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Resellers' Forum

15 November 2013



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Presentation Outline

- **Current state of affairs**
 - Approved tariff structure
 - Applicable by-laws
 - Typical reseller business model
- **Proposed principles for reseller tariff design**
 - Guiding philosophy
 - NERSA's view
 - Interim solution for FY2013/14
 - Tariff design considerations for FY2014/15
- **Reseller Participation**
 - Penalties to apply
 - Application and registration process



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Current State of Affairs

- **Approved tariff structure**

- *Clause 1.4.14:*

- *“If the Body Corporate of complexes, flats, cluster developments approach the City of Johannesburg with an affidavit declaring the number of units in use in the complex, normal consumption tariffs will apply, as per unit in the complex, rather than the tariff that would be deemed appropriate for the complex as an aggregate. The changes will be implemented from the date of application.”*

- Application (example):

- If aggregate consumption of reseller amounts to 20 000 kWh per month, and
- Reseller sells on to 20 tenants/dwellings/customers/buildings, then
- Reseller is charged 20 x 1 000 kWh per month, rather than at >3 000 kWh per month scale

- NO provision currently made for resellers with commercial customers



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Current State of Affairs

- Resellers are bound by the Electricity Act and the Municipal by-laws when selling to end users
- By-laws to regulate reselling process
 - Section 17: Resale of electricity
 - The charge made by such reseller shall not exceed the charge determined by the council which the council itself supplies electricity and every such purchaser shall be entitled to require the reseller to furnish such accounts, documents and other information as may be necessary to enable the purchaser to ascertain whether the accounts rendered for electricity supplied are correct.
 - Pricing and tariffs
 - Accounts and billing
 - Meters and meter reading
 - Sub-meter management
 - Maintenance
 - Penalties
 - Section 13: Failure of meter to register correctly – 38 months history applicable



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Current State of Affairs

- **Reseller business model**

- Domestic AND commercial customer base
 - Most customers on prepaid structure
 - Small customers often consume less than 500 kWh per month
- Charge to customers
 - Not more than equivalent charge from City Power
- Conventional vs. Prepaid systems
 - Preference for prepaid
 - Conventional basic charges (service and network access) seldom passed onto consumers
- Vending operations
 - In-/outsourced operation
 - Margin of 10-15% added to City Power tariff
- Resellers have to buy on conventional tariff while often having to sell on prepaid structure
- Certain resellers sell on to customers even if not billed by CoJ
- Certain resellers use electricity charge to recover other service costs and profits

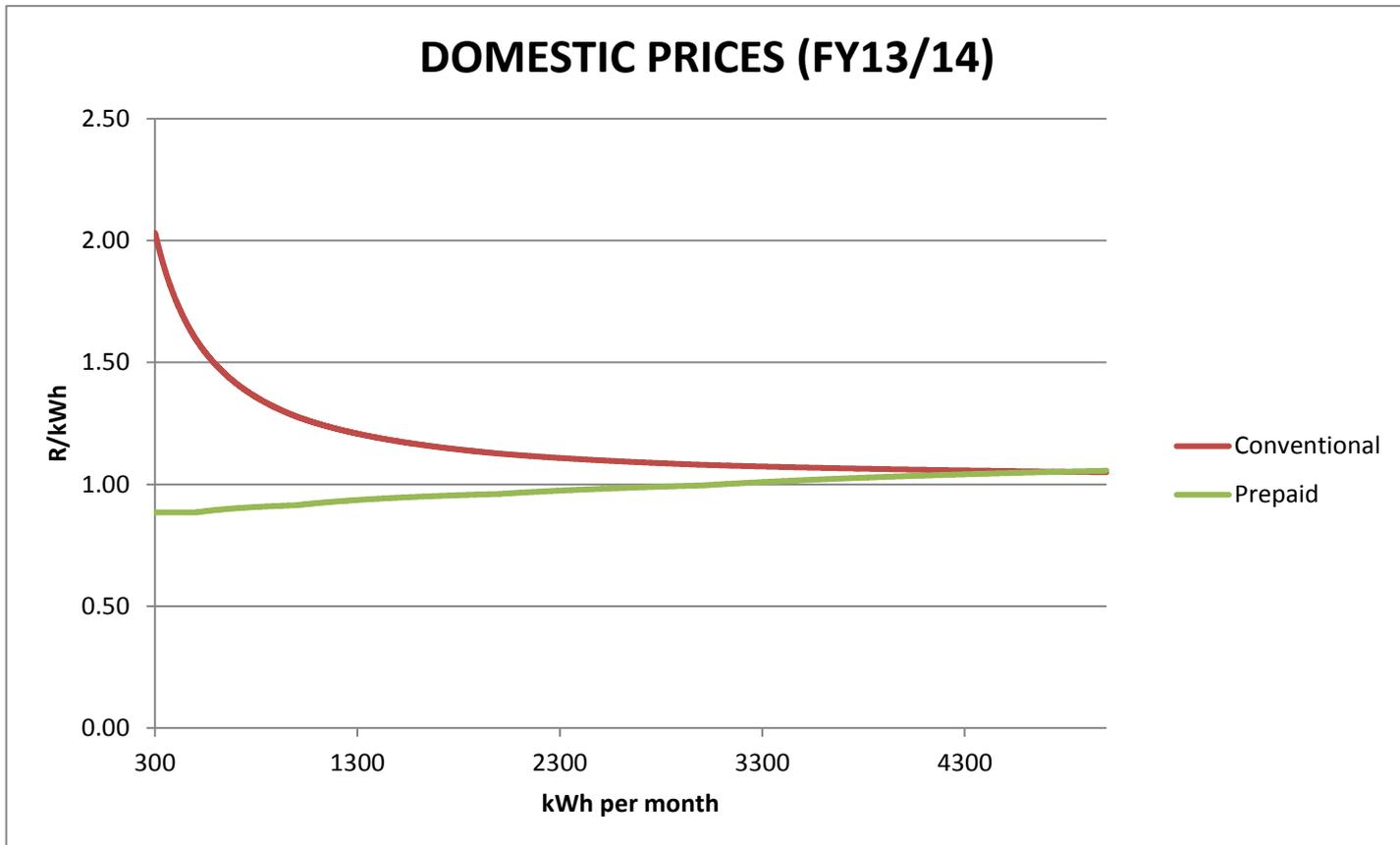


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Current State of Affairs

- Differential between conventional and prepaid tariffs





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Proposed Approach

- **Guiding philosophy**
 - Resellers should pass electricity costs through to customers and should not be making any profits or losses on electricity sales
- **NERSA's point of view**
 - Resellers have a strong reason for existence and should be allowed to generate a profit margin from sale of electricity
- **City Power approach**
 - Although guiding philosophy is the ideal, we operate in the SA context and need to allow a reasonable profit to be made from reselling of electricity
 - Profits that resellers can obtain from service cost mark-up to be clearly indicated as separate line-items in customer invoices.
 - Electricity billing not to be used for recovery of other service expenses



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Proposed Interim solution

- **Tariff implementation for FY2013/14**

- Use current approved rates and clause 1.4.14 for domestic customers as far as possible
 - Avoid long approval processes
- City Power to build awareness among resellers that clause 1.4.14 need to be implemented for each particular reseller request
- Obtain information provided by resellers to CoJ – database useful for planning/budgeting consumption and sales
- Extend the application of clause 1.4.14 to cover not only domestic but also commercial customer bases
- Allow sales to resellers at PREPAID tariffs as implemented through clause 1.4.14



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Proposed Long Term solution

- **Tariff structure for FY2014/15 and beyond**
 - Allow the differential between prepaid and conventional tariffs to be reduced (especially at consumption of < 1 000 kWh per month)
 - Base reseller purchase price on prepaid tariff structure
 - Eliminate City Power vending cost from the prepaid tariff charged to resellers so that they may add their vending margins without penalising the ultimate consumers
 - Promulgate separate tariff for resellers



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Penalties

- **Bylaws Section 13 – partial relief**

- City Power will allow a window of opportunity for registration of resellers that are not currently billed
- The full penalty of 38 month backlog charge will not be implemented as stated in the bylaws
- The applicable back charge will only be to 1 July 2013
- The window in which this amendment will apply will be until 30 June 2014
- City Power will extend this announcement to the public media



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Registration Process

- **City Power engagement to apply for correct billing by CoJ**
 - City Power to be approached with request for registration
 - Resellers to provide the following information:
 - Biographical info
 - Number of tenants or dwellings serviced per account
 - Tariff structures applicable to customers
 - Service and network charges passed on to customers (if on conventional tariff structure)
 - City Power to assist resellers to settle billing agreement with CoJ
 - City Power to maintain and update register
 - City Power to ensure that a bulk meter exists to measure the total consumption of resellers



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Thank You