



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

SSEG TRAINING – TARIFF SETTING

ENERGY DIRECTORATE

Making progress possible. **Together.**

I CAN'T MAKE EVERYONE HAPPY

I'M NOT CHOCOLATE

OR



BACKGROUND AND PRINCIPLES

- SSEG was going to happen, whether we liked it or not
- Regulatory Framework vacuum
- Pilot study, considered approach

- Must have a service charge to safeguard against customers using the network for free
- Must not be subsidized by other customers (should not create a perverse subsidy)
- Should be fair to all
- MSA requirements for tariffs

TARIFF v1 (2012/13 Financial Year)

- Net-metered Domestic Tariff
 - Service charge and net-metered energy charge (same for import and export)
 - Initially based on average consumption (760kWh) and assumptions around what costs are not energy related (25%)
 - Calculations at the time showed that energy fed into the grid and consumed at a later time cost the City around 28c/kWh
- Commercial applications were all treated at our Small Power 1 tariff, as a net-metered solution
- Neither tariff was ever formally implemented in general use, only in the pilot studies

TARIFF v2 (2013/14 Financial Year)

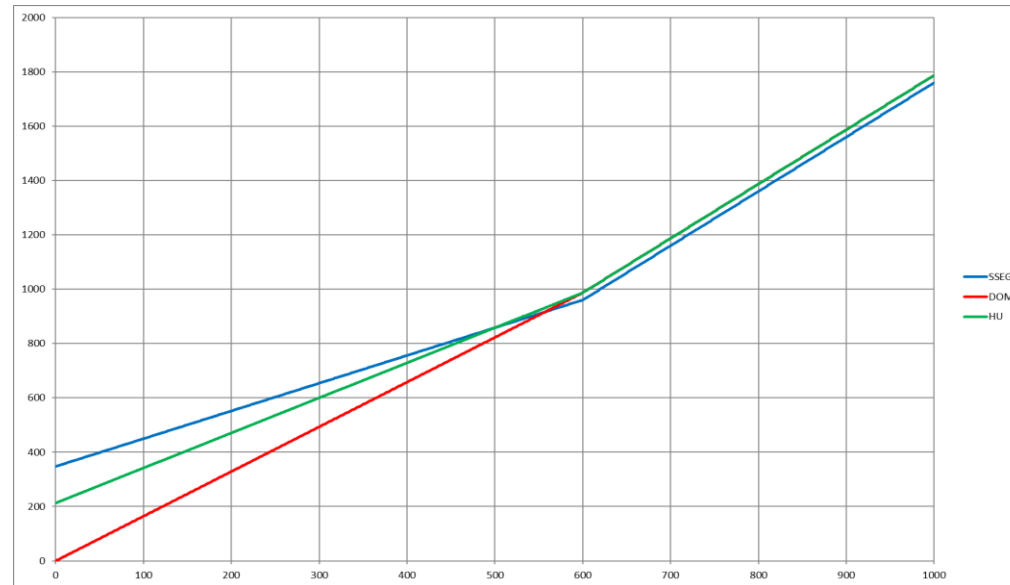
- Residential Small Scale Embedded Generation Tariff
 - Service Charge with individual energy charges (different for import and export)
 - All consumption charged at the same rate (i.e. not IBT)
 - Considerable work was done to determine the Generation Energy Charge, but ultimately this equated closely with Eskom Megaflex Low Demand Standard Time tariff
- Commercial applications charged at existing Commercial tariffs, with the Generation Energy Charge as an add-on
- Technical criteria delays meant that this tariff structure was only actually implemented in the 2014/15 financial year

TARIFF v3 (2015/16 Financial Year)

- Residential
 - Tariff structure amended to include a second block
 - To prevent large customers installing very small systems simply to access the tariff, and thereby getting a large discount on their accounts
 - Also achieved the aim of getting the tariff structure similar to the longer term aim for the “standard” residential tariff
 - Generation Energy Charge renamed to the Feed-in Tariff and set equal to Eskom Megaflex Low Demand Season Standard Time tariff
- No changes were made to the Commercial application

TARIFF v4 (2016/17 Financial Year)

- Residential
 - Minor tweaks so that all three primary residential tariffs have similar accounts for consumption/purchases above 600kWh per month



- Again, no changes to Commercial applications

TARIFF v5+ (Sometime in the Future...maybe)

- Residential
 - Set SSEG tariff equal to Home User, discontinue SSEG tariff, with customers having the Feed-in portion as an add-on to the Home User Tariff (not Domestic or Lifeline as these do not have Service Charges)
 - Time of use for both import and export (would require an additional meter at this stage – ends up as a TOU net-metering scenario)
- Commercial
 - Consideration is being given to “reducing” the Feed-in tariff to equate to the Megaflex Low Demand Off Peak rate, as this is when most of the surplus generation takes place
 - Convert to TOU required for both import and export

Lessons Learnt

- Tariff development lead times are long, things can change
- Cost reflectivity!!!!!!!
- Promulgating tariffs before technical requirements are ready may provide an indication to customers of what is coming, but does also create expectations that you may not ever be able to fulfil
- Some customers will never agree with what you propose, no matter what that is
 - Customers want what gives them personally the best outcome, not interested in what is best in terms of the bigger picture
 - Some of the most vocal critics early on were actually those with a vested interest in the industry!



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THANK YOU | ENKOSI | DANKIE

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