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Dear Sir/Madam

GUIDELINE ON MUNICIPAL ELECTRICITY PRICE INCREASE FOR 2022/23

1. Annual Municipal Electricity Tariff Guideline

- 1.1 On 25 May 2022, the National Energy Regulator of South Africa (NERSA) approved a Municipal Tariff Guideline increase ('Guideline increase') for the 2022/23 financial year.
- 1.2 A Guideline increase of 7.47% was approved, which is based on the following assumptions:
 - Bulk Purchases have been increased by 8.61% in line with Eskom's tariff increase to municipalities;
 - Salary and Wage increases of 4.4% have been applied in line with the Bureau of Economic Research (BER) Consumer Price Index (CPI) of 4.4%¹;
 - Finance costs have been increased by 25 basis points (0.25%) in line with the announcement on 27 January 2022 by the Reserve Bank Governor, and
 - Repairs and maintenance, and other expenses (including depreciation) have been increased in line with the CPI.
- 1.3 The Decision and Reasons for Decision (RfD) document on the determination of the Guideline increase and the revised benchmarks for the financial year 2022/23 is available on the NERSA website (www.nersa.org.za/regulator-decisions).
- 1.4 It is important to note that this Guideline Increase is not an automatic increase in electricity tariffs, and your municipality is still required to apply to NERSA for approval of your 2022/23

¹ The Consumer Price Index used is 4.4% as forecast by the Bureau of Economic Research (BER) for 2022/23.

Regulator Members:

Ms Z Mpungose (Chairperson) *Adv NP Sithole (Chief Executive Officer)

*Mr N Gumede *Ms N Maseti *Mr MW Mkhize Mr FK Sibanda

*Full-Time Regulator Members

tariffs in accordance with the provisions of section 16(2) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) before implementation.

2. MUNICIPAL TARIFF BENCHMARKS

Tariff Benchmarks are approved in line with the tables below for implementation in 2022/23. The assumed kilowatt hours (kWh) per tariff category is for usage per month. The Municipal Electricity Tariff Benchmarks were developed by increasing the 2021/22 benchmarks by the guideline increase of 7.47%.

2.1 DOMESTIC BENCHMARKS:

Table 1: Average Domestic IBT Benchmarks

Domestic Inclining Block Tariffs (IBTs)				
	Block 1 (0-50 kWh) R.c/kWh	Block 2 (51-350 kWh) R.c/kWh	Block 3 (351-600 kWh) R.c/kWh	Block 4 (>600 kWh) R.c/kWh
Excl VAT	R1.2396 - R1.3523	R1.6259 - R1.7386	R2.3182 - R2.4470	R2.7851 - R2.8817
Incl VAT	R1.4255 - R1.5551	R1.8698 - R1.9994	R2.6659 - R2.8140	R3.2029 - R3.3139

Table 2: Alternative Domestic Low IBT

Domestic Low IBT		
	Block 1 (0-350 kWh) R.c/kWh	Block 2 (>350 kWh) R.c/kWh
Excl VAT	R1.5776 - R1.6582	R2.2860 - R2.3986
Incl VAT	R1.8142 - R1.9069	R2.6288 - R2.7584

Table 31: Alternative Domestic High IBT

Domestic High IBT		
	Block 1 (0-350 kWh) R.c/kWh	Block 2 (>350 kWh) R.c/kWh
Excl VAT	R1.5293 - R1.6259	R2.2539 - R2.3504
Incl VAT	R1.7587 - R1.8698	R2.5919 - R2.7030

Table 4: Average Domestic Non-IBT Benchmarks

Domestic Non- IBT		
	Domestic Low (0-400 kWh) R.c/kWh	Domestic High (>400 kWh) R.c/kWh
Excl VAT	R1.7386 - R1.8513	R2.1894 - R2.2698
Incl VAT	R1.9994 - R2.1290	R2.5178 - R2.6103

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2.2 COMMERCIAL BENCHMARKS:

Commercial Single-Phase:

Table 5: Average Commercial Prepaid: Single Phase

Commercial Prepaid (2 000 kWh)			
R.c/kWh			
Excl VAT	R2.8978	-	R3.0104
Incl VAT	R3.33	-	R3.4620

Table 6: Average Commercial Conventional Low: Single Phase

Commercial Low (2 000 kWh)			
R.c/kWh			
Excl VAT	R2.6884	-	R2.7690
Incl VAT	R3.0917	-	R3.1843

Table 7: Average Commercial Conventional Medium: Single Phase

Commercial Medium (3 000 kWh)			
R.c/kWh			
Excl VAT	R2.5919	-	R2.7045
Incl VAT	R2.9806	-	R3.1102

Table 8: Average Commercial Conventional High: Single Phase

Commercial High (7 000 kWh)			
R.c/kWh			
Excl VAT	R2.2860	-	R2.3986
Incl VAT	R2.6288	-	R2.7584

Commercial Three-Phase:

Table 9: Average Commercial Prepaid: Three Phase

Commercial Low (5500 kWh)			
R.c/kWh			
Excl VAT	R2.8978	-	R3.0104
Incl VAT	R3.3324	-	R3.4620

Table 10: Average Commercial Conventional Low: Three Phase

Commercial Low (5500 kWh)			
R.c/kWh			
Excl VAT	R2.2860	-	R2.3825
Incl VAT	R2.6288	-	R2.7399

Table 11: Average Commercial Conventional Medium: Three Phase

Commercial Medium (11500 kWh)			
R.c/kWh			
Excl VAT	R2.1733	-	R2.2698
Incl VAT	R2.4993	-	R2.6103

Table 12: Average Commercial Conventional High: Three Phase

Commercial High (22 000 kWh)			
R.c/kWh			
Excl VAT	R2.1249	-	R2.2216
Incl VAT	R2.4437	-	R2.5549

2.3 AGRICULTURE BENCHMARKS:**Table 13: Average Agriculture Low**

Agriculture Low (2000 kWh)			
R.c/kWh			
Excl VAT	R3.1231	-	R3.2196
Incl VAT	R3.5916	-	R3.7026

Table 14: Average Agriculture Medium

Agriculture Medium (3000 kWh)			
R.c/kWh			
Excl VAT	R2.9621	-	R3.0588
Incl VAT	R3.4064	-	R3.5176

Table 15: Average Agriculture High

Agriculture High (7000 kWh)			
R.c/kWh			
Excl VAT	R2.5274	-	R2.6241
Incl VAT	R2.9065	-	R3.0177

2.4 INDUSTRIAL BENCHMARKS:

Table 16: Average Industrial Low

Industrial Low (43 800 kWh)			
R.c/kWh			
Excl VAT	R2.6241	-	R2.7529
Incl VAT	R3.0177	-	R3.1658

Table 17: Average Industrial Medium

Industrial Medium (98 550 kWh)			
R.c/kWh			
Excl VAT	R2.5757	-	R2.6723
Incl VAT	R2.9621	-	R3.0731

Table 18: Average Industrial High

Industrial High (730 000 kWh)			
R.c/kWh			
Excl VAT	R2.3182	-	R2.4147
Incl VAT	R2.6659	-	R2.7769

Table 19: Average Industrial Time-of-Use (TOU) Megaflex

Industrial TOU (1 323 MWh)			
R.c/kWh			
Excl VAT	R2.0103	-	R2.1125
Incl VAT	R2.3118	-	R2.4293

Table 20: Average Industrial Time-of-Use (TOU) Nightsave

Industrial TOU (1 323 MWh)			
R.c/kWh			
Excl VAT	R2.9643	-	R3.0664
Incl VAT	R3.4089	-	R3.5264

3. ABOVE-GUIDELINE INCREASES

3.1 Municipalities that apply for an increase that is above the guideline and the benchmarks will have to justify the increase to the Energy Regulator through a public hearing process, and should meet the following requirements:

- a) A Cost of Supply Study must be submitted.
- b) The additional revenue should be quantified per customer category, including the forecast sales assumptions.

- c) A detailed plan on the projects on which the additional funds will be used should be provided.
- d) The approved additional revenue must be ring-fenced and strictly used for the identified projects. Failure to comply will result in the additional revenue being clawed back in the following year.
- e) Municipalities must report to NERSA on a six-month basis on how the additional funds are being used.

3.2 NERSA reserves the right to request any additional information to support in assessing a tariff application.

3.3 Failure to provide, or partial provision of, the above additional information will result in the tariff application being considered as a guideline increase application.

4. TIMELINES

It is important to note that municipalities should submit their tariff applications for the 2022/23 financial year by 10 June 2022. NERSA will endeavour to ensure that tariffs are approved on time for implementation on 1 July 2022.

5. CONCLUSION

Should you require any further assistance with or clarity on the above, please do not hesitate to contact NERSA's Electricity Pricing and Tariffs Department at municguideline@nersa.org.za.

NERSA looks forward to continuous engagement with all licensees.

Yours faithfully



Adv. Nomalanga Sithole
Chief Executive Officer

Date: 01/06/2022