

NOTICE 1969 OF 2001
ESKOM
PROPOSED AMENDMENT OF STANDARD PRICES:
PROMULGATION OF STRUCTURAL TARIFF
ADJUSTMENTS FOR LARGE AND SMALL POWER USERS

1. BACKGROUND

- 1.1 In 1999 Eskom developed a pricing strategy aimed at giving customers and the National Electricity Regulator (NER) as much advance notice of future tariff developments as possible.
- 1.2 For reasons of economic efficiency the NER supports the principle of cost-reflective and transparent tariffs, as stated in Government's Energy Policy White Paper of 1998 and consequently indicated that Eskom may proceed with tariff rebalancing towards greater cost reflectivity. Tariffs that are currently subsidised will have to be gradually increased to phase out these subsidies, subject to affordability considerations. Government needs to develop policy on subsidisation of the poor.
- 1.3 The most important driving force of the redesigned tariffs for 2002 is the alignment of retail tariffs with the Wholesale Electricity Pricing System (WEPS), the principles of which have already been approved by the NER.
- 1.4 All prices quoted in this notice are in 2001 rand value, exclusive of VAT and subject to Eskom general price increase for 2002. For more details regarding the proposed changes and the motivation for these changes, please consult Eskom's latest Retail Pricing Plan, which can be viewed at the following web address:
<http://www.eskom.co.za/tariffs/2002.doc>.

2. LARGE POWER USERS

The following structural changes will be introduced with effect from 1 January 2002.

2.1 WEPS alignment

The LPU tariffs will be aligned with WEPS. As a consequence of this alignment, the Nightsave tariffs will be seasonally differentiated while the peak, standard and off-peak rates of the time-of-use tariffs will be changed to reflect WEPS.

2.2 Voltage discount / voltage surcharge

The voltage discount will be increased by 2 percentage points for extra-high-voltage customers (>132 kV) with proportionally smaller increases for lower-voltage customers. Simultaneously with this change, the voltage discount will be converted into a voltage surcharge.

Eskom's existing tariffs are published at the level of low-voltage customers (<500 V) and higher-voltage customers receive a voltage discount to reflect the lower cost of supply at high voltage. The 2002 rates published in this notice are for customers supplied at high voltage (>132 kV) and lower-voltage customers will be subject to a voltage surcharge to reflect the higher cost of supply at low voltage.

The new voltage differentials are given in Table 1 below:

Voltage	Existing discount (2001)	Surcharge (2002)
<500 V	0%	17.30%
≥500 V to <66 kV	5.33%	10.07%
≥66 to ≤132 kV	7.13%	7.63%
>132 kV	12.75%	0%

Table 1

2.3 Network charge

A network charge based on the greater of the customer's notified maximum demand (NMD) and the actual measured demand over the previous 12 months will be introduced for Nightsave (Rural) and Ruraflex. The network charge will be determined in R/kVA. For customers measured in kW, the power factor will be assumed to be equal to 1 for the purposes of this charge.

2.4 Ruraflex

Ruraflex will in future be sufficiently size-differentiated by the network charge (2.3 above) to allow Ruraflex 1 and 2 to be merged into a single tariff, to be called Ruraflex.

2.5 Nightsave: off-peak period during December

The period from 22:00 on 15 December until 06:00 on 2 January is currently regarded as a totally off-peak period for the Nightsave tariffs.

As this off-peak period does not exist in WEPS, with which all tariffs are aligned, the two-week off-peak period has to be discontinued with effect from 15 December 2002.

2.6 Monthly rentals

Existing gross monthly rentals (MRs) for Ruraflex and Nightsave (Rural) will be reduced by R900.00 per month, but not beyond extinction. This will result in the majority of rural customers no longer having an MR. At the same time, the sharing of existing network costs on an individual customer basis, when new customers are connected to the network will be discontinued.

The MRs for urban customers as well as fixed capital charges (FCCs) for all customers will remain unchanged.

2.7 Minimum accounts

A minimum account will be introduced for the urban tariffs (Nightsave (Urban), Megaflex and Miniflex), as follows:

1. Megaflex and Nightsave (Urban)

The minimum bill will be equal to the greater of the following two quantities:

- All fixed charges plus 15% of NMD x demand rate* plus energy cost at regular rates
- The regular bill

* The low-season demand charge of the applicable tariff will be applicable for all 12 months. The greater of the NMD or the actual measured demand during the previous 12 months will be used for this calculation.

2. Miniflex

The minimum bill will be equal to the greater of the following two quantities:

- All fixed charges plus 15% of NMD x demand rate* plus energy cost at Megaflex energy rates
- The regular bill

* The low season demand charge for Megaflex will be applicable for all 12 months. The greater of the NMD or the actual measured demand during the previous 12 months will be used for this calculation.

2.8 Maximum unit charge

With the introduction of minimum bills (2.7 above) the maximum unit charge (currently applicable to Megaflex and Nightsave) will be discontinued.

2.9 Basic charge, service charge, administration charge

The existing basic charge for all LPU tariffs will be unbundled into a service charge and an administration charge. Both these charges will be based on the greater of the customer's NMD or measured maximum demand during the previous 12 months. The administration charge will be applicable at point of delivery (POD) level, while the service charge will be levied at account level.

2.10 Rates for 2002

The rates reflected in Tables 2 and 3, in 2001 rand value, as well as all the structural changes above will be applicable as from 1 January 2002. It should be noted that these rates cannot be directly compared with the existing 2001 rates, due to:

- the extensive tariff redesign that was required to align tariffs with WEPS; and
- the fact that the 2002 rates are stated at the >132 kV level, as opposed to the 2001 rates that are stated at the <500 V level.

2.10.1 Nightsave (rates are in 2001 rand value, exclusive of VAT)

Tariff component	Nightsave (Urban)		Nightsave (Rural)	
	2001	2002	2001	2002
Basic charge	R174.80	NA	R174.80	NA
Service charge				
0 to 100 kVA	NA	R28.47	NA	R101.09
>100 to 1 000 kVA	NA	R1 072.26	NA	R1 072.26
>1 000 kVA	NA	R1 732.85	NA	R1 732.85
Key customers *	NA	R3 384.27	NA	R3 384.27
Administration charge				
0 to 100 kVA	NA	R92.47	NA	R120.51
>100 to 1 000 kVA	NA	R337.04	NA	R319.62
>1 000 kVA	NA	R943.02	NA	R942.76
Key customers	NA	R951.39	NA	R942.76
Network charge (R/kVA)	NA	NA	NA	R16.99
(R/kW)				R16.99
Energy charge (c/kWh)				
High-demand season	7.26c	10.11c	7.84c	9.40c
Low-demand season	7.26c	7.92c	7.84c	6.87c
Maximum unit cost (c/kWh)	43.16c	NA	51.57c	NA
Demand charge (kVA)				
High-demand season	R40.23	R34.81	R43.36	R14.36
Low-demand season	R40.23	R13.62	R43.36	R2.19
Demand charge (kW)				
High-demand season	R46.17	R40.96	R49.75	R16.89
Low-demand season	R46.17	R16.03	R49.75	R2.58

Table 2

* Key customers are typically customers with an annual consumption per contiguous site of 100 GWh or more.

2.10.2 Megaflex, Miniflex and Ruraflex (rates are in 2001 rand value, exclusive of VAT)

Tariff component	Megaflex		Miniflex		Ruraflex	
	2001	2002	2001	2002	2001	2002
Basic charge (1)	R61.53	NA	R61.53	NA	R332.78	NA
(2)					R369.76	NA
Service charge						
0 to 100 kVA	NA	NA	NA	R131.65	NA	R101.09
>100 to 1 000 kVA	NA	NA	NA	R1 072.26	NA	R1 072.26
>1 000 kVA	NA	R1 732.85	NA	R1 732.85	NA	R1 732.85
Key customers	NA	R3 384.27	NA	R3 384.27	NA	NA
Administration charge						
0 to 100 kVA	NA	NA	NA	R70.23	NA	R99.07
>100 to 1 000 kVA	NA	NA	NA	R482.09	NA	R295.31
>1 000 kVA	NA	R944.55	NA	R942.76	NA	R942.76
Key customers	NA	R955.62	NA	R942.76	NA	NA
Network charge (R/kVA)	NA	NA	NA	NA	NA	R 4.45
Maximum unit cost (c/kWh)	43.16c	NA	NA	NA	NA	NA
Energy (high demand)						
Peak (c/kWh)	31.05c	41.63c	43.16c	43.48c	51.57c	44.34c
Standard (c/kWh)	13.03c	12.02c	13.03c	13.69c	15.54c	12.45c
Off-peak (c/kWh)	7.47c	7.12c	7.47c	8.78c	9.04c	7.21c
Energy (low demand)						
Peak (c/kWh)	20.90c	12.78c	31.89c	14.46c	36.94c	13.24c
Standard (c/kWh)	11.69c	8.44c	11.69c	10.10c	13.94c	8.58c
Off-peak (c/kWh)	6.72c	6.36c	6.72c	8.03c	8.09c	6.38c
Demand charges (kW)						
High-demand season	R12.87	R10.52	NA	NA	NA	NA
Low-demand season	R11.59	R10.52	NA	NA	NA	NA
Reactive energy (c/kvarh)	2.68c	2.68c	1.35c	1.35c	1.35c	1.35c

Table 3

3. SMALL POWER USERS

The following structural changes will be introduced with effect from 1 January 2002.

3.1 WEPS alignment

Like the LPU tariffs, the SPU tariffs will be aligned with WEPS.

3.2 Basic charges

The basic charges of Homepower, Landrate and Businessrate will be unbundled into a service charge (still to be called a basic charge) and a network charge. The network charge will be differentiated on the basis of the existing capacity categories of these tariffs, and will cover network and capacity-related costs.

3.3 Monthly rentals

The monthly rentals for Homepower, Landrate and Businessrate will be rebated by R900.00, but not beyond extinction and the costs will be included in the network charge. Only in exceptional cases where customers have very high monthly rentals, will monthly rentals still exist after the application of the rebate. The process of sharing costs when new customers are connected will be discontinued.

3.4 Landrate 1, 2 and 3

The high-rate energy block of Landrate will be removed in totality, with a commensurate increase in the network charge. This will conclude the phasing out of the high-rate energy block that was commenced in 1997.

3.5 Rates for 2002

The rates reflected in Tables 4 and 5 as well as all the structural changes above will be applicable as from 1 January 2002. It should be noted that, due to the extensive tariff redesign that was required to align tariffs with WEPS, the 2002 rates cannot be compared directly with the existing 2001 rates. The respective customers will be required to model the impact based on their consumption patterns.

3.5.1 Homepower and Homelight (rates are in 2001 rand value, exclusive of VAT)

Please note that from 1 January 2002 the Homelight 2.5A tariff will be an official standard tariff and not a piloted tariff.

Tariff components	Homepower		Homelight 1		Homelight 2	
	2001	2002	2001	2002	2001	2002
Basic charge (R/m)						
60 amperes (A)	R41.53	R33.46	N/A	N/A	N/A	N/A
Network charge	N/A	R61.10	N/A	N/A	N/A	N/A
Energy (c/kWh)						
2.5 amperes (A)	N/A	N/A	33.12c	33.89c	N/A	N/A
20 amperes (A)	N/A	N/A	33.12c	33.89c	28.76c	29.15c
60 amperes (A)	22.58c	14.62c	37.25c	38.11c	32.89c	33.34c
High rate	N/A	N/A	N/A	N/A	N/A	N/A
Low rate	N/A	N/A	N/A	N/A	N/A	N/A

Table 4

3.5.2 Businessrate and Landrate rates are in 2001 rand value, exclusive of VAT)

Tariff components	Businessrate		Landrate	
	2001	2002	2001	2002
Basic charge / customer (R/m)				
Service charge (R/m)				
1	R120.80	R157.38	R155.63	R130.56
2	R151.75	R157.38	R186.55	R130.56
3	R209.78	R157.38	R244.57	R130.56
4	N/A	N/A	R85.13	N/A
10 amperes (Dx)	N/A	N/A	R245.42	R232.90
Network charge (R/m)				
1	N/A	R26.38	N/A	R168.85
2	N/A	R109.98	N/A	R348.56
3	N/A	R297.58	N/A	R774.82
4	N/A	N/A	N/A	R 88.54
10 amperes (Dx)	N/A	N/A	N/A	N/A
Energy - low rate (c/kWh)				
1	19.34c	15.22c	19.34c	13.80c
2	19.34c	15.22c	19.34c	13.80c
3	19.34c	15.22c	19.34c	13.80c
4	43.50c	43.86c	33.44c	34.78c
10 amperes (Dx)	N/A	N/A	N/A	N/A

Tariff components	Businessrate		Landrate	
	2001	2002	2001	2002
Energy - high rate (c/kWh)				
1	N/A	N/A	33.44c	N/A
2	N/A	N/A	33.44c	N/A
3	N/A	N/A	33.44c	N/A
4	N/A	N/A	33.44c	N/A
10 amperes (Dx)	N/A	N/A	N/A	N/A
High-rate energy block (kWh)	N/A	N/A	500	0

Table 5

Note:

Any persons who have concerns about, or objections to, these proposed new tariffs should, as soon as possible, forward their appropriately motivated submissions to the Chairman, National Electricity Regulator, PO Box 785080, SANDTON, 2146, to reach him not later than 13th November 2001. A copy of the submission should be addressed to the Electricity Pricing Manager, Eskom, PO Box 1091, Johannesburg, 2000.