

1.4 TARIFF SETTING

The City's funding model continues to rely on revenue generated from trading services as a primary source of revenue, followed by grants and loans. What tends to differ is the share of each of the sources of funding. With the tight economic climate that South Africa is facing, the growth in national grants allocations is becoming flatter thereby forcing municipalities to find their own sources of funding. Furthermore, with innovations and technological developments, the traditional notion of utilities as ultimate monopolies that can generate excessive revenue is eroding. The current operational and capital budget funding model is based on the continued and sustained generation of surplus through trading services, primarily water and electricity services. This is complemented by revenue raised through property taxation and grant funding.

Tariff-setting therefore plays a pivotal and strategic part of the compilation of the City's budget and an integral part of the City's funding mix as it determines the affordability level, debt impairment and the capacity of the City to borrow to fund the City's capital programs. Elements of a good tariff policy are proposed in section 74 of the Local Government: Systems Act, 2000. Tariff reviews take place within the framework of the City's Tariff Policy that sets overarching principles. The City's Tariff Policy remains premised on affordability of services, competitiveness of the City and returns on investments made on infrastructure used in the provision of services. Tariffs for these services are informed by increases in bulk purchases rather than inflation. The City further seeks to facilitate development initiatives within its boundaries and remains mindful of the basis of its tariff adjustments, its obligations to its citizen, requirements of the regulatory framework and the prevailing economic climate.

For the 2023/24 financial year, in addition to the ordinary practice of adjustment for inflation, cost reflectivity gained attention against the discussion of scarcity of resources. Tariffs should at least be expected to recover and match the cost of providing services. Administered prices and inflationary pressures limit the scope of tariff increases. Departments and entities are further also involved in finding out innovative forms of generating extra revenue to compensate for the changing economic environment. These proposals will be included in the tariffs basket for consultation or be part of measures designed to strengthen fiscal efforts. Such measures include exploring areas such as outdoor advertising, traffic law enforcement, parks maintenance partnerships, extracting value on the existing debtor's book, tariff audits per category of customers and a review of various ways in which the current tariffs on the system can be made more cost reflective.

The major challenge that tends to face the City is managing the gap between cost drivers and tariffs levied, as any shortfall should be closed through operational efficiency gains or service level reductions. An assessment of historic revenue performance indicated changes in patterns of consumption. In fact, there are indications that the revenue generating entities may be generating very marginal profit hence no longer subsidizing other departments and entities as expected. The tariffs were reviewed to ascertain whether they are still capable of producing the required revenue envelopes, taking note of the prevailing trends and changes on the trading account. To manage this dilemma, it is necessary that budgeting be undertaken as a going concern at the entity level. There is a recognition that operations need to generate sufficient revenue to sustain their respective business units and cross-subsidise expenditure across other departments and entities.

With scarcity of resources such as water, tariffs are increasingly used to encourage the economic use of scarce resources and price appropriately for returns to capital employed in the provision of services. The City monitors revenue trends, tariff structures, changes in regulatory framework and economic impact on various consumer categories as part of formulating revenue forecasts.

National Treasury (NT) continues to encourage municipalities to keep increases in rates and tariffs at affordable levels in order for the budget to be realistic as required by the MFMA. Municipalities are required to justify in their budget documentation all increases in excess of CPI. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment, and therefore a collapse of the existing revenue base. Municipalities are further encouraged to set cost-reflective tariffs especially for trading services such as water and sanitation, electricity and refuse removal.

The percentage increases of both Eskom and Rand Water bulk tariffs are far beyond the inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water tariffs is largely outside the control of the City. Cross-subsidization should still entrench principles of equitability and economic use of resources. In cases where the City uses subsidy to fund operations, there is a need to extract efficiency through balancing the subsidy and revenue ratios.

Within this framework the City has undertaken the tariff setting process relating to its major service charges as follows:

Property Rates

Rates revenue is one of the major funding sources for the City of Johannesburg. The services funded from the rates revenue include, inter alia, health, safety and security, roads, and public parks, as well as many other community related services. The factors influencing the cost structure of providing such services, are inflationary pressure and cost of supplies required to maintain these services and assets.

In keeping with the requirements of the City's tariff policy, the tariffs should continue to be affordable, competitive and promote economic development.

This rationale has guided the Council in the formulation of the budget and the rates tariff proposals for the ensuing financial year. Numerous factors were considered in recommending the tariffs for the 2023/2024 financial year, including but not limited to the following:

- The market values of properties in the General Valuation Roll 2023
- The ratios as previously determined by Council and the Minister for CoGTA
- Budgetary requirements
- Compliance with the tariff policy
- The economy of the country
- Affordability

The Property Market Valuation Base

The 2023 General Valuation Roll consists of a total of 934 652 properties and the tariff modelling is based on this number. Included in the figure of 934 652 are municipal owned properties, public open space and religious properties that do not generate revenue for the City, therefore these are also excluded from the modelling.

Changes in the property base used to determine the rate in the Rand can be summarised as follows:

Category	Nr. Properties	Market Value
Farming	51	R246 181 000
Business & Commercial	46 200	R396 012 824 000
Industrial	4 429	R12 495 622 000
Mining	65	R351 479 000
Multiple purposes	1 768	R16 265 380 000
Municipal	2 345	R11 781 925 000
Public benefit organization (PBO)		
Private open space	813	R 1 717 960 000
Public open space	2 710	R 5 219 707 000
Public service infrastructure	12 141	R 542 743 000
Public service infrastructure - Private	1 383	R 291 965 000
Public service purposes	1 675	R 35 403 836 000
Religious	1 675	R 8 163 203 000
Residential	836 383	R1 054 011 390 000
Residential with consent use	221	R 494 711 000
Township development	724	R 10 789 914 000
Vacant land	21 857	R 34 848 168 000
TOTAL	934 652	R1 588 637 008 000

Revenue Projection 2023/2024

On a base rate increase of 5.3%, the residential rate in the Rand will increase to R0.009076 for 2023/2024 financial year. The business rate will increase to R0.022689. This increase is based on retaining the business ratio at 1:2.5. Total rates revenue after rebates is estimated at R16.3 billion.

Proposals for pensioner rebate

It is proposed that the income levels for pensioners be increased from the lower amount of R11 305 to R11 904 and the higher amount from R19 377 to R20 404. This renders an increase of 5.3%.

It is proposed that the property threshold for pensioners qualifying for the pensioner rebate be adjusted to R1.5 million for all pensioners from age 60 to 69 years. This sliding scale process will enable the City to increase pensioner benefiting from 28 000 to approximately 50 000 pensioners. All pensioners will get the rebate and pay on the balance of the values of the properties that exceed the R1,5million.

In Previous engagements in the past four years the pensioners made these submissions however implementation could not be done that that point until the implementation of the new General Valuation roll 2023.

Pensioners aged 70years with a property Value of not more than R2million will be granted 100% rebate with no consideration of the income. If the property value exceeds R2million the pensioner will be expected to pay rates on the value in excess of R2million.

The pensioner rebate benefit will be granted for the duration of the prevailing valuation roll. Pensioners will be required to reconfirm/re-apply, at the end of the duration of the prevailing valuation roll that lapses on the 30th of June 2023. Pensioners applying for expanded social package are now required to complete the pensioner’s application form to qualify for the pensioner rebate.

Differential Rating

The concept of differential rating means that the rate in the Rand is not necessarily the same across all categories of property. This is authorised in terms of Section 8 of the Municipal Property Rates Act.

The residential tariff is used as the base rate and the other tariffs determined in relation to the residential tariff, calculated on the proposed ratios between categories.

To realise the income required to finance the envisaged operational activities of the Council for the ensuing financial year, the proposed differentials for categories and application of the ratios and tariffs, are as indicated in the table below:

No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase
1	Business and commercial	1:2.5	0.021547	1:2.5	0.022689	5.3%
2	Farming	1:0.25	0.002155	1:0.25	0.002269	5.3%
3	Industrial	1:2.5	0.021547	1:2.5	0.022689	5.3%

No	Category	Ratio 2022/2023	Rates tariffs for 2022/2023	Ratio 2023/2024	Rates tariffs for 2023/2024	% Increase
4	Mining land	1:2.5	0.021547	1:2.5	0.022689	5.3%
5	Multipurpose*1					
6	Municipal property	0	0	0	0	0%
7	Private open space	1:0.25	0.002155	1:0.25	0.002269	5.3%
8	Public benefit organisation	1:0.25	0.002155	1:0.25	0.002269	5.3%
9	Public open space	1:0.25	0.002155	1:0.25	0.002269	5.3%
10	Public service infrastructure	0	0	0	0	0%
11	Public service infrastructure - private	1:0.25	0.002155	1:0.25	0.002269	5.3%
12	Public service purpose	1:1.5	0.012928	1:1.5	0.013613	5.3%
13	Religious	0	0	0	0	0%
14	Residential	1:1	0.008619	1:1	0.009076	5.3%
15	Residential Consent use	1:2	0.017237	1:2	0.018151	5.3%
16	Township Development	1:2.5	0.021547	1:2.5	0.022689	5.3%
17	Vacant land	1:4	0.034475	1:4	0.036302	5.3%

Penalty Tariff						
1	Unauthorised use	1:6	0.051713	1:6	0.054454	5.3%

*1 Multipurpose properties will be rated according to the multiple purposes as defined in the Act. *This is defined as properties that have multiple categories; however, all the categories as implemented on the General Valuation roll will be billed on the same stand and account.* The tariff to be charged will follow the split that will be allocated to a property in the General Valuation roll.

The ratio for unauthorised use (penalty tariff) is determined by Council on a yearly basis. It is proposed that the unauthorised tariff be retained at the ratio of 1:6 and be increased by CPI as determined by Council on a yearly basis.

Rebates on Rates tariffs for 2022/2023

In line with the provision of Municipal Property Rates Act 6 of 2004 Council grants rebates to specific categories of properties. The City of Johannesburg Rates Policy covers extensively the rebates and the process of application. Below is the table containing all the rebates;

Residential Value Exclusion <i>Govt as per the MPRA section 17(1) allows for R15 000</i> <i>The City grants an additional R285 0000</i>	First R300 000 of value of all residential property to be excluded from rating
Other rebates:	
Pensioners whose gross monthly household income is lower than R11 904 and the property value not more than R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
Pensioner owners whose gross monthly income is higher than R11 904 but lower than R20 404 and the property value not more than R 1.5 million for pensioners from the age of	50% of Rates up to market value of R 1.5 million. Additional Rates will be levied for property market value in excess of R 1.5 million
Pensioners aged 70years and above	Threshold is adjusted to R2million and any excess in value rates will be payable.
High density rebate	5%
Expanded social package pensioners, who live in a property valued not more than R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who are on Expanded social package who are not pensioners, whose property value does not exceed R500 000	100%
Heritage Sites	20%

Residential Value Exclusion <i>Govt as per the MPRA section 17(1) allows for R15 000</i> <i>The City grants an additional R285 0000</i>	First R300 000 of value of all residential property to be excluded from rating
Organizations with the purpose of Animal Protection	100%
Property Owned by Organizations in terms of the Housing Development Schemes for Retired Persons Act	50%
Vacant Land subject to conditions	50%
Private Sports Clubs	40%
Child headed family/household with a property value not exceeding R1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who are on a government grant because of disability whose gross monthly household income is lower than R11 904 with a Property value not exceeding R 1.5 million for pensioners from the age of 60.	100% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
People who receive disability pension with a gross monthly income higher than R11 904 but lower than R20 404 in a property value not exceeding R 1.5 million for pensioners from the age of 60.	50% of Rates up to market value of R 1.5 million. Rates will be levied for property market value in excess of R 1.5 million
Township industrial development rebate. Property owners who qualify will receive 75% rebate of the rate for a period not exceeding two years and they will receive 50% rebate of the rate for the first two years of the industry being operational. This rebate will also be afforded to Refurbishment of dilapidated township industrial properties.	First Phase of the rebate 75% Second phase of the rebate 50%
Privately owned schools(not owned by Govt), colleges, and universities categorised business and commercial qualifies for rebate on application up to 30%. An affordability assessment will be conducted by the City.	Up to 30%

The increase to the income levels for this category of rebates is inflation (CPI) related.

Special Cases

Various instances such as declaration of National disaster arise where the Council is requested to consider relief in respect of the payment of rates. This type of relief can be granted in terms of the rates policy to specified categories of property. Special reports will be submitted to council to request the necessary approval should the special cases arise.

Exemptions, Reductions and Rebates

Section 15 (2)(e) of the Act permits a Council to allow rebates to the owners of residential properties with a market value lower than an amount determined by the municipality. The Act provides that the first R15 000 of the value of all residential property be exempt from rating. The Council granted an additional threshold rebate of R285 000 giving the total threshold of R300 000 of the market value for residential property for the current General Valuation Roll.

Residential high-density rebate

The policy of Council aims to encourage greater utilisation of land. The development of Sectional Title is an appropriate avenue through which the Council's objectives for densification are to be achieved. The category consists of properties that are developed with a minimum density of 80 dwelling units per hectare, including sectional title units. A rebate of 5% of the current monthly rates will be granted.

Vacant Land where Council is not able to provide infrastructure services

Certain pockets of land may be vacant owing to Council not being able to provide infrastructure services within the ensuing financial year. Under such circumstances, a rebate of 50% of the vacant land tariff will be applicable.

The granting of this rebate is dependent upon successful application by the property owner concerned and the application must be supported by the technical service departments concerned. Provision has been made in the estimates for a rebate of 50% for property situated outside the urban development zone since development is presently not permitted owing to lack of infrastructure services.

Public Service Purpose (PSP)

Public schools under the category PSP will qualify for 50%. Private schools under the category Business and Commercial will qualify for 30% on application.

Water, Sewerage and Sanitation Services

South Africa faces similar challenges with regards to water supply as it did with electricity, since demand growth outstrips supply. Consequently, NT is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of bulk purchases, cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition, NT has urged all municipalities to ensure that their water tariff structures are cost reflective. In instances where tariffs are not yet fully cost-reflective, NT advises that a pricing strategy be developed to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time (National Treasury, MFMA Circular No 74).

The proposed tariff increases for the 2023/24 financial year applicable to the various tariff bands are as follows:

- First 6 kl to be provided free for residential customers.
- Residential post-paid and prepaid water revenue to be increased on average by 9.3%.
- Residential post-paid and prepaid sanitation tariffs to be increased on average by 9.3%.
- Institutional tariffs to be increased by 9.3% for both consumption up to 200kl and consumption exceeding 200kl to narrow the gap compared to commercial tariff.
- Industrial/Commercial tariffs to be increased by 9.3%
- Demand Levy to be increased by 9.3%
- All other tariffs to be increased by an average of 9.3%

The budgeted average tariff increases for 2023/24 is 9.3%. The tariff increases for 2024/25 and 2025/26 are purely indicative.

The following are guidelines motivating the proposed tariff:

- 6kl free water

Studies indicate that the continued supply of water internationally will continue to be under threat. South Africa is considered a country in which water scarcity is a real threat. The approach to the structure of the proposed tariff is to emphasise the importance of water as a scarce resource and create a culture of controlled consumption. It is not in the interest of the scarcity of water and financial sustainability of the municipality to continue providing free water to all residents.

In the future tariffs, the entity intends to re-introduce a charge on the first 6kl of water for all other residents. High consumers will continue to pay at a higher rate in order to incentivise the saving of water.

- Tariffs are to be cost reflective while taking equity and sustainability into account as per the guidelines in the Municipal Systems Act and the Water Services Act.
 - Tariffs must reflect the cost reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges.
 - Tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned.
 - The economic, efficient and effective use of resources and other appropriate environmental objectives will be encouraged.
 - The metering of previously deemed consumption areas through the Soweto Infrastructure Project, in conjunction with the favourable tariff structure, is an important step towards the objective of the economic, efficient and effective use of resources. The initiative strongly supports demand side management
- In terms of the extended social package, the provision of free basic water to registered indigents will be up to 15kl per household, depending on the poverty index.
- The amount individual users pay for services should generally be in proportion to the use of that service and users of municipal services should be treated equitably in the application of tariffs.

Deemed consumption charges are currently not uniform across the City. Soweto, for example, is billed on deemed consumption of 20kl per connection per month, whereas Alexandra as well as Orange farm is billed on a deemed consumption of 10kl and 5kl per connection per month respectively. The entity continues to pilot prepaid metering projects for the purposes of converting the deemed areas to consumption based metering.

For 2023/24 the pre-paid tariff would continue to be based on a rising block tariff structure. The subsidised rising block tariff for ex-deemed consumption areas (introduced in 2003/4) ensure that these customers are now charged proportional to usage following the Soweto Infrastructure Project interventions.

For households benefiting from the Soweto Infrastructure Project in deemed consumption areas and new private developments such as Protea Glen Ext 4; Lehae and Cosmos City, the following apply:

- A subsidised water and sanitation rising block tariff.
- A consumption-based tariff for both water and sanitation.
- Incentive based debt write-off policy.

Customers who have prepayment meters installed, qualify for a progressive monthly write-off effective from the date of meter installation, over a three-year period. Defaulting customers in terms of transgression of by-laws will have the debt written off reversed retrospectively with interest.

- For households in informal settlements
 - Free rudimentary Service (LOS 1) service levels
 - Free water tanker services.
 - Free vacuum tanker services

- Should a decision be made in future to roll out the prepaid meters to all arears in the city, the prepaid tariff has to be brought in line with the conventional tariff.

- The Managing Director of Johannesburg Water will have the authority to negotiate with customers who receive a special tariff, due to older arrangements with the City, to bring these special tariffs in line with the regular tariff.

The 2023/24 water and sanitation tariffs listed below reflect the various rate increases proposed above:

Residential Water customers

Proposed Domestic Water Tariff – Conventional Water Meters

Bands	2022/23	2023/24	2024/25	2025/26
	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)
0-6	-	-	-	-
>6-10	22.26	24.33	25.94	27.65
>10-15	23.23	25.39	27.07	28.85
>15-20	32.57	35.60	37.95	40.45
>20-30	45.01	49.20	52.44	55.90
>30-40	49.23	53.81	57.36	61.15
>40-50	62.11	67.89	72.37	77.14
>50	66.56	72.75	77.55	82.67

Prices exclude the demand management levy and VAT

Proposed Domestic Water Tariff – Prepayment Meters

Bands	2022/23	2023/24	2024/25	2025/26
	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)
0-6	-	-	-	-
>6-10	19.17	20.95	22.34	23.81
>10-15	19.78	21.62	23.05	24.57
>15-20	23.63	25.83	27.53	29.35
>20-30	42.78	46.76	49.84	53.13
>30-40	46.05	50.33	53.65	57.20
>40-50	57.55	62.90	67.05	71.48
>50	62.93	68.78	73.32	78.16

Prices exclude the demand management levy and VAT

Proposed Domestic Water Restriction Tariff – Conventional Water Meters Areas

In the event that the Department of Water and Sanitation imposes water restrictions, the Water Restriction Tariff will apply as per Annexure A

Proposed Domestic Water Restriction Tariff - Prepayment Meters

In the event that the Department of Water and Sanitation imposes water restrictions, the Water Restriction Tariff will apply as per Annexure A

Proposed Water tariffs for indigents as part of the Expanded Social Package

Indigent Category	Score on Prevailing COJ Poverty Index	Monthly allocation cap of free water per household limited to the actual consumption if actual consumption is less than the allocated cap. Monthly allocation cap of free water per household
Band 1	Between 1 and 15	Not applicable
Band 2	Between 15 and 30	10kl.
Band 3	Between 30 and 70	12kl.
Band 4	70 and above	15kl.

Note:

(a) Band 1 refers to individuals / households on the lowest vulnerable range defined by the approved CoJ Poverty index of the expanded social package policy.

- (b) Band 2 refers to individuals / households within the low vulnerability range defined by the approved CoJ Poverty index of the expanded social package policy.
- (c) Band 3 refers to individuals/ households with some formal income that nonetheless falls below the survival range threshold set by the approved CoJ Poverty index of the expanded social package policy.
- (d) Band 4 refers to individuals/ households with no formal income from either grants or employment, or incomes below the individual survival level as set by CoJ Expanded Social Package policy.
- (e) Customers who qualify for the allocation of free water above will also be eligible for a rebate on the demand management levy charged.

Note: These benefits are applicable to the 2023/24 financial year.

Proposed Institutional Water Tariffs

Kilolitres per	2022/23	2023/24	2024/25	2025/26
connection per month	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)
Consumption up to 200kl	41.74	45.62	48.63	51.84
Consumption exceeding to 200kl	48.88	53.43	56.95	60.71

Prices exclude the demand management levy and VAT

Proposed Prepayment and Non-Prepayment Industrial/Commercial Water Tariffs.

Kilolitres per	2022/23	2023/24	2024/25	2025/26
connection per month	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)	Tariff (R/kl)
Consumption up to 200kl	52.71	57.61	61.41	65.47
Consumption exceeding to 200kl	55.61	60.78	64.79	69.07

Prices exclude the demand management levy and VAT

Proposed Private Dwelling Domestic Sanitation Tariffs

ERF Size (m ²)	2022/23	2023/24	2024/25	2025/26
	Tariff	Tariff	Tariff	Tariff
	(R/erf/month)	(R/erf/month)	(R/erf/month)	(R/erf/month)
Up to and including 300m ²	267.32	292.18	311.46	332.02
Larger than 300m ² to 1000m ²	520.38	568.78	606.31	646.33
Larger than 1000m ² to 2000m ²	787.24	860.45	917.24	977.78
Larger than 2000m ²	1 134.28	1 239.77	1 321.59	1 408.82

Prices exclude the demand management levy and VAT

Proposed Domestic Sanitation Tariffs – Prepayment Meters

Kilolitres per connection per month	2022/23	2023/24	2024/25	2025/26
	Tariff	Tariff	Tariff	Tariff
	(R/kl)	(R/kl)	(R/kl)	(R/kl)
0-6	-	-	-	-
>6-10	11.05	12.08	12.87	13.72
>10-15	13.99	15.29	16.30	17.38
>15-20	15.67	17.13	18.26	19.46
>20-30	23.26	25.42	27.10	28.89
>30-40	23.26	25.42	27.10	28.89
>40-60	23.26	25.42	27.10	28.89
>60	23.26	25.42	27.10	28.89

Prices exclude the demand management levy and VAT

Proposed Non-residential Sewer Tariffs

	2022/23 - Per kl	2023/24 -Per kl	2024/25 - Per kl	2025/26 - Per kl
Institution	31.34	34.25	36.52	38.93
Commercial	39.41	43.08	45.92	48.95

Prices exclude the demand management levy and VAT

Proposed sanitation tariffs for indigents as part of the Expanded Social Package

Indigent Category	Score on Prevailing COJ Poverty Index	Reduction in sewerage tariff charge for applicable indigent band.
Band 1	Between 1 and 15	Not applicable
Band 2	Between 15 and 30	100%
Band 3	Between 30 and 70	100%
Band 4	70 and above	100%

Note:

- (a) Band 1 refers to individuals / households on the lowest vulnerable range defined by the approved CoJ Poverty index of the expanded social package policy.

- (b) Band 2 refers to individuals / households within the low vulnerability range defined by the approved CoJ Poverty index of the expanded social package policy.
- (c) Band 3 refers to individuals/ households with some formal income that nonetheless falls below the survival range threshold set by the approved CoJ Poverty index of the expanded social package policy.
- (d) Band 4 refers to individuals/ households with no formal income from either grants or employment, or incomes below the individual survival level as set by CoJ Expanded Social Package policy.

Note: These benefits are applicable to the 2023/24 financial year.

Water Demand management levy

The demand levy charge is a fixed charge for each water connection to cover the network costs and cost of the base water installation over the lifespan of the meter, irrespective of the consumption.

For domestic properties - A water demand management levy of R33.97 per month will be charged. It will be applicable to the following:

- Residential consumers conventional water meters per dwelling
- Residential consumers' prepayment meters per dwelling
- Residential indigent consumers per dwelling when using more than free water (e.g. 15kl)
- Multi dwelling per dwelling
- Multi dwelling prepayment meters per dwelling
- Mixed use per dwelling

For non-domestic customers, a monthly water demand management levy of R299.88 per month per stand will be charged. It will be applicable to the following:

- businesses,
- institutions,
- industrial customers; and
- commercial customers
- mixed use per stand

Note: All the above charges are exclusive of VAT.

Effluent re-use tariff

Effluent re-use will be charged where the off take is from the treatment plant at the cost of the user. Where any infrastructure has to be provided, additional charges will apply on a case-by-case basis dependant on the cost to Johannesburg Water and the period of the agreement.

Name of Catchment	2023/24 (R/kl)
Integrated Vaal River System (IVRS)	R6.616
Crocodile West Marico	R6.835

The Water Treatment Works that dispense effluent to both Integrated Vaal River System and Crocodile West Marico are listed below:

Integrated Vaal River System (IVRS)

- Olifantsvlei works
- Bushkoppies works
- Goudkoppies works
- Ennerdale works

Crocodile West Marico

- Driefontein works
- Northern works

Waste Management Services

National Treasury acknowledges that waste removal usually operates at a deficit (MFMA Circular 66). The CoJ is no exception to this trend. Municipalities are encouraged by NT to have cost-reflective tariffs for waste removal, and to explore alternative methodologies to manage solid waste, including recycling and incineration in plants that use heat energy to generate electricity. Pikitup has redefined its tariff determination principles effective 01 July 2016. These revised tariff determination principles require businesses and households to all contribute towards waste management services. This practice moves away from charging for waste management services (refuse charge) based on the number of bins to charging a levy as a contribution towards the cost associated with all waste management services. The amount of the levy to be charged will still be determined based on the market value of property.

The proposed tariffs for refuse removal services for 2023/24 are as follows

Refuse Charge

This charge is levied on all properties registered as residential in City's Land Information System (LIS) in line with Property and Rates categories. Properties valued at R350 000 and below, as well as Indigents households, are exempt from this charge. Indigent households are rebated from the refuse charge in line with the City's rebate policy.

The exemptions and rebates to be applied, will ensure the provision of free basic waste management services, particularly to indigents and those who can't afford to pay for their own services. It is essential for the City to maximize the revenue required from tariffs as it is vital for ensuring compensation for the loss of revenue incurred in providing free services.

The proposed tariff for domestic properties also includes any building and its outbuildings registered within the City of Johannesburg's Registered Social Landlord Pilot Scheme, Inner City Properties, as well as those properties in the UDZ (Urban Development Zone).

The proposed tariff for 2023/24 is stipulated in **Tables A1 to B3 below**. The tariff has been increased by **7%** as compared to the previous year.

City Cleaning Levy (CCL)

This charge is levied on all properties categorised as non-residential properties (all properties that do not attract refuse charge) including all agricultural properties and vacant land registered in the land information systems (LIS).

This tariff will therefore apply to all non-residential properties, all agricultural properties (including residential agricultural properties) and vacant land properties registered within the City of Johannesburg and Inner City Properties and UDZ (Urban Development Zone).

The tariff categories for city cleaning levy are as per **Table A2** below at an increased rate of 7% as compared to the previous year.

Landfills Disposal of Refuse

A tariff increase of 7% is proposed for the financial year 2023/24 in respect of landfill disposal. The disposal charges as outlined in **Table B1**, will be payable for disposal at the City's refuse disposal sites.

Safe Disposal (per ton)

A tariff increase of 7% is proposed for the financial year 2023/24 as per **Table B2**.

Non-Sectional Title Properties

It is proposed that a tariff increase of 7% be levied on non-sectional title properties for the financial year 2023/24 as outlined in **Table A3** below.

This refuse collection tariff or user charge is applicable to non-sectional title properties in the City zoned as residential or business which contains living units on successful application to the City. This tariff will only be applied to those properties that have been approved for this category. All other properties which have not been approved by City will be charged a city cleaning levy.

The second refuse collection tariff or user charge in respect of non-sectional titles is applicable to properties in the City zoned as residential or business which contains rooms for human habitation with shared ablution facilities on successful application to the City. If the application fails, the city cleaning levy tariff and commercial or business tariff will apply.

Additional and Lost or Stolen bins

The provision of additional bins and replacement of stolen or lost bins are provided in the bin management policy of Pikitup. This policy requires that stolen or lost bin could be replaced once for free within an 8 years cycle. Any additional replacement of lost or stolen bin/s within the bin life cycle period would be at the cost to the resident/customer. The cost to replace a second bin stolen or lost within the same financial year will be R600 for the 2023/34 financial year. Residents/Customers need to collect bins at the depot and provide proof of payment. Residents/Customers are to pay the amount into the Pikitup bank account. This principle would also apply to customers/residents who require an additional bin.

Bins required for special events

Bins required for all special events shall be dealt with through our Commercial Services Department. A deposit equal to the cost of a bin will be required before providing a service. A service charge for one lift bin in relation to a skip bin will also be required upfront from the customers. The service fee, delivery charge and daily rental charge shall be determined and implemented in line with the Commercial Services principles approved by Pikitup Board.

Main reasons to motivate for a tariff increase of 7%

The consumer price index (CPI) is currently around 7.6%. It is however expected that the CPI will reduce as inflation and fuel prices reduce during the 2023/24 financial year.

Major increases are expected to pay for power in the coming years to ensure electricity can be supplied to households, the current high fuel price and the inflation rate will have an impact on the disposal income from households to pay for services.

The world economy has an impact on South Africa and there are even indications of a potential depression that can develop in various first-world countries that can have a negative impact on South Africa.

A lower tariff can also not be implemented as there are major challenges with the waste management environment in the City. The depletion of landfill airspace will impact the cost to dispose waste at private landfill sites and processes to ensure new landfill cells are developed are taking longer than expected and alternative waste treatment technologies (AWTT) will take time and are costly to implement.

General

All other council services not itemised per **Annexures A and B** including disposal fees and institutions rate will increase by 7%.

The charge in respect of any waste management services rendered and not provided for elsewhere in this tariff report shall be negotiated with Pikitup.

The City/Pikitup reserves the right to refuse the rendering of any service if the rendering thereof is impractical.

Value Added Tax

All the charges are exclusive of VAT.

Table A1: Refuse Charge

The table below depicts the property categories in terms of their values and related refuse charges aligned to each category.

Property Categories		Proposed Tariff (increased by 7%)
From	To	
0	R350 000	Exempt
R350 001	R500 000	R165
R500 001	R750 000	R218
R750 001	R1 000 000	R275
R1 000 001	R1 500 000	R290
R1 500 001	R2 500 000	R404
R2 500 001	R5 000 000	R422
R5 000 000>		R431

Table A2: City Cleaning Levy (CCL)

The property categories listed below relates to CCL which is levied on properties zoned as non-residential including vacant land and all agricultural properties as reflected in City’s land information systems (LIS).

Property Categories		Proposed Tariff (increased by 7%)
From	To	
0	R350 000	Exempt
R350 001	R500 000	R226
R500 001	R1 500 000	R228
R1 500 001	R2 500 000	R327
R2 500 001	R5 000 000	R336
R5 000 001	R7 500 000	R521
R7 500 001	R10 000 000	R544
R10 000 001	R30 000 000	R731
R30 000 000>		R927

Table A3: Non-Sectional Title Properties

The tariffs below apply to properties other than sectional title properties used for habitation and charged as follows:

- a) Non-sectional title properties with multiple living units will be R108 per unit
- b) Non-sectional title properties containing living rooms will be R45 per room with shared facilities per month

Table B1: Disposal fees/tariff

The categories below reflect charges for the waste disposed of at various landfills sites within the City. This method of waste disposal involves treatment of waste materials by burial and is categorised and charged per type and weight being disposed of as follows:

Refuse Disposal Type	Tariff (excl. vat)
(a) Refuse Disposal for each 500kg - Except Special Industrial Waste	R 142
(b) Refuse Disposal for each 250kg - Special Industrial Waste	R 142
(c) Refuse Disposal - Except Special Industrial Waste done after 12:00pm on Saturday, the whole day on Sunday and Public Holidays	R 171
(d) Refuse Disposal - organic (garden) waste (Free at Garden Sites)	R151

(e)	Refuse Disposal - Soil and Other Material Suitable for Covering Landfills	R 0
(f)	Refuse Disposal Outside of COJ- Soil and Other Material Suitable for Covering Landfills	R 212

Table B2: Landfill safe disposal (per ton)

The tariffs in this category relates to safe disposal of putrescible (food) waste at City landfill sites for which destructible certificates are issued. This service is charged per ton of waste disposed as follows:

	Tariff (excl. vat)
(a)	Price per ton R 3 579
(b)	Price per 500kg and under R 1 791

Electricity Services

City Power reviews its tariff structures and tariff levels annually in order to determine changes in the price of electricity for its customers. During this process, City Power must not only comply with the Municipal Finance Management Act (MFMA), NERSA regulations and guidelines, but also consider the expectations from the City of Johannesburg (COJ) as its shareholder as well as its customers and residents of City of Johannesburg as supplied electricity by City Power.

City Power's tariffs therefore are determined after consideration of key factors:

- a. NERSA Municipal Tariff Guideline Increase FY23/24, which is yet to be determined by NERSA
- b. City Power cost structure including bulk purchases from Eskom and Kelvin as well as expected increases in the each of the respective elements of City Power's cost structures,
- c. Shareholder, stakeholder and customer considerations
- d. Findings of the City Power Cost of Supply Study, including but not limited to financial sustainability, cost reflectivity and affordability of tariffs.

NERSA on 12 January 2023 granted Eskom an annual average tariff increase of 18.65% for FY23/24. The annual average increase (18.65%) is applicable with effect from the beginning of the Eskom financial year, however in terms of the provisions of the MFMA, it can only be implemented at the beginning of the municipal financial year, which is three months into the new Eskom financial year. After the annual average increase is determined NERSA uses its Eskom Retail Tariff and Structural Adjustment (ERTSA) methodology to calculate the increase (Eskom) that will be applicable to municipalities and municipal entities which was determined to be 18.49% for FY23/24. In FY22/23 Eskom was granted an annual average increase of 9.61% but the increase that was applicable to Municipal entities was lower (8.61%), as it was at the back of a higher (17.8%) increase in the previous financial year.

After the ERTSA determination process is finalised, NERSA will have to determine the FY23/24 municipal guideline increase. The municipal guideline increase is the annual average increase municipalities and municipal entities may increase tariffs to their end customers. It is our expectation that NERSA will finalise the FY23/24 municipal guideline increase by end of March 2023. Based on NERSA municipal guideline methodology it is however our expectation that the increase will most likely be 14.97%, it is therefore proposed that the City Power tariff on average be increased by 14.97% though some customer categories are to experience different increases for reasons as detailed in this report. The proposed increase is however subject to change based on the municipal guideline increase for FY23/24 as will be determined by NERSA.

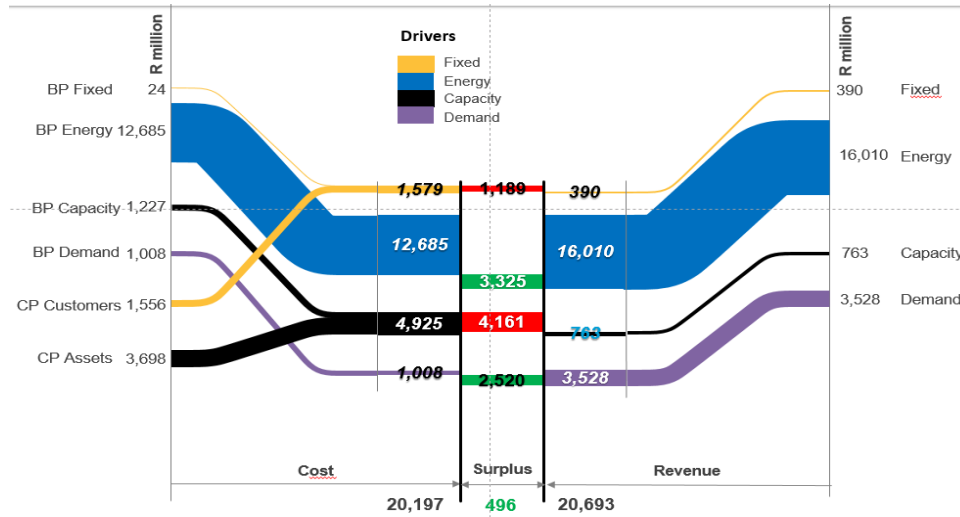
Key Findings of the Cost of Supply Study for FY2122

City Power cost of supply study was finalised and submitted to NERSA during FY21/22. The cost of supply study had a number of findings of which the following are particularly pertinent to the FY23/24 tariff cycle:

- City Power tariff levels lack overall cost reflectivity (surplus not in line with NERSA benchmark), however alignment of tariffs levels should not be considered in isolation of also reducing energy losses to be in line with NERSA benchmark range,
- The thrust of City Power revenue management be that actual revenue realisation to be in line with tariff model revenue
- City Power tariff structures are energy bias and therefore over exposed to volumetric risk,
- Lack of inter-tariff category cost reflectivity,

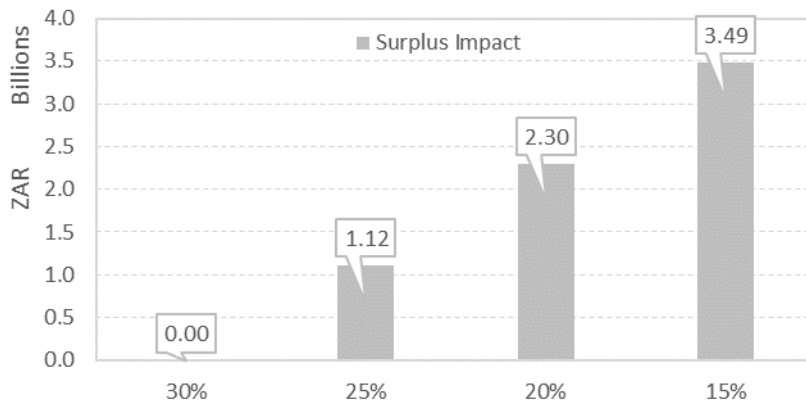
The study based on historic City Power customer profiles and actual sales volume for the year projected tariff model revenue from sale of electricity to be R20,7 billion and given that cost of supply was R20.2 billion the surplus is approximately R0.495 billion (Figure 1).

Figure 1: City Power Cost Reflectivity based on FY2122 Financials



The projected tariff model revenue is higher than realised revenue because actual revenue from sale of electricity was lower than modelled revenue. The thrust is therefore on City Power revenue realisation to be in line with tariff model revenue. Surplus of R0, 496 billion amount to only 2.4% of revenue from sale of electricity while the NERSA financial benchmark should be at least 15% of revenue from sale of electricity though it can range between 10%-20% of revenue from sale of electricity. Therefore, as the tariff model revenue from sale of electricity is R20,7 billion appropriate surplus (15%) should be R3.1 billion which on face value suggest that the tariff levels are below cost reflectivity. However, as the total energy losses were approximately 27% in FY2122 reducing energy losses to 15% will result in additional revenue of as much as R3.5 billion (Figure 2) which though a realistic target it is still above the NERSA financial benchmark of 10%-12%.

Figure 2: Impact Energy Losses on Current Surplus (FY2122)



This will however increase the tariff model revenue to R24, 2 billion of which 15% surplus is R3.6 billion, therefore should City Power manage to reduce its energy losses to at least 15% of bulk purchases and manages its actual revenue realisation to be in line with tariff model revenue it may not need to increase overall tariff levels to improve realised actual surplus to be at least R3.5 billion (Figure 2). The inference from findings of the cost of supply study is that the overall City Power tariffs may well be cost reflective when considered in the context of high-energy losses. It is for this reason that the proposed tariff increase is only for electricity related inflationary tariff adjustment.

PROPOSED TARIFF STRUCTURAL CHANGES AND TARIFF INCREASE FOR FY23/24

The following tariff structural changes and tariff increases are proposed:

- Migrating all business customers to be on the same tariff irrespective of the payment platform (i.e. both conventional and business prepaid customers to be on the same tariff),
- Restoration of the 10% tariff differential between the business conventional energy tariff and the business reseller energy tariff by limiting the increase to the business reseller energy tariffs to only 90% of the business energy tariffs,
- Limit the increase to energy charges and allow additional increase to service and capacity charges all customer categories to start reduce the volumetric risk across,
- Further limit the increase to large power user (LPU) to start the process of gradual alignment of LPU tariffs to findings of the cost of supply study with respect to their cost reflectivity,
- Introduction of an alternate LPU TOU Demand Tariff which will to be based on the notified maximum demand (NMD) methodology,
- Introduction of generator use of system tariff (wheeling tariffs) in line with the City Power Wheeling Policy,
- Increase the embedded generator tariff by an additional 10 percentage points over and above the guideline increase (18.65%) to make the tariff more attractive and a viable alternative source of electricity supply to City Power.

Migrating all business customers to be on the same set of tariffs

The FY22/23 tariff differential between business prepaid and business conventional customers as average monthly usage of 3000kWh is approximately 3.31c/kWh (Table 1) only, but in favour of the conventional customer. The overall business conventional tariff is in fact lower by about 1.07% when compared to the prepaid tariff. This is because the business conventional tariff increases were limited over the last few years. Both customer categories are on IBT while the business conventional customer pay capacity and service charges that combined amount to R1 043.47 per month. Though business prepaid customers do not pay any capacity charges their energy charges are so much higher. At usage of 3000kWh/m, the energy charge for prepaid customers is 38,09c/kWh higher than the energy charge only of the business conventional customer. However, the volumetric risk associated with a single part energy tariff only is still too high to leave the tariff structure unchanged.

Table 1: FY22/23 Business Prepaid Vs Conventional

Business Prepaid (Annual Average)							Business Conventional (Annual Average)						
Assumed usage						3 000	Assumed usage						3000
	Size	Cal Size	Usage		Tariff (/kWh)			Size	Size	Usage		Tariff (/kWh)	
Block 1	500	500	500	2500	274,62	1 373,09	Block 1	500	500	500	2500	240,49	1 202,43
Block 2	1000	1000	500	2000	300,38	1 501,89	Block 2	1000	1000	500	2000	263,40	1 317,01
Block 3	2000	2000	1000	1000	314,65	3 146,51	Block 3	2000	2000	1000	1000	275,94	2 759,43
Block 4	3000	3000	1000	0	325,88	3 258,81	Block 4	3000	3000	1000	0	285,87	2 858,73
Block 5	>3000	30000	0		336,21	-	Block 5	>3000	30000	0		294,73	-
			3000							3000			-
Sub-total						9 280,30	Sub-total						8 137,59
Basic Charge						-	Basic Charge						1 043,47
Service Charge							Service Charge						532,72
Capacity Charge							Capacity Charge						510,75
Total Charge for the Month						9 280,30	Total Charge for the Month						9 181,06
Average Selling Price (c/kWh)						309,34	Average Selling Price (c/kWh)						306,04
Energy Only (c/kWh)						309,34	Energy Only (c/kWh)						271,25
Average Selling Price (c/kWh)						309,34	Average Selling Price (c/kWh)						306,04
Prepaid Higher by Energy Only (c/kWh)						38,09	Price Differential Energy Only (%)						12,31%
Prepaid Higher by Annual Average Selling Price (c/kWh)						3,31	Price Differential Annual Average Selling Price (%)						1,07%

To mitigate the volumetric risk is proposed that the business prepaid customer and the business conventional customer with effect from FY23/24 be on the very same tariff even if customers remain on the prepaid platform as a payment method. The service and capacity fixed charges of the prepaid customer will therefore also be preloaded to the prepaid platform for ease of recovery. As the charges are for network services to the prepaid customers, it should also be applicable to business prepaid customers currently supplied by resellers. In this case, the charge to be recovered directly from the reseller end customers as part of their respective rates invoices.

Restoration of the margin between business conventional tariff and the business reseller tariff

There are instances where City Power supplies business resellers at bulk for them to-in-turn service captive business customers at approved City Power tariffs. As resellers essentially act as agents of the utility in its demarcated area of supply, they are compelled to provide such services at the NERSA approved tariff at which City Power would have supplied such customers. In order to enable resellers to provide services at approved tariffs City Power has to enable them to obtain electricity supply at tariffs that are favourable to earn some

margin for acting as agents of the utility. However, as over the last few years the margin between the conventional business tariff and the business reseller tariff was eroded as increases on the business conventional tariff were consistently lower. The business reseller has an obligation to supply electricity to customers at the NERSA approved business prepaid or conventional tariff. In order to be able to comply with their obligation business resellers are to be afforded favourable tariff at which they obtain supply from City Power. The proposed tariffs will ensure that the 10% margin in favour of the business reseller customer.

Management of Volumetric Risk

In line with the findings of the cost of supply study City Power has to gradually align its tariff structure to its cost structure. The study suggest that greater part of the cost structure is fixed rather than variable when compared to the tariff structure that is bias in favour of variable (energy based) tariff structure. In order to mitigate against the volumetric risk associated with the current tariff structure it is proposed to allow an additional increase in the service, network capacity and capacity charge (R/kVA) while limiting the increase to the energy charge to all customer categories as contained in Annexure B (p15-17) of this draft tariff report.

Limiting the increase to Large Power Users

According to the findings of the cost of supply study large power users (LPU) are supplied electricity at tariff that are higher than the relative cost of supplying them with electricity. The differential is attributable to the fact that they subsidise electricity supply to mainly residential customers. The Electricity Pricing Policy (EPP) and relevant legislation allow reasonable cross subsidy between customer categories. It is up to the regulator (NERSA) to define the level of cross subsidisation it will allow as it makes changes to its price determination methodology. In order to gradually reduce the level of cross subsidiation to a reasonable level over the next five years it is proposed to limit the increase to LPU energy charges as outlined in Annexute A and Annexure B on pages 13-18 of this draft tariff report.

To further align the LPU Time of Use (ToU) and the LPU Demand tariff it is proposed to further limit the increase the LPU Demand energy charges However in order to start align the tariff structure to the City Power cost structure additional increased are proposed with respect to the service, network capacity and demand charges are proposed as outlined in Annexute A and Annexure B (p15-17) of this draft tariff report.

Alternate TOU Demand Tariff based on Notified Maximum Demand (NMD) Methodology

It is proposed to allow LPU TOU customers be given an option of an alternative tariff whereby the demand charge (R/kVA) is based on a combination of notified maximum demand and actual demand in a particular month. Customers are currently charges based on higher of actual maximum demand, 80% of the 3 highest 12 month rolling actual maximum demand of 70kVA. The alternate tariff to be based on a combination of notified maximum demand (NMD) and actual demand to ensure greater alignment between the City Power cost structure and its tariff structure. The propose alternate tariff will ensure TOU Demand customers continue to adequate contribution to cost of ensuring availability of grid supply on demand, while enabling customers to proactively supplement their demand for electricity supplied by City Power while remaining grid tight for purposes of security of supply.

The following alternate tariffs are proposed for FY23/24:

1. TOU Demand LV
Network Capacity Charge; R133.06/kVA (Based on NMD)
Network Demand Charge; R162.63/kVA (Based on actual demand for the month)

2. TOU Demand MV
Network Capacity Charge; R124.36/kVA (Based on NMD)
Network Demand Charge; R151.99/kVA (Based on actual demand for the month)

The customer will however be required to notify City Power of its intended NMD. The network capacity charge will be based on the higher of NMD or actual maximum demand in a particular month. The network demand to always be based on the actual maximum demand in the month of a billing cycle. Except for the variant demand charges, all other tariffs applicable to the respective TOU customer categories will remain applicable to customers who may opt for the NMD based Demand Charges.

Generator Use of System Tariff

The tariff will be applicable to generators of electricity who may want to service customers embedded within the City Power area of supply. The tariff will also be applicable to customers who self-generate electricity for use at a location elsewhere on the City Power electricity distribution network. Third party generators who would like to supply a customer/s within the City Power network will be required to apply for third party access to our network infrastructure. Though City Power is obliged to give such generators “third party” access to its network at a reasonable charge for services rendered “wheeling services”, it will be subject to compliance with our safety requirements

City Power will remain the network services provider irrespective of whoever is the actual supplier of electricity. Therefore, the end customer will continue to be City Power’s customer for the purposes of availability of network capacity and its reliability like any other LPU customer. As the customer would otherwise have been supplied by City Power, giving third party access to our networks would effectively displace City Power as the source of electricity (kWh) and therefore comes at an opportunity cost to the network operator, particularly because the network charges are not fully cost reflective and a substantial portion of City Power margin on sale of electricity is still been recovered from energy charges. Allowing customers to source electricity from third parties will therefore displace the current revenue margin on energy (kWhs) sold, while the demand charge is not fully cost reflective. The network access charges should therefore be proportional to the opportunity cost (as may be discounted) of providing third party access to the City Power network. It is therefore proposed to introduce the generator use of system charges at the following rates:

- Peak at 32.35c/kWh
- Standard at 33.33c/kWh
- Off-Peak at 36.16c/kWh

Alternatively City Power will charge the customer for all the electricity supplied to the customer and credit the customer with electricity supplied by the third party at the Eskom WEPS tariff in order to compensate the utility for services rendered by means of third party access to the network. Actual utility compensation methodology (wheeling tariff) will be finalised post customer and stakeholder consultation but will be limited to one of the proposed methodologies.

SUMMARY OF PROPOSED TARIFF INCREASES PER CUSTOMER CATEGORY

A summary of the NERSA approved increases for current financial year (FY2223), and draft proposed increase per customer category for FY23/24. The increases for subsequent financial years are only indicative. The impact on various customer categories is likely to be different as indicated however it is our intention to limit the overall increase to be in line with the NERSA approved guideline increase. The proposed increases for FY2425 are subject to change as a result of public consultation and NERSA approval processes and are therefore not final.

Customer Segments	FY2223	FY2324	FY2425	FY2526
Large Power User (MV-TOU)	7,48%	14,57%	12,74%	10,00%
Large Power User (LV-TOU)	7,48%	14,84%	12,74%	10,00%
Large Power User (MV-Demand)	7,47%	14,68%	12,74%	10,00%
Large Power User (LV-Demand)	7,47%	15,53%	12,74%	10,00%
Business Conventional	4,40%	14,80%	12,74%	10,00%
Business Prepaid	7,47%	13,82%	12,74%	10,00%
Agricultural	7,47%	14,97%	12,74%	10,00%
Residential Conventional	7,47%	14,97%	12,74%	10,00%
Domestic Prepaid	7,47%	14,97%	12,74%	10,00%
Reseller Residential Conventional	7,47%	14,72%	12,74%	10,00%
Reseller Business Conventional	7,47%	1,42%	12,74%	10,00%
Overall Average Increase	7,17%	14,97%	12,74%	10,00%

Figure 1: Proposed Tariff Increases per Customer Category

EMBEDDED GENERATION TARIFFS

It is proposed to increase the residential Embedded Generator Tariff and Business and Large Power User Embedded Generator (<=1MW) by an additional 10 percentage points to 24.97% in order to make the tariff more attractive to potential embedded generators as a viable alternative source of electricity supply to City Power.

NETWORK SURCHARGE

In terms of the provisions of the Municipal Fiscal Powers and Functions Act, (Act 12 of 2007) hereafter referred to as MFPFA, municipalities and their collecting agent may impose municipal surcharges on fees for services provided under section 229(1)(a) of the Constitution. Section 1 of the MFPFA defines municipal surcharge as a charge in excess of the municipal base tariff that a municipality may impose on fees for municipal service

provided by or on behalf of the municipality. It is hereby proposed that the Network Surcharge remain unchanged at 6c/kWh. The Network Surcharge is based on energy consumed measured in kWh and is applicable to all customer categories. However, residential customers will be exempt for the first 500kWh per month, meaning that residential consumption beyond 500kWh per month will be subject to the Network Surcharge.

SURCHARGE ON BUSINESS AND LARGE POWER USERS

The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) as amended: Sections 17(3)(a)(ii), and 22(a)(i) and (ii); the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) as amended: Sections 21(1) and (3), 21A and 75A(3) and (4); it is hereby notified that the City of Johannesburg has, in terms of Sections 11(3)(i) and 75A(1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, read with Section 24(2)(c)(ii) of the Local Government: Municipal Financial Management Act, 2003 (Act 56 of 2003), amended its tariff of charges for Electricity Services with effect from 1 July 2021 A 2% surcharge be levied on business and large Power User customers.

The draft proposed schedule of tariffs for FY23/24, exclusive of the 6c/kWh Network Surcharge, 2% Surcharge on Business and Large Power Users and VAT:

SEGMENT	Supply Position	Block	Service Charge	Capacity Charge	Maximum Demand		Energy Charge	
			R/month	R/month	Summer R/kVA	Winter R/kVA	Summer c/kWh	Winter c/kWh
Large Customer - TOU	HV	Peak	2 402,16	31 077,43	291,13	291,13	233,69	556,05
		Standard					175,94	212,31
		Off-peak					135,24	145,46
Large Customer - TOU	MV	Peak	2 382,05	6 624,97	313,05	313,05	233,69	556,05
		Standard					175,94	212,31
		Off-peak					135,24	145,46
Large Customer - TOU	LV	Peak	1 732,39	1 548,83	334,96	334,96	233,69	556,05
		Standard					175,94	212,31
		Off-peak					135,24	145,46
Large Customer Demand		MV	1 299,30	7 016,30	313,05	313,05	194,44	230,14
Large Customer Demand		LV	1 082,76	1 653,46	334,91	334,91	208,29	243,98
Large Customer Reactive Energy		c/kVArh					33,39	
Business	400 V	< 50	631,10	605,07			272,45	285,21
		0 - 500					299,04	310,51
		501 - 1000					313,58	324,37
		1001 - 2000					325,02	335,58
		2001 - 3000					335,56	345,30
		< 100	631,10	864,67			272,45	285,21
		0 - 500					299,04	310,51
		501 - 1000					313,58	324,37
		1001 - 2000					325,02	335,58
		2001 - 3000					335,56	345,30
> 3000								
Business Prepaid	400 V	0 - 500	631,10	605,07			272,45	285,21
		501 - 1000					299,04	310,51
		1001 - 2000					313,58	324,37
		2001 - 3000					325,02	335,58
		> 3000					335,56	345,30
Reseller Business (Conventional)	400 V	0 - 500	649,66	622,87			245,20	256,69
		501 - 1000					269,13	279,46
		1001 - 2000					282,22	291,93
		2001 - 3000					292,52	302,02
		> 3000					302,01	310,77

Annexure A: (continued....2)

SEGMENT	Supply Position	Block	Service Charge R/month	Capacity Charge R/month	Maximum Demand		Energy Charge	
					Summer R/kVA	Winter R/kVA	Summer c/kWh	Winter c/kWh
Agricultural	400 V		630,46	848,02			235,60	272,66
Domestic TOU	230 V	80	209,17	844,06			243,74	560,74
		Peak					192,80	229,71
		Standard Off-peak					151,68	162,09
Domestic 3 Ø Seasonal	230 V	80	209,17	844,06			191,77	228,79
		0 - 500					221,53	258,55
		501 - 1000					238,61	275,63
		1001 - 2000					252,28	283,72
		2001 - 3000 > 3000					265,15	302,17
Domestic 1 Ø Seasonal	230 V	80	209,17	677,55			191,77	228,79
		0 - 500					221,53	258,55
		501 - 1000					238,61	275,63
		1001 - 2000					252,28	283,72
		2001 - 3000 > 3000					265,15	302,17
Domestic 3 Ø	230 V	80	209,17	844,06			201,63	201,63
		0 - 500					231,40	231,40
		501 - 1000					248,47	248,47
		1001 - 2000					262,15	262,15
		2001 - 3000 > 3000					275,01	275,01
Domestic 1 Ø	230 V	60	209,17	616,19			201,63	201,63
		0 - 500					231,40	231,40
		501 - 1000					248,47	248,47
		1001 - 2000					262,15	262,15
		2001 - 3000 > 3000					275,01	275,01
Domestic 1 Ø	230 V	80	209,17	677,56			201,63	201,63
		0 - 500					231,40	231,40
		501 - 1000					248,47	248,47
		1001 - 2000					262,15	262,15
		2001 - 3000 > 3000					275,01	275,01
Domestic Prepaid	230 V	0 - 350		0,00			209,66	209,66
		350 - 500					240,50	240,50
		>500					281,20	281,20
Reseller Domestic (Conventional)	230 V	80	216,56	873,84			180,43	180,43
		0 - 500					208,31	208,32
		501 - 1000					224,27	224,27
		1001 - 2000					237,09	237,09
Robot Intersections Streetlights & Billboard per Luminaire		> 3000					249,13	249,13
							391,87	391,87
							438,98	438,98