

2008-07-28: Statement by the mayor on the implementation of the Eskom additional electricity tariffs

28 July 2008

STATEMENT by the Executive Mayor of Johannesburg, Councillor Amos Masondo, at the media briefing on the implementation of the Eskom additional electricity tariffs, Mayoral Parlour, Braamfontein - Johannesburg

The Speaker of Council: Clr Nkele Ntingane
The Chief Whip of Council: Clr Bafana Sithole
MMC for Infrastructure and Services: Clr Ross Greef
Members of the Mayoral Committee
Fellow Councillors
City Manager: Mr Mavela Dlamini
Managers and Officials of the Council
The Media

The City of Johannesburg will approve Eskom's additional electricity tariff of 20.6% at its next Council meeting on Thursday 31 July 2008, which will be implemented on the 1st of August 2008. This is an adjustment.

This increase is a direct result of the National Energy Regulator of South Africa's (Nersa) decision to allow Eskom to levy an additional increase of 13.3% on its customers on the already approved 14.2% increase.

In keeping with the aforementioned, the poor consumers will not experience any additional increase in tariffs. The implication of this will be a R68 million revenue loss to the City.

In our quest to ensure Demand Side Management (DSM), the following tariffs structure has been put in place:

- Lifeline – 14.2%;
- Domestic single phase – 20.6%;
- Domestic three phase – 35.6%; and
- Commercial and industrial - 43.6%.

The various categories for electricity consumption, kilo Watt hour (kWh) per month are as follows:

- 0 to 300kWh - 14.2% increase that equates to three cents above the Council approved tariff. These customers will also receive 100kWh of free basic electricity per month.
- 300 to 500kWh - the same increase of 14.2% in line with the principle of demand side step tariff. These customers will however not receive free basic electricity.
- 500 to 1000kWh a 20.6% increase.
- 1000 to 2000kWh a 20.6% increase.
- Prepaid consumers between 0 to 500kWh, 500 to 1000kWh and 1000 to 2000kWh get an additional increase of 11cents and
- Prepaid consumers from 3000kWh will pay 12cents more.

It is important to note that those who consume more electricity will pay more per unit.

During April 2008, the City embarked on extensive consultation process with the public before the Council approved tariffs in May for the 2008/09 financial year. The Local Government Municipal Finance Management Act (MFMA) 56 of 2003, Section 28 (6), states that "once new tariffs have been determined in respect of a financial year, these may not be further increased except when required in terms of a financial recovery plan as contemplated in the Act".

On the 27th of June 2008, the Cabinet approved a recommendation by the Minister of Finance, Trevor Manuel that municipalities should be exempted from public participation regarding the consideration of the additional Eskom tariff increase approved by Nersa on the 18th of June 2008.

In order to minimise tariffs increases that are higher than usual and preempt load shedding or similar problems, we would encourage the residents and citizens of Johannesburg as well as businesses to go an extra mile and take relevant steps to conserve energy.

We made the following commitments:

Initiative	Description	Impact	Financial Implications
Supply of Compact Fluorescent Light (CFL) bulbs	Supply 300 000 households with energy efficient light bulbs over 6 months	Up to 45 MW can be saved	R15 million
Reinstatement of diesel/gas turbines	Restoration of the decommissioned turbines within a period of 6 months	Maximum of 120 MW capacity. Approximately 60% of the average load shedding requirement from City Power by ESKOM	R40 million
Installation of geyser ripple controls	Continued installation of geyser controls. Project can be implemented to 200 000 households over 18 months.	Enables City Power to control an additional 150 MW (to max. 300 MW) during load shedding	R270 million
Use of solar power for traffic lights and public lighting	Replacement conventional supply with solar power	Up to 100 MW can be replaced within 12 months	R100 million to R280 million

Installation of Solar Water Heaters	Partnership with various stakeholders including ESKOM and DBSA	Approx. 30 MW replaced with solar energy source (Approx. 10 000 units)	City contribution of R12 m & Partners
Kelvin Capacity upgrade	<ul style="list-style-type: none"> • Immediate increase of power output and reliability • Installation and upgrade of a gas turbine 	<p>Increase of power output and reliability (300 MW) Gas turbine capacity up to 30 MW by Dec '08 A maximum of 500 MW available by 2013</p>	City Power or ESKOM to enter into a new PPA with Kelvin

Thank you