



**S A P O A**

THE VOICE OF COMMERCIAL PROPERTY

[www.sapoa.org.za](http://www.sapoa.org.za)

**20 November 2012**  
**mypd@nersa.org.za**

Dear Sir/Madam,

**FORMAL COMMENTS ON ESKOM'S MULTI YEAR PRICE DETERMINATION 2013/14 – 2017/18 (MYPD 3)**

The South African Property Owners Association (SAPOA) is a non-profit organisation registered in terms of applicable company laws. SAPOA represent approximately 90% of the commercial property sector which comprise of property owners, managers, developers and professionals within the commercial, retail and industrial property sectors.

We refer to the proposed multiyear price determination application being made by ESKOM for the 2013/14 – 2017/18 period. SAPOA has a material interest in the proposal as confirmed by ESKOM, it generated, transmitted and distributed electricity directly to also 49 000 commercial customers and 84 000 agricultural customers. SAPOA appreciates that one of the strategic objectives of ESKOM is to pursue private-sector participation in South Africa's electricity industry. SAPOA hereby comments as follows to the proposed MYPD3 application by ESKOM, i.e.:

- a) The high cost of current electricity is closing down small shops that are not part of the big retail group.
- b) When the calculation of a 16% yearly increase over 5 years is being done, it should give an 80% increase. In reality, based on increase, it works out to 105% increase, a 25% more than the 80%, not 16% x 5 years. Accumulative increase is far more than fixed increase on a base amount. This will have a massive negative impact on the economy.
- c) Commercial property owners will be prejudiced if any organization does not make plans to improve performance in for example revenue collection, but only increase tariffs. SA is losing about R4.4 Billion a year on theft alone.
- d) The proposed 16% will prove a more negative impact on the Landlords, Resellers and the ultimately the End-User in the following manner:
  - Sliding Scale IBT: The structuring of the IBT makes it impossible to manage residential complexes as most tenant are energy efficient and are falling on the lower blocks of the IBT and as a result ending up paying even much lesser.
  - The Eskom IBT was designed to enable cross subsidy to benefit only the poor and now ends up being utilized incorrectly as it also applied to mid-income dwellers in urban areas.

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- As everyone is manifesting the employment of pre-payment metering which carries no basic charges on the end-user account, yet vending fees and basic charges on the bulk landlord/reseller's account, it has transpired that the landlord/reseller carries even more electricity buying cost.
- There is also a technical risk e.g. transformer losses, malfunction, incorrect calibration, tempered meters which in realistic terms only translate to expenses for the utility management company.
- Credit control risk also poses an expense to the Reseller as they have to carry all cost relating to the management of these kinds of building. The 16% increase will make the problem even bigger.
- It is therefore suggested that the use of "Home power 4" Tariffs instead of IBT for these kinds of consumers.
- Pressure must be placed downwards on the percentage requested as it has a direct impact on what municipalities apply for.
- Through Eskom has increased their local authority tariffs by 11% (excl. environmental charge) some municipalities applied tariff increases this year in excess of this.
- Some municipalities charge rates (as stated in their brochures) that are different to those published in the approved Nersa rates brochure. In most cases certain components are simply not included in the Eskom approved (e.g. Levies and surcharges) – are these charge not subject to Nersa oversight? A better way avoid this would be to only allow Nersa to publish tariffs, thereby avoiding confusion and discrepancies.

We hope that you will consider our comments.

Kindly contact the writer for any queries on (011) 883 0679.

Yours faithfully

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