

NOTICE 1706 OF 2002

**Proposed amendment of standard prices: Promulgation of structural tariff adjustments for Eskom's Schedule of standard tariffs****1. Overview**

- 1.1 Eskom's seventh pricing plan is a continuation of the work started in 1996, and builds on the strategic pricing direction of 1999 as well as the significant structural changes introduced on 1 July 2002. The most significant changes have been the introduction of (phased in) network charges for some tariffs, as well as the re-design of all the tariffs based on transfer pricing from Generation and Transmission to Distribution, following the structure of the Wholesale Electricity Pricing System (WEPS).
- 1.2 A key focus of this plan is to provide for a period of pricing stability and to allow customers' time to adjust to the recently introduced changes. No major changes are therefore recommended for implementation on 1 January 2003.
- 1.3 All prices quoted in this notice are in 2002 rand value, exclusive of VAT and subject to Eskom's average annual price increase for 2003. For more details regarding the proposed changes, the motivation for these changes, the revenue implications and customer impacts, please consult Eskom's latest Retail Pricing Plan, which can be viewed at the following web address: www.eskom.co.za/tariffs

2. Proposed changes for 2003

- 2.1 The following structural changes will be introduced with effect from 1 January 2003.
 - Recalculated retail rates based on Generation and Transmission's transfer pricing to the Distribution group.

The underlying transfer pricing rates will be the subject of separate price increase applications to the National Electricity Regulator (NER).
 - The introduction of network charges for Homepower, phased in over 2 or more years.
 - The introduction of a Homepower (Bulk) tariff for bulk supplies to multiple housing units, such as townhouse complexes. This tariff will be voltage differentiated.
 - A real increase of $\pm 4\%$, on average, for the Landrate, Ruraflex and Nightsave (Rural) tariffs, over and above the annual price adjustment in pursuit of greater cost reflectivity.
- 2.2 It has been decided to postpone the next phasing in step of network charges for Nightsave (Rural), Ruraflex and Landrate until a later date, probably 2004.
- 2.3 No provision was made for free basic electricity, as announced by Government. Should free basic electricity be introduced to certain customer categories, the cost of providing free basic electricity, that cannot be recovered from the fiscus, will be recovered from customers, as determined by the NER, by way of a transparent levy.

3. Financial impact

The tariff changes proposed for 2003 have been designed to net off to a zero financial impact on Eskom. The proposed tariff changes as well as re-balancing of tariffs for cost reflectivity will result in a positive or negative impact on customers, depending on their load profiles.

4. Rates for 2003

The rates reflected in Tables 1, 2, 3 and 4, in 2002 rand value and exclusive of VAT, as well as all the structural changes above, will be applicable as from 1 January 2003.

It should be noted that these rates cannot be directly compared with the existing 2002 rates, due to the mid-year implementation of the latest structural changes. Customers will have to do a full year on year analysis, using the same load profile as reference, to determine the financial impact of the proposed rate changes. This will entail determining the total annual bill, based on the two sets of 2002 tariffs (i.e. 1 January to 30 June and 1 July to 31 Dec) and comparing that with the promulgated tariffs, for a full year.

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, P O Box 40343, Arcadia, 0007, to reach him not later than 13 November 2002.

A copy of the submission should be addressed to the Electricity Pricing Manager, Eskom, P O Box 1091, Johannesburg, 2000.

4.1 Nightsave (Rates are in 2002 rand value, exclusive of VAT)

There will be no change in the transmission or voltage surcharges.

Tariff Component	Nightsave (Urban)		Nightsave (Rural)	
	2002	2003	2002	2003
Service Charge				
≤ 100 kVA	R30.09	R31.61	R119.13	R125.54
> 100 and ≤ 500 kVA	R419.63	R440.73	R419.63	R440.73
> 500 and ≤ 1000 kVA	R1 267.62	R1 341.83	R1 267.62	R1 341.83
> 1000 kVA	R1 270.27	R1 341.94	R1 270.27	R1 341.94
Key Customers	R6 645.36	R7 920.32	R6 645.36	R7 920.32
Administration Charge				
≤ 100 kVA	R66.83	R75.29	R90.63	R139.13
> 100 and ≤ 500 kVA	R117.26	R112.37	R128.80	R167.74
> 500 and ≤ 1000 kVA	R918.86	R985.59	R811.46	R938.45
> 1000 kVA	R923.02	R994.10	R811.46	R939.15
Key Customers	R960.57	R1 018.93	R713.18	R939.15
Network Charge (R/kVA)	NA	NA	R2.02	R2.15
(R/kW)	NA	NA	R2.02	R2.15
Energy Charge (c/kWh)				
High Demand Season	12.42	11.48	11.81	11.98
Low Demand Season	9.16	8.62	8.61	8.76
Demand Charge (kVA)				
High Demand Season	R26.15	R38.48	R28.58	R35.05
Low Demand Season	R10.66	R13.07	R17.79	R19.53
Demand Charge (kW)				
High Demand Season	R30.77	R45.28	R33.63	R41.24
Low Demand Season	R12.54	R15.38	R20.93	R22.97

Table 1

4.2 Megaflex, Miniflex and Ruraflex (Rates are in 2002 rand value, exclusive of VAT)

There will be no change in the transmission or voltage surcharges.

Tariff Component	Megaflex		Miniflex		Ruraflex	
	2002	2003	2002	2003	2002	2003
Service Charge						
≤ 100 kVA	NA	NA	R76.47	R83.19	R119.13	R125.54
> 100 and ≤ 500 kVA	NA	NA	R419.63	R440.73	R419.63	R440.73
> 500 and ≤ 1000 kVA	NA	NA	R1 267.62	R1 341.83	R1 267.62	R1 341.83
> 1000 kVA	R1 270.27	R1 341.94	R1 270.27	R1 341.94	R1 270.27	R1 341.94
Key Customers	R6 645.36	R7 920.32	R6 645.36	R7 920.32	R6 645.36	R7 920.32
Administration Charge						
≤ 100 kVA	NA	NA	R59.72	R74.49	R83.89	R144.72
> 100 and ≤ 500 kVA	NA	NA	R107.11	R111.88	R127.11	R178.91
> 500 and ≤ 1000 kVA	NA	NA	R822.45	R976.88	R808.32	R1 009.27
> 1000 kVA	R846.84	R1 014.44	R822.45	R976.88	R808.32	R1 009.27
Key Customers	R888.21	R1 038.45	R821.03	R976.88	R808.32	R1 009.27
Network Charge (R/kVA)	NA	NA	NA	NA	R1.81	R2.64
Energy (High Demand)						
Peak (c/kWh)	45.49	45.59	45.47	46.63	62.69	65.58
Standard (c/kWh)	13.11	13.15	14.30	14.56	16.41	17.05
Off-peak (c/kWh)	7.76	7.80	9.16	9.29	8.78	9.08
Energy (Low Demand)						
Peak (c/kWh)	13.92	13.96	15.08	15.37	17.54	18.22
Standard (c/kWh)	9.21	9.24	10.54	10.70	10.80	11.16
Off-peak (c/kWh)	6.94	6.97	8.37	8.47	7.58	7.81
Demand Charges (kW)	R8.17	R9.34	NA	NA	NA	NA
Reactive Energy (kvarh)	2.85	2.85	1.43	1.43	1.43	1.43

Table 2

4.3 Homepower and Homelight (Rates are in 2002 rand value, exclusive of VAT)

Tariff Components	Homepower		Homepower (Bulk)		Homelight 1		Homelight 2	
	2002	2003	2002	2003	2002	2003	2002	2003
Basic Charge (R/m)	R38.96	R45.17	N/A	R533.10	N/A	N/A	N/A	N/A
Network Charge								
R/m charge per POD	N/A	R40.00	N/A	N/A	N/A	N/A	N/A	N/A
R/m charge per unit **	N/A	N/A	N/A	R28.30*	N/A	N/A	N/A	N/A
Energy (c/kWh)								
2.5 Amps	N/A	N/A	N/A	N/A	35.17	35.17	N/A	N/A
20 Amps	N/A	N/A	N/A	N/A	35.17	35.17	30.54	30.54
60 Amps	N/A	N/A	N/A	N/A	39.56	39.56	34.93	34.93
≥ 60 Amps	25.76	21.22	N/A	18.09*	N/A	N/A	N/A	N/A
Voltage Surcharge								
< 500V	N/A	N/A	N/A	17,30%	N/A	N/A	N/A	N/A
> 500V	N/A	N/A	N/A	10,07%	N/A	N/A	N/A	N/A

Table 3

* These rates are subject to the voltage surcharge.

** The number of dwelling units in the complex will be multiplied by the unit rate above to determine the total network charge.

4.4 Businessrate and Landrate (Rates are in 2002 rand value, exclusive of VAT)

Tariff Components	Businessrate		Landrate	
	2002	2003	2002	2003
Basic Charge (R/m)				
1	R94.20	R106.26	R139.85	R149.80
2	R94.20	R106.26	R139.85	R149.80
3	R94.20	R106.26	R139.85	R149.80
4	N/A	N/A	N/A	N/A
10 Amps (Dx)	N/A	N/A	R270.81	R266.81
Network charge (R/m)				
1	R62.78	R55.47	R130.00	R130.00
2	R113.37	R98.16	R200.00	R200.00
3	R270.27	R227.86	R320.00	R320.00
4	N/A	N/A	R94.03	R97.79
10 Amps (Dx)	N/A	N/A	N/A	N/A
Energy (c/kWh)				
1	18.42	19.45	19.13	19.23
2	18.42	19.45	19.13	19.23
3	18.42	19.45	19.13	19.23
4	46.20	46.20	36.93	38.41
10 Amps (Dx)	N/A	N/A	N/A	N/A

Table 4