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A project of Earthlife Africa Jhb

Earthlife Africa Johannesburg comments on: Consultation Paper on the Guideline for Electricity Resellers/ Traders Tariff in South Africa

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1. In this document, Earthlife Africa Jhb (ELA) makes comments on the Consultation Paper on the Guideline for Electricity Resellers/ Traders Tariff in South Africa. The headings remain the same as they appear in the Guidelines document and specific comments are made under each heading.
2. ELA formally submits that the period for public comment on this Guide issued by NERSA has not met with what is considered to be a fair period for public comment. This document was issued on 7th April 2014, a month which has had many public holidays and interruptions to normal working days. Interested parties were only given until the 7th of May to comment, which is also a public holiday.
3. Furthermore ELA, and it's community based partner organizations, are well-known stakeholders in all matters regarding electricity and for ELA not to be notified of this guide out for public comment lends evidence to the fact that inadequate stakeholder engagement on the behalf of NERSA has occurred.

4. Let it also be noted that when ELA contacted NERSA about not being notified of the Guide or of the public workshops, and asked for a representative from NERSA to come and meet with community representatives to explain the Guide, our request was refused.
5. Overall, the guide provides an adequate platform for public comment through providing stakeholders with the opportunity to provide input on certain matters through direct questions. However, the contents of the guide fails to adequately describe the current problem with electricity reselling therefore the meaningful contribution which stakeholders can make is decreased.
6. ELA maintains its position on Free Basic Electricity (FBE) and has made this position clear to NERSA on prior occasions. ELA maintains that 50kWh per household per month is insufficient to meet basic needs and electricity is a fundamental aspect of poverty alleviation in South Africa. 50kWh will not achieve the goal of poverty alleviation. ELA proposes that a minimum of 50kWh per household be provided per week. This will amount to a minimum of 200kWh per household per month and amounts to only 26% of the monthly average of 750kWh calculated in the energy surveys (please see the accompanying research on energy calculations). Although this figure is still a bit low, it will be a bit more realistic in terms of what people need to improve their lives and within the capacity of the current system to provide. In addition, ELA proposes that this amount be given to all households with an increasing step-block tariff. Thus once 200kWh has been consumed then households will be charged according to their use. The costs that resellers incur in providing this FBE can be covered through cross-subsidisation, for example from the sale of electricity to industrial users.
7. Please find our specific comments below:

Introduction

Please indicate in which form this consultation process occurred and how interested and affected parties were identified and notified of the process. If the consultations were based on the workshops held in 2011, then surely more recent workshops need to be held. How can stakeholders be able to adequately comment on workshops that happened almost 4 years ago?

Please be clear about which amendment to the Electricity Regulation Act, 2006 may have an impact on the definition of a reseller. When was this amendment made?

As is stated above, the period for public comment is insufficient as was the notification process for interested and affected parties.

Definitions

What are the definitions in the new Electricity Regulation Act, 2006? It is insufficient to refer to definitions as “For the purposes of this paper” and to give definitions from the Old Electricity Regulation Act. If there are no definitions in the latest Act then this made be made clear and dealt with in this guideline.

Please be clear on the definition for Free Basic Electricity. Where is the definition used in this guide sourced from? It is further insufficient to define Free Basic Electricity as the “basic energy services of a typical poor household as determined by Government from time to time”. What does “time to time” mean. There are clear policy definitions around Free Basic Electricity and these should be made clear within the definition.

The Energy Regulator’s Mandate

If it is the mandate of the Energy Regulator to promote the protection of the interests of vulnerable groups within the Electricity Supply Industry (ESI) then our comments above about the insufficient public consultation process of this guide becomes even more reasonable.

This section should provide more detail on the mandate of the Energy Regulator with regards to the sale of electricity in particular.

Background

Are the conclusions within the research report commissioned in 2007/2009 still valid given that the report is now 6 years old and much has changed in the socio-economic context of South Africa? It is insufficient that the report is only available upon request as it should be placed in the public domain if it is relied upon in the policy formulation process.

Please provide details of where the concept paper can be sourced.

The background to the guide insufficiently describes the past and current context of electricity resale in South Africa and the problem which this proposed guide seeks to address. It becomes difficult then for Interested and Affected Parties who have not been involved in the process so far to meaningfully comment. Please address this shortfall.

Legislative Perspective

Please be clear about how the mentioned pieces of legislation relate to the purpose of this guide. The legal framework in which this guide takes place must be made clear to ensure meaningful contribution by interested person, especially by vulnerable groups.

Please provide more background on the “Policy Positions”. When and how were they adopted and how can they be considered legal? Are these the Policy Positions of NERSA?

Customer Complaints

Where can the results of these investigations be sourced?

Please explain the increase in complaints relating to billing and tariffs in the later period of investigation.

Please explain how data and complaints are captured, stored and analysed by NERSA?

Please explain the importance of concentrating on the principles of reseller tariffs now while waiting for the amendment of the Regulation Act. When will the Act be amended?

Electricity Resale Business in South Africa

7.3 Will it be possible and practical to deal with tariff proposals on a “case by case” basis? What mechanisms will be put in place to ensure that backlogs and maladministration does not occur?

Question 1

The standard/uniform reseller tariff should apply to avoid confusion and discrepancies; and this standard tariff should be enforced by the regulator. Profits should be determined by the amount of electricity that resellers can sell and not by price. No surplus charge should be decided by reseller,

Question 2

There should be no basic charge since all service costs should be built into the reseller tariff.

Question 3

Yes, there is. As long as municipalities are responsible for the supply and distribution of electricity within their jurisdictions then there must be municipal oversight over the resale of electricity and this oversight should not be limited to tariffs.

Question 4

ELA agrees with the municipal by-law which states that: ““electricity resold shall not be less favourable to the purchaser than that would have been payable and applicable had the purchaser been supplied directly with electricity by the local electricity supply

Authority". The municipality should therefore supply resellers with electricity at a lower rate enabling them to resell it at the same rate as the municipality.

Question 5

A standard tariff should be set. This tariff should be standard across all municipalities therefore the municipal by-law should play no role in setting the resale tariff for resellers.

Question 6

Please refer to comments on FBE above. All households in South Africa should qualify for 200 kWh of electricity a month. This electricity should be available from the resellers at no extra charge. The costs of providing the electricity should be covered by cross-subsidisation. Resellers can further make profit on the electricity that they sell over and above what Free Basic Electricity allows for.

Question 7

Refer to the comments on the position of ELA on FBE in introduction.

None, the costs should be built into the resale of electricity. Refer to answer 6 above.

Question 8

No answer

Question 9

No answer

Question 10

No answer

Question 11

It is unclear how stakeholders not involved with the association would know this. The Association must conform with South African law.

Question 12

Those who are not affiliated with the association should not be allowed to resell electricity. The Association must conform with the norms of South African law.

Question 13

Yes, binding rules rather than a code of conduct is necessary.

Question 14

The question is unclear

Question 15

Yes.

Question 16

The resellers should provide two different categories of electricity and sell the appropriate type, at the appropriate price to the appropriate customer.