



**MINISTRY OF ENERGY  
REPUBLIC OF SOUTH AFRICA**

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**Memorandum from the Parliamentary Office**

**Minister**

**National Assembly Question: 1754**

Please find attached a response to Parliamentary Question Number **1754** for written reply asked by **Mrs N W A Michael (DA)** for your approval.

**Mr. O Aphane  
ADDG: PPCE**

.....21 / 8...../2012

~~Recommended / Not Recommended~~

**Ms. N. Magubane  
Director General: Department of Energy**

...../...../2012

~~Approved / Not Approved~~

**Ms Dipuo Peters  
Minister of Energy**

.....24 / 08...../2012

**Mrs N W A Michael (DA) to ask the Minister of Energy:**

- 1) Whether any municipalities have applied to the National Energy Regulator of South Africa (Nersa) in the (a) 2009 -10; (b) 2010 – 11 and (c) 2011 – 12 financial years to be allowed to charge more than the stipulated 11,03% municipal surcharge for electricity purchased from Eskom, if not, what is the position in this regard, if so, (i) which municipalities and (ii) what are the relevant details of the applications in each specified case;
- 2) Whether Nersa has penalised any municipality for not conforming to the conditions under which a higher surcharge than 11,03% was applied, if not, why not, if so, what are the relevant details?  
NW2145E

**Reply**

- 1) The 11.03% is a guideline increase that NERSA provides to the municipalities for the year 2012-13, it is not a surcharge as defined in the Municipal Finance Management Act. The guideline increase for the financial year 2010-11 was 20.38%.

There was no guideline increase issued by NERSA in 2009-10 because the Interim application by Eskom was only submitted in June 2009 and municipalities applied for the implementation of the 34% that Eskom had applied for.

- i) Table 1 shows the implementation of the guideline increases for the financial years 2011/12 and 2012/13.

	2011/2012	2012/2013
Guideline % increase	20.38%	11.03%
Number of licensees that applied for increases	181	183
Number of licensees that applied late	2	2
Number of licensees that applied for above the guideline	20	18
Number of licensees that did not apply for increases	3	1

**Table 1: Number of municipalities that applied for guideline increases, above guideline increases, late applications and those that did not apply for the financial years 2011-12 and 2012-13**

List of Municipalities that applied:

List of licensees that applied for above the guideline increase 2011/2012	List of licensees that applied for above the guideline increase 2012/2013
Bergriver (22.00%)	Baviaans (20.00%)
Camdeboo (28.00%)	Bergrivier (13.50%)
Cederberg (23.00%)	Emnambithi (11.03%)
Centlec (26.53%)	Gamagara (14.00%)
City of Tshwane(22.38%)	Inxuba Yethemba (13.50%)
City Power (22.00%)	Mbizana (13.42%)
Dikgatlong (22.38%)	Rustenburg (12.15%)
Dipaleseng (26.00%)	Umvoti (18.00%)
Emfuleni (26.71%)	Baphalaborwa (17.00%)
Emnambithi/Ladysmith (22.38%)	Centlec (Pty) Ltd (13.00%)
Gariep (27.00%)	Ditsobotla (15.00%)
Lesedi (25.00%)	Kgetleng Rivier (12.00%)
Maluti-a-phofung (29.00%)	City Power (11.57%)
Nelson Mandela (25.82%)	Drakenstein (13.03%)
Sasol (26.95%)	Lesedi (15.00%)
Nkandla (24.00%)	Midvaal (17.95%)
Sol Plaatjie (24.98%)	Mthonjaneni (18.00%)
Swartland (22.00%)	Nkomazi (15.00%)
Umhlathuzi (25.00%)	
Umtshezi (25.00%)	

**Table 2. Municipalities that applied for a guideline increase of 20.38% in 2011-12 and 11.03% in 2012-13**

The municipalities that did not apply for tariff increases for the year 2011-12 and 2012-13 are listed in Table 3 below.

List of licensees that did not apply for tariff increase 2011/2012	List of licensees that did not apply for tariff increase 2012/2013
Kamiesberg	King Sabata Dalindyebo
King Sabata Dalindyebo	
Phokwane	

**Table 3: Municipalities that did not apply for the tariff increases in 2011-12**

- ii) As required by the Electricity Regulation Act, 2006 in cases of non-compliance with the license conditions, notices of non-compliances were sent to the municipalities directing them to comply immediately. The 3 municipalities that did not apply in 2011-12 subsequently applied in September 2011 for tariff increases in line with the guideline increase. The one municipality that has not applied yet in 2012 has committed to submit its application before the end of August 2012.

Table 2 lists the municipalities that applied for a guideline increase above the 20.38% for the year 2011-12 and 11.03 for the financial year 2012-13. The municipalities indicated a range of reasons for the additional increase, such as, increased maintenance, additional staff, refurbishment or replacement of equipment, increased subsidy requirements for the other municipal services, loan repayments, installation of smart meters, increased security measures to prevent copper and electricity theft. The Electricity Regulation Act, 2006 allows for licensees to apply for tariffs that ensure that all the efficiently incurred costs are covered plus a reasonable return. Only those municipalities that could justify the additional increases were granted additional increases.

Funds from the additional increases were required to be ring-fenced and only used for the purpose they were intended for and reports of expenditure reports sent to NERSA for verification. Should the funds be not used for what they were intended for, then the amounts used will be clawed back the following year.

- 2) All the municipalities submitted the required reports and claw-backs were implemented where necessary.

The Electricity Regulation Act, 2006 requires NERSA send notices of non-compliance, to those licensees that are contravening or failing to comply, directing them to comply within a reasonable period. In most tariff cases the investigation of the complaint can take up to 30 days. NERSA normally prescribes or specifies a 30 day as the period of compliance.

Table 4 below lists the customer complaints that have been received with respect to the 20.38% guideline increase which was applicable in 2011-12.

Name of Municipality	Complainant	Nature of Complaint	Year
Makhado Municipality	Commercial & Domestic Customers	Basic charge on Pre-paid domestic	2011/2012
Mkhondo Municipality	Commercial Customer	KVA charged incorrectly	2011/2012
Sol Plaaitsje	Commercial / Industrial Customers	KVA charged incorrectly	
Govan Mbeki	Commercial	Tariffs implemented before 01 July	2010/2011 & 2011,2012
TheeWaterskloof	Domestic Customers	Tariff implemented before 01 July	2011/2012
BaPhalaborwa	Commercial Customer	Correct but to wrong Customer Category	2011/2012
Maluti- a- Phofung	Commercial Customer	Incorrect implementation of tariff	2011/2012
Ramotshere Moiloa	Commercial Customer	Incorrect Implementation of tariff	2010/2011
City Power	Domestic & Commercial Customers	Incorrect Implementation of IBT tariffs(Customers charged the last block)	2010/2011 & 2011/2012

**Table 4: Customer complaints regarding non-conformance to approved tariffs**

It must be noted that the average increase of 11.03% was only implemented on 1 July 2012 and hence no complaints of non-conformance have been received for the increase implementation