



Inclining Block Tariff (IBT) for prepaid Customers

Frequently Asked Questions

April 2011

Q. Please could you briefly explain why IBT is being implemented?

- A.** On 24 February 2010, the National Energy Regulator of South Africa (NERSA) took a decision to introduce the inclining block tariff (IBT) to electricity consumers in South Africa. NERSA's decision was in support of Government's priority of protecting the poor.

The main feature of IBT is that it makes higher consuming customers pay a higher rate for electricity while a lower consuming customer benefits from a lower rate. IBT will thus generally result in the higher consuming customers cross-subsidising the lower consuming customers.

NERSA had requested Eskom to implement IBT from 1 April 2010. However, after due consideration, Eskom advised NERSA that it can only implement IBT for conventionally metered customers as there was a need to find a technical solution to rollout IBT to its prepaid metered customers.

In line with NERSA's request, Eskom implemented IBT only to its conventionally metered residential customers on 1 April 2010. At the same time, as an interim solution for the prepaid customers, a weighted average tariff was approved by NERSA and implemented to the prepaid residential customers in lieu of IBT. Eskom is currently making all the required changes to the prepaid vending system in order to implement IBT to the prepaid customers on 1 April 2011.

Q. How are the tariffs structured?

- A.** The tariff structure is divided into four blocks according to the amount used and each successive block has a higher price per kWh of energy. The amount payable is the sum of the use per block multiplied by the energy rate/price per unit for each block.

The Online Vending System (OVS) will keep track of purchases and allocate them in the appropriate block.

For prepaid customers, each purchase will be allocated to the relevant block based on the calendar month ie on the first of each month, the system will automatically allocate new purchases to the first block at the cheaper rate.

Customers should be advised to purchase electricity on a monthly basis and not in bulk as the system (OVS) cannot convert any leftover units into the new month at a cheaper rate.

Customers using cellphones to purchase electricity, will not receive the information on which rate the purchase was made via SMS. Customers requiring this information will have to request reprints of the tokens from an authorised vendor.

Customers should be aware that the implementation of prepaid IBT will coincide with the annual price increase.

Q. Which consumers will benefit from IBT? Is it just those getting power direct from Eskom, or also those receiving electricity from municipalities?

A. IBT is applicable to all residential customers, however this campaign and the rates will be applicable to Eskom prepayment customers only. It works on the principle that the more you use the electricity the more you pay, if you use less you will pay lower rates.

Q. If only Eskom users are using this new IBT scheme, where are they located geographically?

A. Across the country, in all Eskom supply areas. Municipalities are also expected to comply over time.

Q. How many people/ households are estimated to benefit from this rollout?

A. Eskom has approximately 4 million residential prepaid customers that will benefit from IBT.

Q. Typically, how much electricity would a prepayment customer consume in an average month?

A. Around 300 kWh.

Q. What sort of appliances, lights, etc would consume this amount?

A. All the basic appliances.

- Q. Will this impact customers receiving free basic electricity, where the first 50 kWh is free?**
- A. Free basic electricity is only for indigent customers, and is already implemented and will continue even after the IBT implementation.
- Q. When will the 2011 tariffs be announced?**
- A. The official announcement will be mid-March 2011.
- Q. This will signal a change in the way that people buy electricity. In order to benefit from the block tariff, what value of electricity/ number of kW should be purchased at a time?**
- A. The amount purchased should be just sufficient for the month per household
- Q. Will users be able to buy a number of different prepaid vouchers in bulk and use them as required? If not, won't the need to reduce the purchase amount have cost implications for those in rural areas who will need to travel to purchase them more often?**
- A. Yes, they will be able to buy different prepaid vouchers, however every purchase in a calendar month is added to the previous purchase to determine the block the customer is sitting in.
- Q. Is there a saving for consumers over the original payment structure?**
- A. There will be no saving as compared to the last tariff structure because the implementation of IBT will coincide with the annual price increase. As we do not know the increase as yet, we cannot comment on the impact.
- Q. When are the new rates effective?**
- A. 1 April 2011
- Q. How will communities be informed?**
- A. NERSA will make an announcement and Eskom publishes the rates on its website as well as printing the tariff books and leaflets that are distributed countrywide.
- Q. Who should customers contact for more information?**
- A. www.Eskom.co.za/tariffs or 08600 37566