

# GREAT KEI MUNICIPALITY



## TARIFF POLICY

*2015/2016*

# TABLE OF CONTENTS

	<b>PAGE</b>
PREAMBLE	1
1. OBJECTIVE	2
2. LEGAL FRAMEWORK	2
3. TARIFF PRINCIPLES	2
4. CLASIFICATION OF SERVICES	3
5. CALCULATION OF TARIFFS FOR MAJOR SERVICES	4
5.1 Electricity Tariffs	5
5.2 Refuse (Solid Waste) Removal Tariffs	8
6. CALCULATION OF OTHER TARIFFS	9
6.1 Sundry Tariffs	9
6.2 Rates tariffs	9
7. SHORT TITLE	9

## **PREAMBLE**

In accordance with Section 74 of the Local Government Municipal Systems Act, Act 32 of 2000, Great Kei Municipal Council must adopt and implement a tariff policy on the levying of tariffs for municipal services which complies with the provisions of the Municipal Systems Act and with any other applicable legislation.

Tariffs represent the charges levied by Council on consumers for the utilization of services provided by the Municipality and rates on properties. Tariffs will be calculated in various ways, dependent upon the nature of the service being provided.

## **1. OBJECTIVE**

The objective of this Tariff Policy is to ensure the following:

- (a) Tariffs must conform to acceptable policy principles;
- (b) Municipal services must be sustainable;
- (c) Tariffs must comply with the applicable legislation; and
- (d) Tariffs should take indigent consumers into consideration.

## **2. LEGAL FRAMEWORK**

The following legislation is applicable in charging tariffs for municipal services delivered:

The Constitution of the Republic of South Africa, Act 108 of 1996

Municipal Finance Management Act, Act 56 of 2003

Municipal Systems Act, Act 32 of 2000

Electricity Regulation Act, Act 4 of 2006

Municipal Property Rates Act, Act 6 of 2004

## **3. TARIFF PRINCIPLES**

The following principles will apply in the Great Kei Municipal Area of jurisdiction:

- (a) Users of municipal services are treated equitably in the application of tariffs;
- (b) The amount individual users pay for services are generally in proportion to their use of that service;
- (c) Indigent households have access to at least basic services through:
  - (i) Special or life line tariffs for low levels of use or consumption of services or for basic levels of service; or
  - (ii) Any other direct or indirect method of subsidisation of tariffs for poor households.
- (d) Tariffs reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration, replacement costs and interest charges;
- (e) Tariffs are set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned. A service is financially sustainable when it is provided in a manner that would ensure its financing from internal and external sources is sufficient to cover the costs of the initial capital expenditure required, operating the service, maintaining, repairing and replacing the physical assets used in its provision;

- (f) Provision is made in appropriate circumstances for a surcharge or a rebate on the tariff for a service;
- (g) Provision is made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
- (h) The economical, efficient and effective use of resources, the recycling of waste and other appropriate environmental objectives are encouraged; and
- (i) The extent of subsidization of tariffs for poor households and other categories of users are fully disclosed.

It is further stated that tariffs, rates and the employment of resources, in general, take into account the Council's Integrated Development Plan (IDP) principles and goals.

#### **4. CLASSIFICATION OF SERVICES**

Traditionally, municipal services have been classified into four groups based on how they are financed. The four groups are as follows:

- (a) Trading services      Water and Electricity Services  
 These services must generate a surplus which will be used to subsidize community services other than economical services
- (b) Economical services      Refuse Removal and Sewerage Services  
 These services' charges must cover the cost of providing the services, i.e. it must at least break even. In the event of the latter not being possible within a period, the shortfall will be financed from the Municipal Property Rates revenue
- (c) Rates Services      The revenue from Municipal Property Rates is utilized for Rates related services.
- (d) Housing Services      Housing Schemes  
 These services are ring-fenced in the Housing Development Fund and the net operating balance is set off as a contribution to/from the Housing Development Fund.
- (e) Sundry Services      Various Services  
 All Services not defined in paragraphs (a) to (d) above.

#### **5. CALCULATION OF TARIFFS FOR MAJOR SERVICES**

##### **5.1 Electricity Tariffs**

In addition to general cost factors, the following is taken into account when determining a tariff structure for electricity:

- (i) Electricity is supplied by a sole supplier, Eskom, and distributed by the Municipality.
- (ii) Minimum standards for distribution are determined nationally and must be adhered to in order to conform to both safety and continuity of supply norms.
- (iii) Due to the fact that a large part of the operating expenditure consists of bulk electricity purchases, tariff structures and levels are very sensitive to any change in the cost of supply by Eskom.
- (iv) Electricity is supplied under a distribution license, granted by the National Electricity Regulator of South Africa (NERSA) for a specific area of jurisdiction. All tariff structures and tariffs must be approved by NERSA prior to application thereof by a distributor on an annual basis.

Electricity is distributed by Great Kei Municipality in the town of Great Kei Komga

In order to manage consumption, an inclining block rate tariff structure is applied in Great Kei Municipal area of jurisdiction, or any part or area incorporated where due course were followed.

Tariff structures are applied uniformly as follows:

**(a) Domestic Lifeline Tariff:**

A Domestic Lifeline Tariff is charged to prepaid consumers in order to promote the affordability of the service for indigent consumers and no monthly fixed charge is applied for this category of consumers. The Tariff will be applied as follows:

No Fixed Charge per month

Energy Rate (c/kWh) (Up to 50 kWh)

Energy Rate (c/kWh) (From 51 kWh to 350 kWh)

Energy Rate (c/kWh) (From 351 kWh to 600 kWh)

Energy Rate (c/kWh) (From 601 kWh and above)

**(b) Domestic Regular tariff:**

A Domestic Regular tariff is charged to other domestic consumers – on both conventional and prepaid metering systems. The tariff will be applied as follows:

Fixed Charge per month

Energy Rate (c/kWh) (Up to 50 kWh)

Energy Rate (c/kWh) (From 51 kWh to 350 kWh)

Energy Rate (c/kWh) (From 351 kWh to 600 kWh)

Energy Rate (c/kWh) (From 601 kWh and above)

**(c) Commercial Low single energy rate tariff:**

A Commercial Low single energy rate tariff is applied in respect of conventional and prepaid commercial low consumers. No fixed charge per month is applied to conventional and prepaid low commercial consumers. The tariff will be applied as follows:

No Fixed Charge per month

Energy Rate (c/kWh)

**(c) Commercial Regular single energy rate tariff:**

A Commercial Regular single energy rate tariff is applied in respect of conventional and prepaid commercial regular consumers. A fixed monthly charge is also applied to both conventional and prepaid regular commercial consumers. The tariff will be applied as follows:

Fixed Charge per month

Energy Rate (c/kWh)

**(d) Agricultural single energy rate tariff:**

A single energy rate tariff is applied in respect of agricultural use. The tariff will be applied as follows:

Fixed Charge per month

Energy Rate (c/kWh)

**(e) Municipal single energy rate tariff:**

A single energy rate tariff is charged for municipal consumption for street and traffic lights and for municipal buildings.

No Fixed Charge per month

Energy Rate (c/kWh)

**(f) Bulk low voltage - block inclining tariff:**

A block inclining tariff structure is applied in respect of bulk low voltage consumers. The tariff is applied as follows;

Fixed Charge per month

Energy Rate (c/kWh)

Maximum Demand Charge (R/Amp)

Maximum Demand Charge (R/kVA)

**(g) Bulk medium voltage - block inclining tariff:**

A block inclining tariff structure is applied in respect of bulk medium voltage consumers. The tariff is applied as follows;

Fixed Charge per month

Energy Rate (c/kWh)

Maximum Demand Charge (R/Amp)

Maximum Demand Charge (R/kVA)

**(h) Low and High Demand tariff:**

A different fixed monthly tariff will apply during the low demand and the high demand tariff periods (also referred to as the summer and winter periods respectively) in respect of low and medium voltage consumers. For the purpose of these tariffs the low demand period shall be defined as being the summer period and the high demand period as the winter period. The tariff will be applied as follows:

Fixed Charge per month

Demand Charge (R/KVA)

Access Charge (R/kVA)

Peak Energy (c/kWh)

Standard Energy (c/kWh)

Off- peak Energy (c/kWh)

Reactive Energy (c/kVArh)

**(h) Annual availability fee:**

An annual availability fee is charged to properties not connected to the electricity network, where same is available. This fee aims to recoup capital and maintenance costs of networks as well as certain fixed administrative costs.



### **5.3 Refuse (Solid Waste) Removal Tariffs**

**(a) Residential properties:**

Residential refuse (solid waste) will be removed once a week. Households are allowed 3 bags or one “Otto”-type container per week.

Refuse removal tariffs are based on a flat rate per household. Single residential properties with a plot not exceeding 250m<sup>2</sup> and a maximum valuation not exceeding the amount as per Section 6.1 of the Great Kei Municipality’s Rates Policy, are charged a lower rate than other residential properties.

**(b) Business and industries:**

Business and industry refuse (solid waste) are removed by means of “Otto”- type or bulk containers. Each container (size in volume) is accepted as a refuse unit at a specific tariff and number of removals per week.

**(c) Availability Fee:**

An availability fee is charged to all vacant properties, businesses, flats, developments not making use of the municipal collection services.

## **6. CALCULATION OF OTHER TARIFFS**

### **6.1 Sundry Tariffs**

#### **(a) Tariff Structure:**

- (i) The tariff structure as reflected in the Tariff Listing as annually approved by Council will be used to determine regulatory community and subsidized services.

#### **(b) Method of calculation:**

- (i) Existing tariffs will be adjusted annually by adjusting the tariff that applied during the previous financial year by a percentage (suitable rounding will be applied) to recover costs where appropriate and approved by the Council.
- (ii) New tariffs will be calculated based on the estimated actual cost where appropriate or to recover some costs depending on the type of community service.

### **6.2 Rates tariffs**

Refer to the Rates Policy and annexure dealing with the application of property taxes for the various categories of owners and properties.

## **7. SHORT TITLE**

This policy is the Tariff Policy of the Great Kei Municipality.