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April 2010

«ReferenceName»
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Dear «Title» «Surname»

IMPACT OF THE INCLINING BLOCK TARIFFS ON RESIDENTIAL BULK SUPPLIES

On 24 February 2010, the National Energy Regulator of South Africa (NERSA) made a decision to implement inclining block tariffs concurrently with the price increase in all existing Eskom residential tariffs. The rationale underlying this decision was to provide cross-subsidies for low income domestic customers. This means that all Eskom's residential tariffs will have the same rates as from 1 April 2010.

1. What is an inclining block tariff?

The inclining block tariff structure is commonly used to charge for water consumption. The feature of this tariff structure is that the more you consume, the higher the average price. The objective of the inclining block tariff is to protect lower-usage customers against the high price increases, which results in a reduction in the tariff for these customers.

The tariff structure is divided into four consumption blocks and each successive block has a higher price per kWh of energy. This means that the charges increase as the consumption of electricity becomes higher. NERSA has set the selection of the blocks, the limits and the prices per unit and Eskom is required to implement this structure as is.

The inclining block rate structure designed by NERSA assumes that the tariff is applied to individual dwellings. However, if this tariff is applied to a residential bulk supply such as a sectional title development, it will have a significant impact on the monthly amount payable as it does not take into account the number of dwellings "behind the meter".

For this reason, all sectional title developments on Homepower Bulk or Homepower Standard are requested to apply for a conversion to the Miniflex or Nightsave Urban Small tariff. In order to allow time to do the tariff conversion, Eskom will temporarily apply the 2009/10 current Homepower Bulk tariff plus the approved Eskom average increase.

Homepower Bulk customers have a period of six months in which they should apply for conversion to a suitable tariff. If no application is received in the six-month period, then the inclining block tariff will be applied after that. If you submit your application within the six-month period but Eskom is unable to convert your tariff because of the resource implications, then the weighted averaged will continue to apply until such time as Eskom can do the conversion.

1. What tariff is suitable?

It is recommended that all Homepower Bulk customers should convert to the Miniflex tariff or Nightsave Urban Small. The tariff structures and rates can be found on Eskom's website www.eskom.co.za/tariffs. A tool can also be found on the website that can model the impact and compare the tariffs.

2. How much will it cost me to convert to a more suitable tariff?

To facilitate the conversion, no conversion charges will be levied on you as Eskom will carry all costs of conversion, for a period of one year starting from 1 April 2010.

The tariff conversion will be subject to the availability of resources to convert the tariffs. Some supplies on Homepower Bulk could require meter changes so as to accommodate the more sophisticated tariffs.

Please note that Eskom may only do tariff conversions if the customer requests this.

3. What happens if I don't convert?

Eskom will allow a customer 6 months to submit an application to convert the tariff. If no application has been made after six months starting from 1 April 2010, the inclining block rate tariff will apply.

4. Who do I contact about converting to a more appropriate tariff or for more information about this?

Additional information and applications for conversions can be obtained at any Eskom walk-in centre or the Contact Centre (08600 37566).

5. Process for tariff conversion

- Application by customer
- Signing of new contracts
- Updating of billing system by Eskom

Please note the following:

- No additional deposits will be charged.
- Your account number will change.

«Name»

REGIONAL GENERAL MANAGER («REGIONinCAPS»)