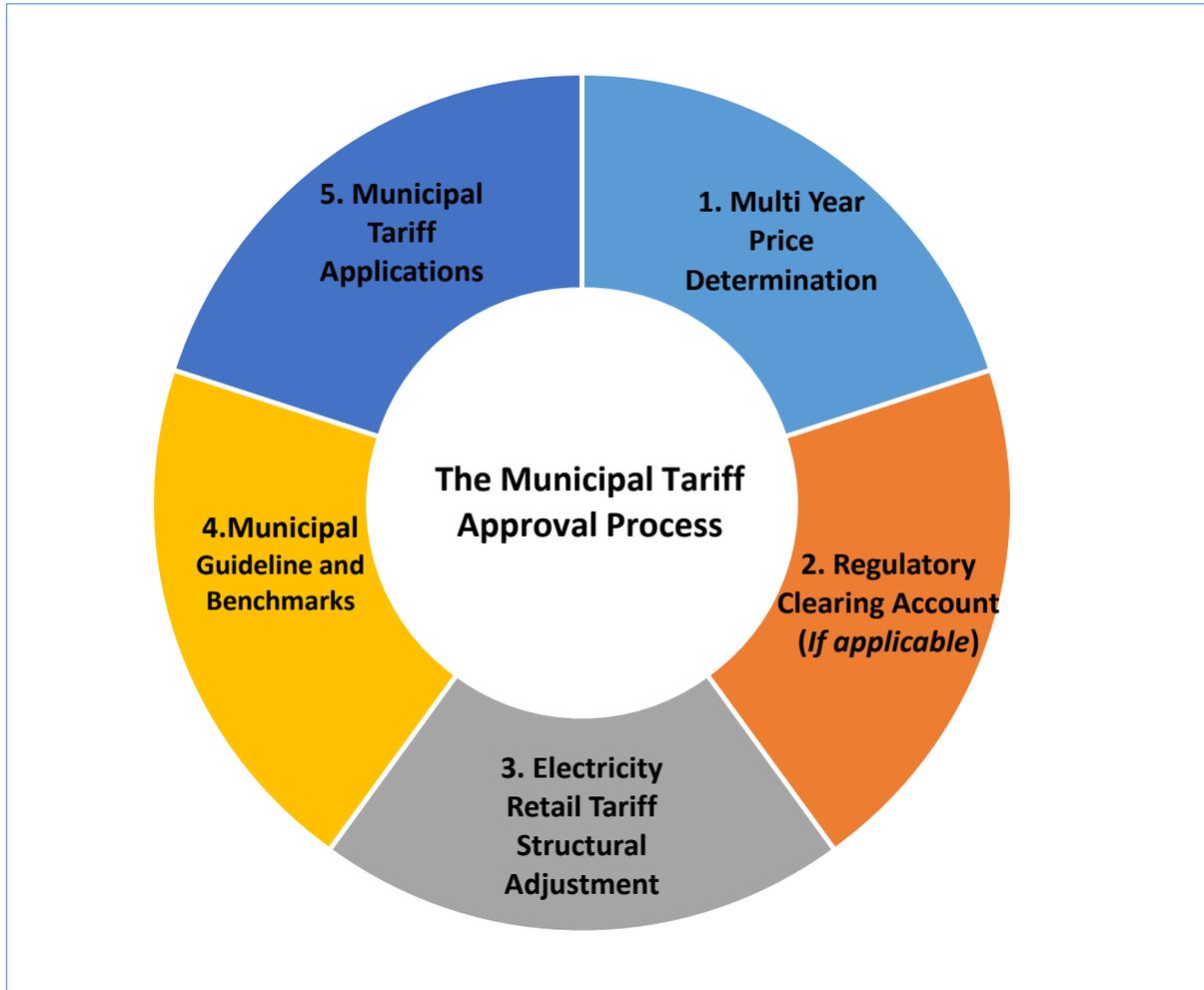


Figure 1: Municipal tariff approval process

2.2 Issues Addressed in the Consultation Paper

The following issues were addressed in the consultation paper:

- a) review of the municipal cost structure;
- b) submission of the Distribution forms (D-forms);
- c) development of the Municipal Tariff Guideline;
- d) municipal electricity tariff benchmarks; and
- e) the proposed timelines for the municipal tariff review process.

2.3 Review of the Municipal Cost Structure

The following factors, among others, are considered when determining the municipal cost structure

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

2.4 Submission of D-Form Information

NERSA held workshops in 2018 and one-on-one interactions with municipalities that needed further assistance were considered. This would assist such municipalities with the completion of the D-forms. This process ran parallel to the submission of the D-forms. The D-form templates are available on 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, so that proper analyses can be done and the approval of the tariff applications can be 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 and efficiency levels of the municipality, as well as 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

On 30 October 2018, the Energy Regulator approved the implementation of the third Multi-Year Price Determination (MYPD3) Regulatory Clearing Account (RCA) to be recovered in 2019/20 from standard tariff customers. Subsequently, the Energy Regulator made a determination on Eskom's MYPD4 Revenue Requirement for the

control period 2019/20 to 2021/22 on 7 March 2019. Moreover on 13 March 2019, the Energy Regulator approved the ERTSA. The MYPD3 RCA and the first year of the MYPD 4 (2019/20) resulted in an annual average increase of 13.87%, which led to a bulk purchase increase of 15.63% for municipalities.

The difference between Eskom’s increase and that of the municipalities is due to the MFMA time lag (the municipalities' implementation date is 1 July, whereas Eskom's financial year starts on 1 April). Due to the requirements of the MFMA, Eskom can only increase its prices to municipalities from 1 July 2019 and not 1 April 2019. This time lag leads to an under-recovery by Eskom in sales to municipalities, which calls for a higher price increase to municipalities to deal with this under-recovery. The higher price increase results from the fact that the outstanding revenue has to be recovered within a nine-month period instead of twelve months.

When developing the percentage guideline increase for 2019/20, the following issues were considered:

- a) The 2016/17¹ D-form information was used to determine whether there would be changes to the municipality’s cost structures.
- b) All the municipal D-forms were considered 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 of the various sized municipalities.

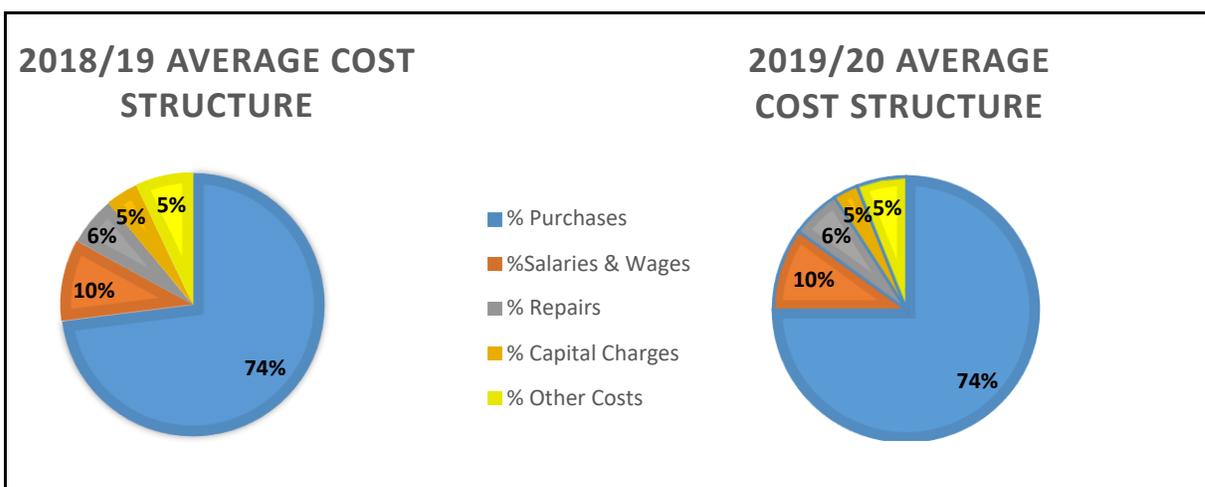


Figure 2: Comparison of the Average Cost Structures

The weights of the cost structures from the computed various sized municipalities remain unchanged as outlined in the pie chart above. Municipalities must submit their specific cost drivers should they be different from the ones presented by NERSA in

¹ These are the latest audited D-forms that are submitted by municipalities to NERSA.

the consultation paper. This will assist NERSA in considering municipalities on a case-by-case basis based on their actual cost structures.

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

- a) Bulk purchases will increase by 15.63% as indicated in the Eskom standard tariff submission for the 2019/20 financial year.
- b) Consumer Price Index (CPI) – 5.2%².
- c) Salary increases – CPI plus 1.5%³.
- d) Repairs and maintenance, capital charges and other costs will increase by CPI.

3.1 Guideline Increase Formula

The formula used to calculate the guideline increase is outlined below.

$$\begin{aligned} \text{MG} &= (\text{BP} \times \text{BPI}) + (\text{S} \times \text{SI}) + (\text{R} \times \text{RI}) + (\text{CC} \times \text{CCI}) + (\text{OC} \times \text{OCI}) \\ &= (74 \times 0.1563) + (10 \times 0.067) + (6 \times 0.052) + (5 \times 0.052) + (5 \times 0.052) \\ &= 11.566 + 0.67 + 0.312 + 0.26 + 0.26 \\ &= \underline{\underline{13.07\%}} \end{aligned}$$

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

² As indicated in the Bureau for Economic Research (BER) 2019/20

³ As indicated in Circular No. 6/2018: Salary and Wage Collective Agreement

Table A: Calculation of the guideline for the 2019/20 financial year

COST LINE ITEM	REVISED MUNIC % OF TOTAL COST	EXPECTED INCREASE %	WEIGHTED AVERAGE EXPECTED INCREASE %
Purchases	74	15.63	11.566
Salaries and wages	10	6.7	0.67
Repairs & Maintenance	6	5.2	0.312
Capital charges in total	5	5.2	0.26
Other Costs ⁴	5	5.2	0.26
% increase			13.07

3.2 Above-Guideline Increases

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

- a) a detailed plan on the additional funds requested must 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 being 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

The municipal electricity tariff benchmarks for the 2018/19 financial year are detailed below.

The existing benchmarks are based on five assumed tariff/customer categories.

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 Domestic Tariffs

- *Domestic Benchmarks (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 (350-600 kWh) c/kWh	Block 4 (>600 kWh) c/kWh
83.82 - 91.44	109.94 - 117.56	156.75 - 165.46	188.32 - 194.85

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 Low (IBTs)	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
106.67 - 112.12	154.57 - 162.19

- *Domestic High*

Table 3: Average Domestic High

Domestic Inclining Block Tariffs High (IBTs)	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
103.41 - 109.94	152.40 - 158.93
Basic Charge (R/month)	

- *The domestic tariffs Non-IBT*

Table 4: Average Domestic Non-IBT Benchmarks

Domestic Non- IBT					
Domestic Low (400 kWh) c/kWh			Domestic High (800 kWh) c/kWh		
117.56	-	125.18	148.04	-	153.48

4.2 Commercial Benchmarks

- *Commercial Prepaid Single Phase*

Table 5: Average Benchmarks for Commercial Prepaid Single Phase

Commercial - Prepaid (2000 kWh)		
c/kWh		
195.94	-	203.56

- *Commercial Conventional Single Phase – Low*

Table 6: Average Benchmarks for Commercial Low Single Phase

Commercial Low (2 000 kWh)		
c/kWh		
181.78	-	187.23

- *Commercial Conventional Single Phase – Medium*

Table 7: Average Benchmarks for Commercial Medium Single Phase

Commercial Medium (3 000 kWh)		
c/kWh		
175.25	-	182.87

- *Commercial Conventional Single Phase – High*

Table 8: Average Benchmarks for Commercial High Single Phase

Commercial High (7 000 kWh)		
c/kWh		
154.57	-	162.19

- *Commercial Prepaid Three Phase*

Table 9: Average Benchmarks for Commercial Prepaid Three Phase

Commercial Prepaid (5500 kWh)		
c/kWh		
195.94	-	203.56

- *Commercial Conventional Three Phase – Low*

Table 10: Average Benchmarks for Commercial Low Three Phase

Commercial Low (5500 kWh)		
c/kWh		
154.57	-	161.10

- *Commercial Conventional Three Phase – Medium*

Table 11: Average Benchmarks for Commercial Medium Three Phase

Commercial Medium (11500 kWh)		
c/kWh		
146.95	-	153.48

- *Commercial Conventional Three Phase – High*

Table 12: Average Benchmarks for Commercial High Three Phase

Commercial High (22 000 kWh)		
c/kWh		
143.68	-	150.22

4.3 Agriculture Benchmarks

- *Agriculture Low*

Table 13: Average Benchmark for Agriculture Low

Agriculture Low (2000 kWh)		
c/kWh		
211.17	-	217.70

- *Agriculture Medium*

Table 14: Average Benchmark for Agriculture Medium

Agriculture Medium (3000 kWh)		
c/kWh		
200.29	-	206.83

- *Agriculture High*

Table 15: Average Benchmark for Agriculture High

Agriculture High (7000 kWh)		
c/kWh		
170.90	-	177.43

4.4 Industrial Benchmark

- *Industrial Low*

Table 16: Average Benchmark for Industrial Low

Industrial Low(43800 kWh)		
c/kWh		
177.43	-	186.14

- *Industrial Medium*

Table 17: Average Benchmark for Industrial Medium

Industrial Medium (98550 kWh)		
c/kWh		
174.16	-	180.69

- *Industrial High*

Table 18: Average Benchmark for Industrial High

Industrial High (730 000 kWh)		
c/kWh		
156.75	-	163.28

4.5 Time-of-Use Benchmark

- *Industrial Time-of Use (TOU) Megaflex*

Table 19: Average Benchmark for Industrial Time of Use (TOU) Megaflex

Industrial Medium (98550 kWh)		
c/kWh		
135.93	-	142.84

- *Industrial Time-of Use (TOU) Nightsave*

Table 20: Average Benchmark for Industrial Time of Use (TOU) Nightsave

Industrial High (730 000 kWh)		
c/kWh		
200.44	-	207.34

5. THE FINANCIAL BENCHMARKS

The municipalities' overall financial and technical performance indicators to be considered in this regard mainly include:

- percentage surplus;
- percentage energy losses;
- percentage power costs;
- repairs and maintenance;
- bad debt provision; and
- average selling price/average purchase price ratio.

The table below indicates the weights of the financial benchmarks for the 2018/19 financial year. The municipalities that operate within these benchmarks are considered to run a sustainable and efficient electricity business.

Table B: Financial benchmarks

	Current Benchmarks	Revised Benchmarks	Financial Benchmarks (Acceptable Range)⁵
Percentage Power cost	75%	74% 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%		

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

6. MUNICIPAL TARIFFS ABOVE THE NERSA BENCHMARKS

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

- a) 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;
- b) expected revenues per tariff category;
- c) the forecasted total sales;
- d) the average maximum demand per tariff (where applicable);
- e) the actual consumption; and
- f) 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.

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.

7. PROPOSED MUNICIPAL ELECTRICITY TARIFF BENCHMARKS FOR 2019/20

The proposed benchmarks for the 2019/20 financial year have been developed as follows for the different tariff categories.

7.1 Domestic Tariffs

- *Domestic Benchmarks (Block 1 – 4)*

The domestic tariffs for the 2018/19 benchmark were increased by the municipal tariff guideline increase of 13.07%.

Table 21: 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
94.77 - 103.39	124.31 - 132.92	177.23 - 187.08	212.93 - 220.31

The alternative domestic IBT benchmarks were developed as follows:

- *Domestic Low*

Table 22: Average Domestic Low

Domestic Inclining Block Tariffs Low (IBTs)	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
120.61 - 126.77	174.77 - 183.38

- *Domestic High*

Table 23: Average Domestic High

Domestic High IBT	
Block 1 (0-350 kWh) c/kWh	Block 2 (351-600 kWh) c/kWh
116.92 - 124.31	172.32 - 179.70
Basic Charge (R/month)	

- *Domestic tariffs Non-IBT*

Table 24: Average Domestic Non-IBT Benchmarks

Domestic Non- IBT					
Domestic Low (400 kWh) c/kWh			Domestic High (800 kWh) c/kWh		
132.92	-	141.54	167.39	-	173.54

7.2 Commercial Benchmarks

The commercial single phase tariffs for the 2018/19 benchmark were increased by the municipal tariff guideline increase of 13.07%.

- *Commercial Prepaid Single Phase*

Table 25: Average Benchmarks for Commercial Prepaid Single Phase

Commercial- Prepaid (2 000 kWh)		
c/kWh		
221.54	-	230.16

- *Commercial Conventional Single Phase – Low*

Table 26: Average Benchmarks for Commercial Low Single Phase

Commercial Low (2 000 kWh)		
c/kWh		
205.54	-	211.70

- *Commercial Conventional Single Phase – Medium*

Table 27: Average Benchmarks for Commercial Medium Single Phase

Commercial Medium (3 000 kWh)		
c/kWh		
198.16	-	206.77

- *Commercial Conventional Single Phase – High*

Table 28: Average Benchmarks for Commercial High Single Phase

Commercial High (7 000 kWh)		
c/kWh		
174.77	-	183.38

The commercial three-phase prepaid tariff for the 2018/19 benchmark were increased by the municipal tariff guideline increase of 13.07%.

- *Commercial Prepaid Three-Phase*

Table 29: Average Benchmarks for Commercial Prepaid Three Phase

Commercial Low (5500 kWh)		
c/kWh		
221.54	-	230.16

- *Commercial Conventional Three Phase – Low*

Table 30: Average Benchmarks for Commercial Low Three Phase

Commercial Low (5500 kWh)		
c/kWh		
174.77	-	182.15

- *Commercial Conventional Three Phase – Medium*

Table 31: Average Benchmarks for Commercial Medium Three Phase

Commercial Medium (11500 kWh)		
c/kWh		
166.16	-	173.54

- *Commercial Conventional Three Phase – High*

Table 32: Average Benchmarks for Commercial High Three Phase

Commercial High (22 000 kWh)		
c/kWh		
162.46	-	169.85

7.3 Agriculture Benchmarks

The agriculture tariffs for the 2018/19 benchmarks were increased by the municipal tariff guideline increase of 13.07%.

- *Agriculture Low*

Table 33: Average Benchmark for Agriculture Low

Agriculture Low (2000 kWh)		
c/kWh		
238.77	-	246.15

- *Agriculture Medium*

Table 34: Average Benchmark for Agriculture Medium

Agriculture Medium (3000 kWh)		
c/kWh		
226.46	-	233.85

- *Agriculture High*

Table 35: Average Benchmark for Agriculture High

Agriculture High (7000 kWh)		
c/kWh		
193.23	-	200.62

7.4 Industrial Benchmark

The industrial tariffs for the 2018/19 benchmarks were increased by the municipal tariff guideline increase of 13.07%.

- *Industrial Low*

Table 36: Average Benchmark for Industrial Low

Industrial Low (43800 kWh)		
c/kWh		
200.62	-	210.47

- *Industrial Medium*

Table 37: Average Benchmark for Industrial Medium

Industrial Medium (98550 kWh)		
c/kWh		
196.92	-	204.31

- *Industrial High*

Table 38: Average Benchmark for Industrial High

Industrial High (730 000kWh)		
c/kWh		
177.23	-	184.61

7.5 Industrial Time-of-Use Megaflex and Nightsave

- *Industrial Time-of-Use Megaflex*

Table 39: Average Benchmark for Industrial Time of Use (TOU) Megaflex

Industrial TOU (1 323 MWh) Megaflex		
c/kWh		
153.69	-	161.51

- *Industrial Time-of-Use Nightsave*

Table 40: Average Benchmark for Industrial Time of Use (TOU) Nightsave

Industrial TOU (1 323 MWh) Nightsave		
c/kWh		
226.63	-	234.44

8. TIMELINES FOR MUNICIPAL TARIFF APPROVAL PROCESS AND GUIDELINE DETERMINATION

Municipalities are bound by, among other legislation, the Municipal Finance Management Act (MFMA) and the 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.

The municipalities are required to submit their tariff applications to NERSA as soon as possible upon receipt of the municipal tariff guideline letter.

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.*

Given that the process might be delayed, NERSA might not be in a position to meet the 15 March deadline as per Section 43 of the MFMA. NERSA may then request exemption from the Minister of Finance.

The table below indicates the timelines for the approval of the Municipal Tariff Guideline and Benchmarks.

Table 41: Approval of the Municipal Tariff Guideline and Benchmarks

ACTIVITY/TASK	DATE
Modelling of municipal tariff guideline and benchmarks	3 January 2019
Publishing of the municipal guideline, benchmarks and proposed timelines consultation paper on NERSA's website	29 March 2019
Consultations with key stakeholders (NT, AMEU, SALGA)	8 April 2019
Closing date for stakeholder comments	12 April 2019
NERSA's decision of the municipal guideline increase, benchmarks and proposed timelines	25 April 2019
Communicate approved guideline, benchmarks and proposed timelines to municipalities	25 April 2019

Table 42 below indicates the municipal tariff review process leading to the approval of the municipal electricity tariffs.

Table 42: Municipal Tariff Review Process for the 2019/20 Financial Year

ACTIVITY/TASK	DATE
Municipalities compile and submit tariff applications for consideration by NERSA	April – May 2019
NERSA's consideration and approval of tariff applications and communication of NERSA's decision to municipalities	April – June 2019
Public hearing for above-guideline increase	May – June 2019
Consideration and approval of applications above the guideline	May – June 2019
Communicate NERSA's decision to licensees	April – June 2019