

# OUTA

ORGANISATION UNDOING TAX ABUSE



## Levies for loyalty

**OUTA submission to the City of Johannesburg  
Metro on Budget 2021/22**

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# OBJECTION TO THE PLANNED MONTHLY CHARGE FOR PREPAID ELECTRICITY USERS

## 1. PRELUDE

- 1.1 The Organisation Undoing Tax Abuse (OUTA) is a proudly South African non-profit civil action organisation, comprising of and supported by people who are passionate about improving the prosperity of our nation.
- 1.2 OUTA's mission includes challenging legislation and the regulatory environment where appropriate. This includes participating and engaging with local government on legislative, administrative and executive aspects affecting the rights of the public.
- 1.3 OUTA hereby makes its submission in response to a call for public comment on the City of Johannesburg's (CoJ) Draft Budget for the 2021/22 financial year. This budget follows from a year where Covid-19 brought human suffering and economic damage. According to the CoJ annual budget "The consequences have been dire for households and businesses and are to still remain with us for the foreseeable future. Following the consideration of public comments received, there has been a review and moderation of assumptions to respond to this urgent reality, the pacing of our spending plans and re-orientation of spending to the most urgent needs identified. At this stage, the priority is to support the health system, promote excellent hygienic standards and cushion vulnerable areas of society."<sup>1</sup> OUTA contends that the proposed new monthly service charges for prepaid customers will not protect vulnerable parts of society.

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<sup>1</sup> CoJ budget, pg 9.

1.4 This submission focuses on the proposed new monthly service charge for domestic (residential) and business prepaid customers. OUTA wishes to emphasise that the proposed new monthly service charges for domestic (residential) and business prepaid customers are superficial and based on an arbitrary understanding of electricity tariffs and levies. We oppose these charges.

## 2. BASE TARIFF

- 2.1 The National Energy Regulator of South Africa (NERSA) municipal guideline<sup>2</sup> sets the municipal increase taking into account the costs of bulk purchases, repairs and maintenance, salaries, finance costs, notified maximum demand costs, bad debt provision, free basic electricity payments to Eskom, charges from other municipal departments and general expenditure. It excludes capital expenditure. As NERSA does not oversee surcharges, this is all part of the basic electricity price.
- 2.2 OUTA contends that the introduction of a service charge does not negate the fact that domestic, and business prepaid customers already contribute to the operational and maintenance costs of City Power's distribution network.
- 2.3 In this regard, it should also be noted that the CoJ has already levied a network surcharge in terms of the Municipal Fiscal Powers and Functions Act. 2007 (MFPFA) at 6c/kWh applicable to all customer categories. The only exception is the first 500kWh of usage by domestic customers.
- 2.4 Notwithstanding, a base tariff increase of 14.59% and 15.59% (notwithstanding block variations) is proposed for business prepaid and domestic prepaid customers respectively. An average increase across all categories equals 14.59%.
- 2.5 CoJ is increasing the monthly service charges on all electricity tariffs by the 14.59% average. However, these charges are not part of the base tariff covered by the NERSA benchmark, so these charges should increase only by CPI.

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<sup>2</sup> NERSA. 12 March 2021. Municipal tariff guideline increase, benchmarks and proposed timelines for municipal tariff approval process for the 2021/22 financial year.

### 3. MONTHLY HOUSEHOLD BILLS

- 3.1. The costs of the proposed monthly service charges to the prepaid customers are significant. Domestic prepaid customers face an extra cost of R2 760 per household for the year (R200pm plus VAT) and business prepaid customers face an extra R5 520 (R400pm plus VAT). This is likely to be unsustainable for far too many of these customers.
- 3.2. According to the budget, approximately 120 214 households are conventional customers (domestic post-paid), while some 238 376 residential households are on domestic prepaid. These numbers are obviously incorrect, as they are the same as the numbers provided in the same table in last year's budget, although the budget indicates that CoJ spent R20 million replacing obsolete energy meters with prepaid meters. Using the inaccurate figure of 238 376 domestic prepaid customers, City Power may potentially generate R572.102 million over a twelve-month period, excluding VAT, from the domestic prepaid alone. OUTA was not able to establish the number of CoJ business prepaid customers.
- 3.3. The CoJ Budget 2020/21 noted that the average prepaid customer used just 374kWh per month.<sup>3</sup> At the 2020/21 tariffs, this is a monthly bill of R643.06<sup>4</sup> but at the proposed 2021/22 tariffs, it is R907.14.<sup>5</sup> This is an increase of 41%. How is this reasonable? Particularly for a sector of consumers using such a low amount of electricity. A household which is using only 374kWh is likely to be a low-income household trying to keep the bills down by limiting the use of a geyser and stove:

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<sup>3</sup> Draft request for approval to amend tariff of charges for electricity services: FY2020/21 Page 3.4 Available here: <https://www.joburg.org.za/documents/Documents/Budget/Budget%202020/Item%20003%20-%20Electricity%20Tariffs.pdf>

<sup>4</sup>  $(144.49\text{c/kWh} \times 300\text{kWh}) + (169.88\text{c/kWh} \times 74\text{kWh}) = \text{R}643.06$  incl VAT

<sup>5</sup>  $(169.69\text{c/kWh} \times 347\text{kWh}) + \text{R}200 = \text{R}907.14$  incl VAT

The Electricity Pricing Policy says that only consumption over 350kWh is usually associated with the use of a complete stove and a geyser.<sup>6</sup>

3.4. In the case of a domestic prepaid customer, this is what the increases look like:

- 350kWh a month increases from R596.17 to R913.00 (a 53% increase); if the proposed levy is removed, the new cost will be R683.00 (15% increase).
- 500kWh a month increases from R791.53 to R1 248.78 (58% increase); if the proposed levy is removed, the new cost will be R1 018.79 (29% increase).
- 1000kWh a month increases from R1 944.47 to R2 558.64 (32% increase); if the proposed levy is removed, the new cost will be R2 024.90 (4% increase).<sup>7</sup>

3.5. These exorbitant increases will inevitably result in a massive increase in illegal connections, electricity theft, bypassing of meters and other fraudulent activities, with huge revenue losses to CoJ that serve to negate the intentions of the price increases.

#### **4. SMALL BUSINESSES ARE STRUGGLING**

4.1. The businesses on prepaid business tariffs are likely to be small businesses. It is well known that businesses have been hard hit by the pandemic and an extra charge like this may push some of them into closure. Statistics SA reported that the total number of business liquidations recorded increased by 49% in March

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<sup>6</sup> 19 December 2008. Department of Minerals and Energy. Electricity Pricing Policy of the South African Electricity Supply Industry. Notice No. 1398. Government Gazette 31741 of 19 December 2008.

<sup>7</sup> This includes 6c/kWh surcharge on >500kWh pm and VAT

2021 compared with March 2020; the number of liquidations was higher year-on-year for eight of the last nine months.<sup>8</sup> A business advisory expert recently said that South Africa has one of the highest failure rates for SMMEs, with five out of seven failing within the first year.<sup>9</sup>

## **5. ESCALATION OF CUSTOMER DEBT AND THE NEED TO MIGRATE CUSTOMERS TO PREPAID**

5.1. As it currently stands, approximately R6 631.367 million is owed to the CoJ by customers, including R5 042.358 million owed for more than 90 days<sup>10</sup>, which constitutes 76% of the total debt owed. This is up from R5 283.161 million owed a year earlier with R3 909.541 million owed for more than 90 days.<sup>11</sup> This shows a 26% increase in the total debt owed and a 29% increase in that owed for more than 90 days, in a single year. This indicates the impact of the pandemic on CoJ customers. It should be noted that the rationale behind prepaid electricity meters is exactly that – debt is settled prior to the consumption of electricity. What this illustrates is that the debt owed to the CoJ is solely debt accrued from conventional electricity customers as no debt is owed by prepaid customers.

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<sup>8</sup> Statistics South Africa. 26 April 2021. P0043: Statistics of liquidations and insolvencies, March 2021. Available here: [http://www.statssa.gov.za/?page\\_id=1854&PPN=P0043&SCH=72803](http://www.statssa.gov.za/?page_id=1854&PPN=P0043&SCH=72803)

<sup>9</sup> BusinessTech. 3 May 2021. South Africa has one of the highest business failure rates in the world: analysts. Available here: <https://businesstech.co.za/news/business/487503/south-africa-has-one-of-the-highest-business-failure-rates-in-the-world-analysts/>

<sup>10</sup> Gauteng Provincial Treasury. 30 April 2021. Gauteng Municipal Consolidated Budget Statements for the quarter ended 31 March 2021 in terms of section 71(7) of the MFMA. Gauteng Provincial Gazette no 133.

<sup>11</sup> Gauteng section 71 report for the quarter ended 31 March 2020. Available online here: <file:///C:/Users/Louise.flanagan/Downloads/09.%20Gauteng%20-%20S71%20Q3%202020%20-%2015%20May%202020.pdf>



- 5.2. This is acknowledged in the city budget stating the need for “remedying process failures such as billing queries, improved data management, reducing the backlog, reducing especially the high estimations on electricity and water meters; and improving the coverage of physical meter reading remain relevant in the current setting”. This would bear out OUTA’s view that the post-paid metered properties are the problem.
  
- 5.3. The CoJ should in this regard utilise the rationale behind prepaid meters and advocate for migration of conventional customers to prepaid. It is undisputed that income generated from prepaid customers is a guaranteed income for the CoJ.
  
- 5.4. OUTA contends that is irrational for the CoJ to not incentivise the use of prepaid electricity meters. The proposed service levy has the effect of deterring customers from migrating to prepaid, resulting in a potential loss of guaranteed income for the CoJ. CoJ previously encouraged customers to move to prepaid by using the lack of a monthly charge as an incentive; it is unreasonable to now add that charge onto the tariff.
  
- 5.5. OUTA further contends that it is irrational for the CoJ to transfer the burden of debt accrued by conventional customers onto prepaid customers. In doing so, the CoJ circumvents its responsibility to collect outstanding debt in line with its Credit Control Policy. The CoJ’s failure to implement its Credit Control Policy is in contravention of section 62(1)(f)(iii) of the Local Government: Municipal Finance Management Act, 2003 (MFMA).

## 6. ESCALATION OF SERVICE CHARGE OVER THREE YEARS

6.1. The CoJ budget suggests that the newly proposed service charge will be brought in line with the service charge already applicable to conventional customers. One tariff document explains it thus: “It is also proposed for residential and business prepaid customers to start making appropriate contribution to the cost of operating and maintaining the City Power electricity distribution network to be available on demand. It is proposed to introduce a capacity charge of R200 for residential customers and a R400 for business prepaid customers. It is envisaged that the customer categories will fully align to respective comparative tariffs over a three-year tariff journey.”<sup>12</sup>

6.2. This is seriously confused thinking. The service charge for domestic conventional customers is R169.29 excl VAT per month (2021/22), which is lower than the service charge proposed for domestic prepaid. But domestic conventional customers also have a capacity charge of R498.72 to R683.14 depending on the tariff; this is a total fixed monthly charge of R668.01 to R852.43 (excl VAT). Presumably the CoJ isn't planning to reduce its new prepaid monthly levy, so this indicates that by 2023/24, the service charge would escalate to whatever the CoJ has hiked the total conventional monthly charge to by then. Even at R668.01, this more than triples this new charge in the space of two years. The increase for the business prepaid customer is to at least the equivalent of the 2021/22 business conventional service charge of R510.27 but if the same logic is applied it could add the capacity charge of R699.12 or R489.23.

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<sup>12</sup> City Power. Amendment of tariffs of charges for surcharges and miscellaneous charges for electricity services: FY21/22. Point 6 on page 4.3 [https://www.joburg.org.za/documents\\_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf](https://www.joburg.org.za/documents_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf)

6.3. The introduction of the service charge creates an escalation of costs for consumers which is way out of line with the Consumer Price Index (CPI) plus adds the annual increases to the CoJ's base tariff. OUTA contends that this approach by the CoJ will further deter customers from migrating to prepaid and may in certain circumstances lead to customers engaging in fraudulent activities, bypassing of meters and electricity theft, or opting to go off grid where they can afford it, while some are likely to be unable to afford even the most basic service. This will further contribute to the CoJ's loss of revenue.

## **7. FAILURE TO RINGFENCE REVENUE**

7.1. OUTA is unable to determine how much City Power spends annually on repairs and maintenance of its distribution network, making it impossible to determine whether additional service charges are warranted. It is further noted that the revenue collected from postpaid (conventional) customers is not ringfenced for its purported purpose of providing, maintain and upgrading grid access and connections.

7.2. It is further unclear whether the revenue in the form of fixed service charges to be charged to prepaid customers will in fact be ringfenced. The scenario this creates is uncertainty as to whether the proposed service charge will be utilised for its purpose.

7.3. OUTA reiterates that the budget does not adequately address ringfencing of monthly fixed service charges. It is not unreasonable to suggest that the CoJ is abusing its powers as contemplated in section 8 of the MFPFA in order to

compensate for a deficit in its budget attributed primarily to inadequate debt collection practices across all areas of service delivery (including electricity).

## **8. CITY OF JOHANNESBURG INEFFICIENCIES**

- 8.1. The CoJ should attend to electricity losses, as this is a significant cost which should not be loaded onto customers. The Budget says the CoJ intends to reduce losses to 24%, although it does not say how much the losses are currently. Even that 24% target is way above international benchmarks as well as the losses allowed by NERSA, which sets the benchmark for losses at 10% with an “acceptable range” of 5-12%.<sup>13</sup>
- 8.2. OUTA contends that the CoJ is opportunistic by imposing additional service charges on a select category of customers while remaining indifferent to its own operational and administrative insufficiencies and inefficiencies.
- 8.3. The CoJ’s actions in relation to its 2021/22 draft budget when it comes to imposition of additional surcharges and levies is indicative of the CoJ’s failed revenue collection practices. The CoJ is for all practical purposes cash strapped and is now aiming to hold its loyal paying customers to ransom. OUTA contends that the imposition of surcharges as apparent in the draft budget is not the way to stabilise the CoJ finances.

## **9. PRACTICAL IMPLEMENTATION**

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<sup>13</sup> NERSA. 12 March 2021. Municipal tariff guideline increase, benchmarks and proposed timelines for municipal tariff approval process for the 2021/22 financial year.

- 9.1. It is unclear from the consulted documentation exactly how the proposed monthly network charges of R200 (for domestic) and R400 (for business) prepaid customers are to be levied. In practice, a prepaid customer would purchase a voucher or token from a third-party vendor and be immediately credited with an amount of kWh proportional to the purchase.
- 9.2. However, on the presumption that a prepaid customer's electricity account be debited to make provision for a service charge it would mean that such customer would have to spend a minimum of R200 before receiving any electricity. Alternative collection methods such as splitting the charge into daily amounts which accrue through the month are likely to be incomprehensible to most customers and give rise to allegations of fraud.
- 9.3. It is further unclear whether third party vendors would collect this amount on behalf of City Power. It is presumed that this is in fact the case. This would be unjustified, as CoJ fails to provide such consumers with the full service.
- 9.4. From the documentation made publicly available, the CoJ has made little effort to inform the public on the practical implementation of the proposed service charge.
- 9.5. OUTA therefore calls for the CoJ to provide a comprehensive illustration on exactly how it plans to collect the service charge from prepaid business and residential customers as well as the associated costs to City Power, if any.

## **10. FREE BASIC ELECTRICITY, INDIGENT HOUSEHOLDS AND COVID-19**

- 10.1. As per the draft budget, it is unclear whether any provision has been made for indigent households in relation to the proposed service charge. OUTA appreciates

the fact that according to the Electricity Pricing Policy, provision is to be made for low-income domestic customers. This includes licensees subsidising such customers through lifeline tariffs, which have a single energy rate, no fixed charge, a nominal connection fee and are limited in capacity to 20 Amps. It suggests using low consumption levels and low installed capacity to identify such customers due to the difficulties of identifying them. The lifeline tariff in this regard should break even with the cost of supplying a 20 Amp customer at 350kWh a month.

10.2. In order to qualify for the CoJ's Siyasizana Expanded Social Package, the household income must be less than R6 281.13 (as at 1 November 2020) per month. This merits a package of only 50kWh a month free.<sup>14</sup> There is no indication that the indigent would not have to pay the new service charge. Even if the indigent escape this charge, many of those earning above the cut-off would not be able to afford it.

10.3. In the proposed 2020/21 budget, the CoJ also proposed a service charge, referred to as an "availability charge" for business and residential prepaid customers. Following public outcry, the CoJ scrapped its imposition, saying this was due to prevalence of financial constraints experienced by customers during the 2020 lockdown period.

10.4. OUTA contends that the economic situation has not miraculously improved since 1 July 2020. Notwithstanding the fact that the country has emerged from a hard lock down, the financial repercussions remain – especially in low-income households and households above the Siyasizana threshold.

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<sup>14</sup> City of Johannesburg. Expanded Social Package. Updated 1 November 2020. Available here: [https://www.joburg.org.za/services\\_/Pages/City%20Services/Social%20Package/Expanded-Social-Package0217-1439.aspx](https://www.joburg.org.za/services_/Pages/City%20Services/Social%20Package/Expanded-Social-Package0217-1439.aspx)

## **11. IRRATIONALITY OF THE PROPOSED SERVICE CHARGE**

11.1. In order to justify any motivation for electricity tariff changes, and presumably to satisfy NERSA requirements, it is assumed that the city must have done a cost of supply study. In the absence of a publicly available recent cost of supply study that ought to have been conducted by the CoJ in order to substantiate the need to levy a service charge, OUTA contends that the imposition thereof is irrational and calls for it to be reconsidered.

11.2. There are no reasonable means for the public to establish what City Power spends per kWh in reticulation and distribution of electricity. There are no reasonable means to determine whether the service charge imposed is rationally connected to the purpose for which it is claimed. Thus, it is not unreasonable for OUTA to allege that the service charge is unjustified.

11.3. The lack of transparency in this regard, we submit, further suggests the CoJ's opportunistic approach to collect revenue to compensate for its declining financial situation.

## 12. INCOHERENT BUDGET DOCUMENTS

12.1. The CoJ budget documents are badly organised, filed in different places on the metro's website, and contradict each other. This is problematic for a public participation process.

12.2. The CoJ website link to the 2021/22 Draft Medium Term Budget Reports<sup>15</sup> links to five documents, including the 2021/22 Budget Book<sup>16</sup> but no tariff documents. The Budget Book includes tariffs, including the electricity tariffs<sup>17</sup>. These tariffs do NOT include any reference to a monthly charge for prepaid residential or prepaid business. There is no indication in the Budget documents that there are extra tariff documents elsewhere. The electricity tariffs documents are in a different section, separate from the Budget documents.<sup>18</sup> Here, there are two sets of tariff documents, and it is in these documents that the new service charge for prepaid customers is listed.<sup>19 20</sup> One tariff document states this: "It is also proposed for residential and business prepaid customers to start making appropriate contribution to the cost of operating and maintaining the City Power electricity distribution network to be available on demand. It is proposed to introduce a capacity charge of R200 for residential customers and a R400 for business prepaid

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<sup>15</sup> This is found under Key Documents / SDBIP;IDP&Budget / 2021/22 Draft Medium Term Budget here:

<https://www.joburg.org.za/documents /Pages/Key%20Documents/2021-22%20Draft%20Medium%20Term%20Budget%20Reports/202122-Draft-Medium-Term-Budget-Reports.aspx>

<sup>16</sup> The 2021/22 Budget Book is here: <https://www.joburg.org.za/documents /Documents/2021-22%20Draft%20Medium%20Term%20Budget%20Reports/2021-22%20BUDGET%20BOOK.pdf>

<sup>17</sup> 2021/22 Budget Book, page 60-64.

<sup>18</sup> The tariffs are found under Key Documents / Tariffs, here:

<https://www.joburg.org.za/documents /Pages/Key%20Documents/other/links/tariffs/Tariffs.aspx>

<sup>19</sup> Found under Key Documents / Tariffs / 2021/22 Tabled Budget Tariff Supporting Reports here:

<https://www.joburg.org.za/documents /Pages/Key%20Documents/2021-22%20Tariffs/-202122-Tabled-Budget-Tariff-Supporting-Reports.aspx>

<sup>20</sup> Available here: <https://www.joburg.org.za/documents /Documents/TARIFFS/2021-22%20Tariffs/Power.pdf>



customers. It is envisaged that the customer categories will fully align to respective comparative tariffs over a three-year tariff journey.”<sup>21</sup>

12.3. It is unacceptable to provide different versions of tariffs for the budget and raises suspicion that this is a deliberate attempt to hide these additional charges.

12.4. CoJ appears to be using a similar strategy of document with different versions of tariffs to implement a 2% surcharge on business and large power user bills. It's not clear whether this is 2% added to the power charge or to the entire bill, and whether this applies to both postpaid and prepaid users. This 2% charge is in the main draft Budget Book 2021/22, as a single line at the very end of the electricity tariffs: “The proposed tariffs for 2021/22 are exclusive of the 6c/kWh network surcharge, 2% surcharge on business and large power users and VAT.”<sup>22</sup> Both the tariff documents refer to this 2% charge, although one says this charge started in July 2020<sup>23</sup> and the other says it will start in July 2021<sup>24</sup>. The CoJ may thus have already started charging business and large power users this 2% surcharge. The draft Budget Book for 2020/21 did not include any mention of this surcharge<sup>25</sup> and nor did the final Budget Book<sup>26</sup>, but the final tariffs document<sup>27</sup> does include

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<sup>21</sup> Point 6 on page 4.3 in this document: [https://www.joburg.org.za/documents\\_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf](https://www.joburg.org.za/documents_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf)

<sup>22</sup> 2021/22 Budget Book, page 64.

<sup>23</sup> Point 6 on page 4.9. [https://www.joburg.org.za/documents\\_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf](https://www.joburg.org.za/documents_/Documents/TARIFFS/2021-22%20Tariffs/Power.pdf)

<sup>24</sup> “Surcharge on business and large power users”, page 6. [https://www.joburg.org.za/documents\\_/Documents/TARIFFS/City%20Power%20Tariffs%20Report/City%20Power%20Tariffs%20Report%202021-2022%20%28Signed%29.pdf](https://www.joburg.org.za/documents_/Documents/TARIFFS/City%20Power%20Tariffs%20Report/City%20Power%20Tariffs%20Report%202021-2022%20%28Signed%29.pdf)

<sup>25</sup> Draft Medium-Term Budget 2020/21-2022/23. [https://www.joburg.org.za/documents\\_/Documents/Budget/2020-21%20to%202022-23Draft%20Medium-Term%20Budget/ITEM%2003A%202020-21%20BUDGET%20BOOK%20%284%29.pdf](https://www.joburg.org.za/documents_/Documents/Budget/2020-21%20to%202022-23Draft%20Medium-Term%20Budget/ITEM%2003A%202020-21%20BUDGET%20BOOK%20%284%29.pdf)

<sup>26</sup> Medium-Term Budget 2020/21 to 2022/23 [https://www.joburg.org.za/documents\\_/Documents/Budget/Budget%202020/Budget%202020%20Final/Item%20A%20Operating%20BUDGET%20BOOK%202020-21.pdf](https://www.joburg.org.za/documents_/Documents/Budget/Budget%202020/Budget%202020%20Final/Item%20A%20Operating%20BUDGET%20BOOK%202020-21.pdf)

<sup>27</sup> Pages 35 and 42. [https://www.joburg.org.za/documents\\_/Documents/TARIFFS/2020-21%20Tariffs/Tariffs-Schedule2020-21.pdf](https://www.joburg.org.za/documents_/Documents/TARIFFS/2020-21%20Tariffs/Tariffs-Schedule2020-21.pdf)

it. Sneaking in a surcharge in this way is dishonest, shows contempt for the public participation process, and is illegal.

### **13. RECOMMENDATIONS**

- 13.1. It is recommended that the CoJ does not impose a service charge on prepaid as this will affect predominantly the poorer communities and small businesses within its jurisdiction. The country has recently emerged from a devastating lockdown. It is undisputed that many families and businesses are experiencing the economic fallout of Covid-19.
- 13.2. It is recommended that the CoJ publicises any comprehensive cost of supply (CoS) study in line with the NERSA Cost of Supply Framework for all licenced electricity distributors. Upon conclusion of a CoS, the CoJ is to publish the CoS for public comment. OUTA contends that without a CoS, the public cannot meaningfully comment on whether electricity related charges are warranted. The absence thereof, however, renders the proposed service charge potentially reviewable.
- 13.3. It is recommended that the CoJ reassesses its debt collection processes for the conventional (postpaid) sector, to ensure that the prepaid sector is not expected to pay those unrecovered debts.
- 13.4. It is recommended that the CoJ reduces its energy losses within one year from the current situation of above 24% to within the NERSA benchmark of 10%.
- 13.5. It is recommended that the CoJ reduce the increases on all the electricity tariff monthly service and capacity charges to CPI. These increases should not be tagged to the NERSA-approved increases, as they are not part of the basic price.

- 13.6. It is recommended that CoJ drops the 2% surcharge for business and large power users and reimburses any such customers who may have been charged this during 2020/21.
- 13.7. It is recommended that the CoJ focuses on its existing electricity distribution operations, reducing unnecessary expenditure in other areas, rather than seeking to compensate for its operational inadequacies through the imposition of additional electricity related charges for which there is no justification.
- 13.8. It is recommended that proper ringfencing mechanisms should be adopted in order to safeguard against misuse of revenue from the existing service charges, network charges and surcharges. In addition, it should be clearly stated what this revenue is used for and the financials for this included in publicly available reports.
- 13.9. It is recommended that the CoJ ensure that its presentation of the annual budget documents is transparent, easily accessible to all residents in a central place, and that information in the documents is consistent.