## DPE Stationery:DPE logo.jpg INFORMATION MEMORANDUM

**TO : Mogokare Richard Seleke**

**DIRECTOR-GENERAL**

**FROM : Justin De Allende**

**RE :** **PARLIAMENTARY QUESTION NO. 3278**

# DATE : 20 OCTOBER 2017

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| **COVER MEMO AND THE PACKAGING OF PQ BY:**  **Department of Public Enterprises** | | |
| **……………………………….**  **Acting Deputy Director-General**  **Date:** | | **COMMENTS:**  **………………………………………..** |
| **…………………………………**  **Mogokare Richard Seleke**  **Director-General**  **Date:** | **APPROVED/DECLINED/COMMENTS**  **…………………………………………..**  **…………………………………………..**  **………………………………………….** | |



**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: PQ 3278**

**DATE OF PUBLICATION: 20 October 2017**

**3278.     Ms T Gqada (DA) to ask the Minister of Public Enterprises:**

Whether, with reference to the reply to question 2967 on 12 October 2017 by the Minister of Energy, her department has a policy in place by which Eskom charges a 5 hectare smallholding over R1 300 per day extra for electricity lines between 1 500 meters and 3 500 meters from the outskirts of towns, as if they were rural lines; if not, (a) what is the position in this regard and (b) on what statutory grounds is Eskom relying to treat the specified smallholdings on the outskirts of towns as if they were big commercial farms; if so, what are the (i) details of the policy and (ii) reasons for having put the policy in place? NW3610E

**REPLY:**

No, Department of Public Enterprises does not have such a policy in place allowing Eskom to charge 5 hectare smallholdings over R1 300 per day extra for electricity lines between 1 500 meters and 3 500 meters from the outskirts of towns, as if they were rural lines.

**(a)**

Based on the information provided in the question it is assumed that this customer resides on a small holding outside town which would be classified as rural. Rural are areas where there is low density typically one or a few customers per transformer and the Eskom “Rural” tariffs apply, whereas “Urban” refers to high density areas where transformers are shared by many customers, within towns or villages. These villages can be in remote areas, and typically are funded through the Integrated Electrification Programme.

Eskom has no tariff that charges R1300 per day for small power customers. The Eskom tariff does not specify a specific fixed charge for the size of the property, but rather based on the size of the supply and whether the area in which the connection takes place is classified as rural or urban for pricing purposes.

Eskom has urban residential tariffs with no fixed charges (Homelight) and rural tariffs that have no fixed charge (Landlight) and with fixed charges (Landrate).  Refer to Appendix 1 for an extract of Eskom’s tariff book with regard to Homelight, Landrate and Landlight.

* Homelight would be applied in villages where the cost of connection is funded by the DoE electrification programme or in towns.  If a customer is outside of the village and as far away as 1500m to 3500m, the cost of connection is not covered by the electrification programme, and so the customer would have to pay this cost.
* Rural tariffs are applied where Eskom has to build long lines to supply one or few customers, and these tariffs are not based on the commercial activity of the customer, but rather on the density. This would include individual customers in remote areas that have not been electrified as part of the Electrification Programme. There are customers that are excluded from being connected as part of the Electrification programme as they are too far away and the cost of the connection is too high. In this case, when they apply for a connection, the rural tariffs may be applicable. It is possible that over time the density of connections increase and then the customer would be converted at no cost to the most suitable urban tariff. The rural tariffs provide a rebate of this connection cost so that the customer can afford to be connected, but this does not mean that the rural tariff is more expensive.
* Eskom recently introduced the Landlight tariffs for rural areas, which provide a more affordable tariff than Landrate for lower consumption supplies than Landrate. Landlight does not have fixed charges, but still allows for a rebate of the connection costs.
* Landrate is for single and three-phase supplies with higher consumption.

**(b)**

The Eskom tariffs are based on cost of supply studies, however it should be noted that Eskom tariffs and the application of rural and urban definition are approved by NERSA.

**(i)**

Not applicable

**(ii)**

Not applicable

**Remarks: Reply: Approved / Not Approved**

**Mr. Mogokare Richard Seleke Ms. Lynne Brown, MP**

**Director-General Minister of Public Enterprises**

**Date: Date:**