

Dear South Africa is a network of online platforms designed to facilitate government and encourage the public to participate in unbiased decision-making processes or policy formation at SOE, municipal, provincial and national levels.



NFBE Rate Methodology

November 2020 – 7 December 2020

The National Energy Regulator of South Africa (NERSA) is a regulatory authority established as a juristic person in terms of section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's mandate is to regulate the electricity, piped-gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), the Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

NERSA hereby invites stakeholders and members of the public to submit comments on:

- the review of the Methodology for the National Free Basic Electricity (NFBE) Rate that Eskom charges the municipalities to supply Free Basic Electricity (FBE) to households in the Eskom supply areas within the municipal boundaries.

Summary of the Regulations:

1. Municipalities have the constitutional responsibility to provide basic services, and the equitable share allocation enables them to do so. In areas where Eskom is the supplier, the FBE is provided on behalf of municipality by Eskom. In such areas, the municipality enters into an agreement with Eskom which covers households that are in the Eskom supply areas within the municipality.
2. The national Energy Regulator (NERSA) developed a methodology to determine the National Free Basic Electricity (NFBE) rate. The tool is used annually to determine the NFBE rate that Eskom charges the municipalities for supplying FBE on its behalf. The methodology was approved in May 2011 and reviewed in 2013 and 2017.
3. The purpose of the review is to enhance the FBE regulation. Certain sections of the mechanism have been revised to align objectives and ensure that the process of determining the FBE rate is fair and transparent.
4. Once lesson learned through the previous methodology was that some of the sections were not clear on their intended objectives, particularly on when volume forecasts made by Eskom are not met.



The above notice for the NFBE Rate Methodology Regulations was released in November 2020 where the closing date was set to close of business on 7 December 2020.

Written submissions and enquiries were directed to Ms Nkhangweleni Sigwadi and Ms Kwena Matlou at FBEMethodology@nersa.org.za.

Dear South Africa (DearSA) hosted a participation project through Dear South Africa's mobile and online platform to facilitate, educate and encourage public participation and comment to shape this amendment.

<https://dearsouthafrica.co.za/nfbe/>

Included on the web page was:

- 1 - the published Amendments and related documents as downloadable PDFs
- 2 - published notice, methodology and the consultation paper.
- 3 - a live view of public comments (with a counter and breakdown reflecting number of participants)
- 4 - video summaries
- 5 - links to relevant media articles
- 6 - a portal which posed two questions (with the option of three responses per question)
- 7 - a comment facility to provide input on the Amendment

Each public entry was individually delivered to FBEMethodology@nersa.org.za. DearSA also captured all public entries which have been used to produce this report.

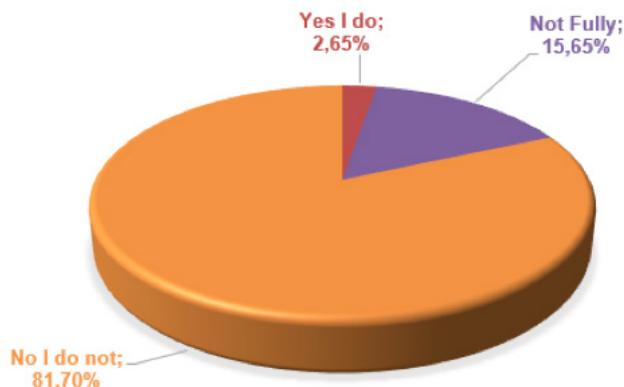
Note: In order to accurately reflect public comment, DearSA's projects are unbiased and hold no partisan opinion or agenda. Raw captured data is attached as an Excel file.

A total of **1,145** comments were received by the set closing of 30 November 2020 (included in the Excel file). This report reflects the entries received by the closing date.

Two question presented;

1. Do you support the National Free Basic Electricity Rate Methodology?

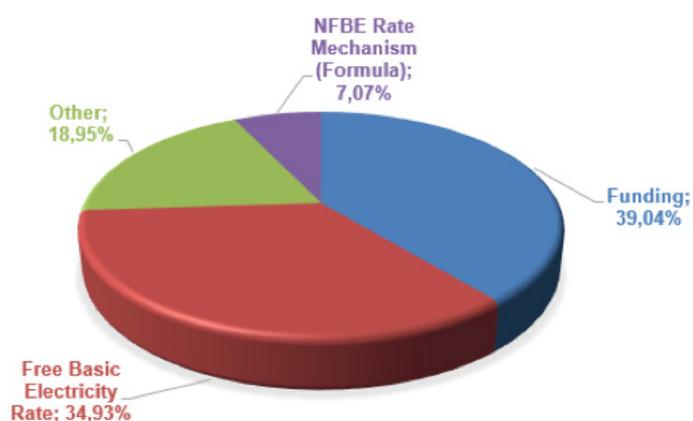
	Yes, I do	[268 selected]	23.41%
	No, I do not	[711 selected]	81.70%
	Not fully	[166 selected]	15.65%





2. What is your top concern?

 Funding	[447 selected]	39.04%
 Free Basic Electricity Rate	[400 selected]	34.93%
 Other	[217 selected]	18.95%
 NFBE Rate Mechanism	[81 selected]	7.07%



Comments

The participants are encouraged to provide comment to justify their selection in order to help shape the policy amendment.

Of the “Yes, I do” comments, the public support the idea of free electricity but have stated that this service should be made available particularly to the elderly community or to all citizens but limited to 100 units. It was also raised that this service should not be funded from taxes in any form as the policy needs to return money to the consumer’s pocket.

Suggestions from the “Yes I do” comments, include;

Concern; Funding

1. “The methodology should be such that fair and equitable distribution is of Paramount importance and not subject to manipulation.”
2. “Although a good idea it will need to be funded by somebody (Taxes, etc)”
3. “As much as I support the FBE I’m also concerned about the financing, because it always falls over taxpayers’ shoulders to pay all the funding and if may be those who are pensioners and jobless people and also those who are less paid. But they must find other sources of funding that FBE”.



Concern; Free Basic Electricity Rate

1. "I recommend that we all get a free basic electricity rate for every household and that would be fair irrespective on how much you earn, as we already contributing too much on taxes, which has led to so much corruption. So, in order to benefit from our taxes I recommend free basic electricity for all households."
2. "Please supply each household with enough electricity to run a fridge, lights, heater and geyser all month. Calculate the cost. If you do not do this you get (a) illegal connections and deaths from that, (b) shack fires from oil lamps, (c) learners unable to study due to lack of lighting at night."
3. "If it is that households can be offered a free basic electricity service of at least 100 units, after which charges can be applicable, it can help a lot. Still the public will then act responsibly in the use of electricity if some use of electricity will be payable still. All households whether pensioners, or normal will receive free electricity & all will need to pay a part."
4. "Why don't Eskom take over the full direct supply to all businesses and homes across SA at a slightly increased rate or at a slightly less rate the municipalities (incorporating the free basic Electricity rate to each home).
5. Eskom can then take over the Electrical Municipality staff and take full responsibility to services and upkeep (maintenance) of what the municipalities are normally responsible for etc.
6. This will mean that they will get "more money in their pockets" and will not sit with none paying municipalities. Consumers with solar and other self-generating units can "pump" surplus supply back into the grid and will reverse their electrical meter reading"
7. "Please do away with the levy on electricity, especially for pensioners, no way we can afford it. All these levies are bankrupting us".
8. "As long as all households receive that same free basic electricity rate".
9. "We used to get a certain number of electricity units free every month. Electricity is now far too expensive. Please bring back our free units!"
10. "The indigent register needs to be updated regularly and be aligned to the FBE rate to ensure that correct people receive electricity."

Concern; Other

1. "The admin costs on the Eskom invoices is such a high proportion of the total that the consumer's efforts to reduce usage consumption make little difference to the exorbitant cost of electricity supply. Some admin costs should be free."
2. "My concern would be the recipients of FBE who do qualify, if any, like it happened to those who applied and received R350 Covid 19 social assistant grants from SASSA even though they did not qualify."
3. "apply one usage rate additional to basic free allocations with the understanding of a sustainable end user relative to its consumption and occupancy."
4. "Free electricity to registered house stand numbers and to legal citizens."
5. "My concern is that our citizens buy electricity from corrupt municipalities and not directly from Eskom, when will the government realize that the root of all corruption start at the municipalities. Let every household buy directly from Eskom."

Concern; NFBE Rate Mechanism (Formula)

1. "Bring in an independent company that will be fair and just when it comes to reviewing the rates. Gov should subsidise part of the rate."
2. "All should be entitled to an amount of free electricity per month as the price of it has become unaffordable to most of us. The illegal electricity connections should be treated as sabotage as it affects all of us because the paying customers are subsidizing the illegally connected."



3. "At the moment, there is no clearly understood calculation methodology on my municipal electricity account. It varies for Stage 1 of between 65% and 45% and Stage 2 of the difference. It would be so much easier if a fixed value for the different stages be communicated to all which will drive behavioural changes to save electricity (although this is not in Eskom's interest as they then earn less). Also - make it an incentive (cheaper per Kwh) for pre-paid electricity as this money is paid upfront prior to usage."
4. "I support the purpose of the review, which is to enhance FBE regulation. It is good that certain sections of the mechanism have been revised to align objectives and ensure that the process of determining the FBE rate is fair and transparent."
5. "The review should ensure transparency of FBE regulation, including determination of factors in calculations and process oversight. A review or update ensures that gaps and lessons learned are incorporated into the methodology to ensure fairness (social justice) for all citizens and access to national resources, but at the same time transparency and accountability. Intended objectives must be reviewed and aligned with available data or scientifically produced forecasts."
6. "Rate of electricity is too high and does not last longer, it affects low-income people who cannot afford the very high electricity"

Of the "Not Fully" comments, the top concern is linked to the funding of the project that will be required to subsidize free electricity as well as the equality of the distribution of this service. It was also mentioned that government should rather be enabling ways to initiate green energy projects where any surplus energy can be used and distributed to indigent citizens. It was also stated that prepaid electricity should not be more expensive than municipal power.

Suggestions from the "Not fully" comments, include;

Concern; Funding

1. "Nothing is for free. Municipalities, Eskom nor the government can afford it. So, who will pay for it?"
2. "The Government has other priorities before it goes handing out more free stuff. I support free basic power once ESKOM is managed properly, and electricity debts have been paid by incompetent municipalities. This in turn requires that municipalities are run by competent management."
3. "Would rather have a subsidy for installation of solar power. Renewable, Free, Clean, Reliable"
4. "Remove the FBE. Quantify the revenue involved. Feed this revenue into a controlled fund. This fund then used to adjust the electrical tariffs for all."
5. "It would be much better if the Government worked together to provide other renewable forms of energy like solar or windmills."
6. "Free basic Electricity requires funding model that is sustainable, one of the models in mind is to get the local industries propose funding for their community as one of the ways to alleviate poverty and hardships. Providing 50 kw of electricity for free, is not sustainable, government come and go it can be changed, so my proposal is that there are big industries in most Cities they should fund the model as part of community investment programme"
7. "Every person in South Africa should pay the same rate. Use as much as your budget allows. With this distribution a large part of the population will pay slightly more and the small percentage that pays an unnecessary high amount to "subsidise" the others will not be victimized."
8. "We are in a recession and there simply is no money to fund free anything."
9. "Every household should get 100 units free, thereafter everyone has to pay the same price per unit".
10. "Funding is an issue. Government should be promoting & moving towards different forms of green energy; it is the only way forward. SA has lots of sun and wind, use it, it's free & doesn't harm the earth!"



Concern; Free Basic Electricity Rate

1. "I agree that those who qualify and really cannot afford electricity should be eligible for the FBE. However, the illegal connections must be taken down to assist Eskom to be able to operate properly. Once done, those who can afford need to pay even if its i.e., based on your income, i.e., the less you earn the lower your rate. But you can't get it all for free especially if you do work."
2. "Every household in South Africa deserves the same amount of kWh per month regardless of household worth or income. Or at least free 100 units of electricity for all."
3. "Why should one's tariff be more because of the value one's property it should be one tariff for everyone we are all using the same power supplier"
4. "Tricky issue, because it's not really "free". It's another indication of the failure of the State, but also a lever of patronage. I'll support it if ALL households get FBE, provided you have a legal prepaid meter in your home."
5. "I will only support an allocated free allowance of say 6 kWh per month to South African Citizens who are truly classified as "Indigents"."
6. "There is nothing free. Eskom needs to be restored. Takes money to create and supply electricity. People will demand free basic services, including electricity. But like airtime, when it is expensive and limited, it is used sparingly. The municipalities that need fiscal discipline need to get it."

Concern; Other

1. "This must benefit ALL ethnic groups ALL households. ALL areas."
2. "Everybody, (including politicians and government) should pay for electricity. A number of units should be free (to assist the poor) and a sliding scale for ranges of units above that. That way the users determine the rate they pay."
3. "The FBE is a good-natured principle, however, nothing is really free. This could cause great concern that Eskom might use this to justify their rate increases."
4. The formula that is used is not explained in layman's terms and an ordinary citizen would not be able to perform the calculation. How is the supply of free electricity going to be recovered, are people who pay their bills going to pay more to cover those who get free electricity? Does that mean higher taxes for taxpayers or an increase in VAT as our government is already in financial trouble. The only people who should be eligible for free electricity are state pensioners and people who receive grants. We all know they can barely survive. Other who work and get a basic salary should pay towards electricity but depending on the income, there payments should be adjusted accordingly.
5. "I think that the policy may have been effective in a country where there's not so much fraud as in SA."

Concern; NFBE Rate Mechanism (Formula)

1. "The NFBE Rate Mechanism needs to be attended to, giving accurate measurements."
2. "Not everyone should qualify."
3. "People should pay for what they use. If electricity is subsidized, let it be using renewable energy. eg provision of solar panels."
4. "There is a lot of unmentioned uncertainties about this amendment. ESCOM is corrupt with extremely bad management. If it is well managed the electricity fees will not be so high. Cut the salaries and get competent people to run the company, technology wise as well as financially and then implement basic free electricity across ALL the users".



Of the “No I do not” comments, the public aren't in agreement of the policy that incites free electricity due to the country's current inadequacies. These include energy resource constraints, poor financial leverage that will impede on the taxpayer's pocket and the concern that it will lessen the prioritisation of job creation. The policy does not hold a firm plan either to address the current limitations of the infrastructure nor the electricity theft that has becoming a growing problem over the last decade.

Suggestions from the “No I do not” comments, include;

Concern; Funding

1. “Nothing is free, but electricity must be provided at cost price +10% for local authorities.”
2. “Who is ultimately paying for the free electricity. The taxpayer is. As such all taxpayers should be treated equally and a stepped rate should be implemented”
3. “I do not support the principle of cross subsidization. The user must pay. If everyone paid their fair share, then the overall cost of electricity would fall dramatically. We are also encouraging a culture of entitlement to free services.”
4. “Would not be a problem if there is enough electricity to go around. Current situation is that there is barely enough to give to the paying working class”
5. “It is the Government's responsibility to create jobs so people can pay for things, nothing in life is free, some hard-working taxpayers must always pay for the government competencies”.
6. Current energy demands cannot be met, and consistently fulfilled. The model needs to be re-worked to incorporate green energy sources before “free electricity” can be proposed.
7. “This country cannot afford to continue with free anything, the minority cannot sustain the majority by funding everything.”
8. “We must all contribute no matter how small. I would however agree to a subsidiary for pensioners, the really poor and sick”.
9. “General rate for all”.

Concern; Free Basic Electricity Rate

1. “Free electricity is open to abuse. Nothing for free is ever appreciated, so do away with the free electricity scenario and lower the tariff for all! That means LOWERING THE TARIFF ACROSS THE BOARD FOR ALL!”
2. “You can't have two classes of citizen. Those that pay and those who do not pay. Electricity is not a right”
3. “I do not support the proposed National free basic electricity rate methodology. Everyone has to pay no matter what the service. Those paying are subsidising non-payers and illegal electricity installations.”
4. “Rather deregulate electricity generation. This will create the necessary competition to lower electricity prices to affordable levels for lower income citizens. The fiscus is already under pressure and decreeing free electricity will not magically create the funds for government to pay for it.”
5. “The Free Basic Electricity Rate must also take into consideration the number of occupants and elderly in a household. Municipalities and middlemen must be eliminated from the supply chain. Billing must be invoiced directly between the primary supplier and the consumer in order to save phenomenal unnecessary administration and ineffective collection costs.”
6. “Electricity tariffs are too high. They must give the first 500kwh at the lowest rate to prepaid consumers as before. Why are we being discriminated for using prepaid?”
7. “Everybody must pay for services supplied. There can't be 2 sets of rules.”

Concern; Other

1. “Eskom should not supply free electricity to anyone or any organization. Eskom's business is to generate electrical power and to distribute it to customers who must pay. If no pay received - no electricity must be delivered. It is the municipalities who receive the electricity that must make a decision to subsidize clients or not.”



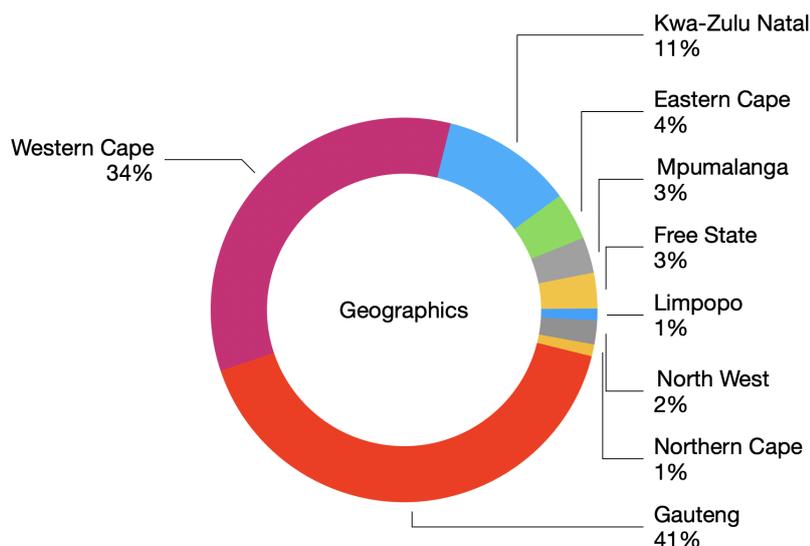
2. "Free electricity will result in wastage, as it is not paid for. That will further our stress on our supply. I feel that a discount on Solar energy would be far more productive."
3. "No electricity should be provided free. Govt has a user pay policy. Apply it."
4. "Government should rather look at innovative ways to stimulate the economy and create more jobs. This will allow more people to actually pay for electricity and other services. The current situation where a very small tax base has to carry the cost for the majority is not sustainable."
5. "The term "equitable share allocation" eloquently summarizes everything that is wrong with the idea."
6. "Eskom is a parastatal, and the government is the only share holder. If the government wants to be consistent with all its citizens, then electricity should be free to all and the government budget accordingly. Large businesses should contribute more to the process".

Concern; NFBE Rate Mechanism (Formula)

1. "It's municipalities responsibility to provide Free basic electricity to all SA citizens."
2. "Who determines who gets free basic electricity and who doesn't? Because I as a working-class citizen know very well that I carry the brunt of all charges levied for electricity by the municipality when most areas in the province are poverty stricken and cannot afford to make payments. The deficit for non-payment then gets split amongst paying citizens to make up for lost revenue for the municipality concerned, which in my view, it is of grave concern and it is wrong."
3. "Every household in South Africa deserves the same amount of kWh per month regardless of household worth or income."

Demographics

Comments originated from all provinces with the greatest input arising from Gauteng, followed by Western Cape and KZN. Demographics can be further broken down into comment options (yes, no, not fully) and by top concern per region upon request, or view the Excel spreadsheet attached.



Thank you

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