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REPORT TO THE COUNCIL ON 2024/2025 FINAL APPROVED ELETRICITY TARIFFS

1. PURPOSE OF THE REPORT

To request the Council to consider the Final 2024/2025 approved electricity tariffs, of King Sabata Dalindyebo Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) and Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000).

2. LEGAL REQUIREMENTS

2.1. Section 24 of the Municipal Finance Management Act, (Act 56 of 2003) stipulates that (1) The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.

i In order for a municipality to comply with subsection (1), the mayor of the municipality must approve the annual budget at a council meeting at least 30 days before the start of the budget year together with reviewed Integrated development plan, Proposed tariffs, and any changes to budget related policies.

2.2. Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) stipulates that (1) A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy.

2.3. MFMA Budget Circular 126 and 128

3. DISCUSSION

The municipality has tabled the final draft budget 2024/25 MTREF on the 24 May 2024 for consideration by the Council. The council approved the budget with its Tariffs. It was indicated on the document in section 1.4.2 that a 12,7 % per cent increase in the electricity tariffs is proposed, this is dependent on approval of Tariffs by NERSA . NERSA on the 25th June 2024 finally approved 11.03% increase on tariffs effective from 01 July 2024. This therefore necessitates adjustment down of the original tariff. Attached as annexure A are approved tariffs for implementation in the 2024/25 budget year.

Furthermore the Energy Regulator, at its meeting held on 30 May 2024, approved a National Free Basic Electricity (NFBE) rate of 194.40c/kWh for the 2024/25 municipal financial year, effective from 1 July 2024. Attached as annexure B

4. ANNEXURES

Annexure A – Approved tariffs by NERSA

Annexure B – Approved Free basic charge Tariff payable to Eskom.

5. STAFF IMPLICATIONS

Own staff

6. FINANCIAL IMPLICATIONS

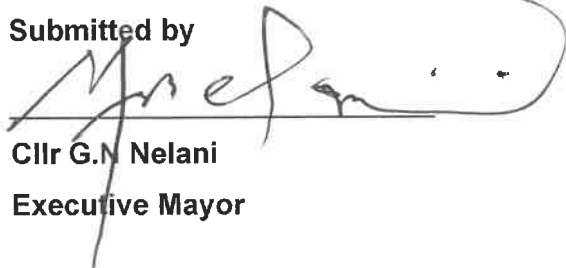
- An adjustment down of Electricity tariffs from 12.7% to 11.03% from original submitted tariffs.
- An adjustment up of Free Basic Electricity rate to 194.40c/kWh for the 2024/25 municipal financial year, effective from 1 July 2024.

7. RECOMMENDATION

It is recommended that the Council considers the reports and

- Approves the implementation of revised Electricity tariffs as approved by NERSA
- Promulgates the tariffs in the municipal website / print media and
- Approves the Free Basic Electricity rate to 194.40c/kWh.

Submitted by



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3 June 2024

MEDIA STATEMENT

NERSA APPROVES NATIONAL FREE BASIC ELECTRICITY RATE

The Energy Regulator, at its meeting held on 30 May 2024, approved a National Free Basic Electricity (NFBE) rate of 194.40c/kWh for the 2024/25 municipal financial year, effective from 1 July 2024.

The NFBE rate is the rate at which municipalities compensate Eskom for providing free basic electricity (FBE) units to qualifying customers. FBE is the amount of electricity deemed sufficient to provide basic electricity services to qualifying households. This amount of energy should be sufficient to provide basic lighting, basic media access, basic water heating using a kettle and basic ironing in terms of grid electricity, as well as basic lighting for domestic electricity users and non-grid systems supplied by the local municipality or utility provider.

The National Treasury provides the FBE funding to local authorities through equitable share allocation, as identified by the Department of Cooperative Governance and Traditional Affairs (CoGTA). The Local Government Equitable Share Funds are funds granted by the National Government and are equitably distributed to local authorities to supplement their internally generated revenues and provide basic services to poor households.

According to section 15(2) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) ('the ERA'), a licensee may not charge a customer any tariff other than that determined or approved by the Energy Regulator as part of its licensing conditions. The NFBE rate is adjusted annually using a methodology that was approved by the Energy Regulator in March 2021. The National Energy Regulator of South Africa (NERSA) is engaging with all the relevant government departments with regard to reviewing the 50kWh units per month, considering the changes in the economic conditions since this was first implemented in 2003.

End.

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Regulator Members:

Mr T Bukula (Chairperson) Ms Z Mpungose (Deputy Chairperson) *Adv NP Sithole (Chief Executive Officer)

*Mr N Gumede *Ms N Maseti *Mr MW Mkhize Ms T Semane Mr FK Sibanda Ms PN Sibiya

*Full-Time Regulator Members

NERSA is a Regulatory Authority established in terms of the National Energy Regulator Act, 2004 (Act No 40 of 2004)

ANNEXURE A

1. DOMESTIC TARIFFS:

| 1.1 Domestic Prepayment Tariff 1 | 2024/25 Approved (Excl. Vat) |
|---|---|
| Energy Charge (c/kWh) | 284.77 |

| 1.2 Domestic Prepayment Tariff 2 - Indigent | 2024/25 Approved (Excl. Vat) |
|--|---|
| Energy Charge (c/kWh) | 232.26 |

2. COMMERCIAL TARIFFS:

| 2.1 Commercial Prepayment Tariff 3 (SMALL) & Tariff 4 (BIG) | 2024/25 Approved (Excl. Vat) |
|--|---|
| Energy Charge (c/kWh) | 384.77 |

| 2.2 Commercial Conventional 1Phase (40A - 80A) | 2024/25 Approved (Excl. Vat) |
|---|---|
| Basic Charge (R/month) | 714.71 |
| Energy Charge (c/kWh) | 318.13 |

| 2.3 Commercial Conventional 3Phase (40A - 60A) | 2024/25 Approved (Excl. Vat) |
|---|---|
| Basic Charge (R/month) | 714.71 |
| Energy Charge (c/kWh) | 362.24 |

3. INDUSTRIAL TARIFFS:

| 3.1 Large Power Users $\leq 100\text{kVA}$ | | 2024/25 Approved (Excl. Vat) |
|--|-----------------------|---|
| Basic Charge (R/month) | | 2 478.21 |
| Energy Charge (c/kWh) | | 173.44 |
| Demand Charge (R/kVA): | | |
| | Network Demand Charge | 506.31 |
| | Network Access Charge | 37.63 |

| 3.2 Large Power Users $\geq 100\text{kVA}$ | | 2024/25 Approved (Excl. Vat) |
|--|-----------------------|---|
| Basic Charge (R/month) | | 2 171.51 |
| Energy Charge (c/kWh) | | 123.96 |
| Demand Charge (R/kVA): | | |
| | Network Demand Charge | 527.07 |
| | Network Access Charge | 37.63 |