



SUSTAINABLE
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PROGRAMME

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Municipalities meeting the call for increased levels of household FBE

Free Basic Electricity

Access to convenient, safe, affordable and clean energy services is a cornerstone of socio-economic development. Government has worked hard at extending electricity services to all South Africans through the National Electrification Programme. Persistent low electricity consumption patterns pointed to physical access being insufficient on its own to realise the optimal benefit of the electrification programme. The electricity service also had to be affordable if it was to target poverty alleviation.



Kuyasa, Cape Town Photo: Mark Lewis

FBE set out to cover lighting, media and limited cooking or ironing services.

There has however been a strong call by COSATU and various other grass roots groups for FBE to be increased from 50KWh to 100KWh or more per month, based on the assertion that 50KWh is insufficient to cover even basic cooking and refrigeration. There has also been a call for better targeting of indigent households.

The service of Free Basic Electricity (FBE) was launched in July 2003, flowing from government's statement of intent with regards to free basic services in 2000. FBE aims to address the affordability aspect of energy access through providing a limited amount of free electricity to service basic household needs amongst poor households.

Government policy indicated an amount of 50KWh per poor household per month as the FBE provision. This value was based on an Eskom study of 2002 that showed that 56% of households used under 50KWh of electricity per month. The

IN THIS ISSUE...

Ensuring that energy is affordable for the poor is an ongoing challenge to government. This edition looks at how some of our metros are responding to this challenge.

The Urban Sustainable Energy, Environment and Development (SEED) Programme aims to promote sustainable development through the integration of energy and environmental issues into urban development in South Africa. SEED Phase 3, working with six leading South Africa cities, will continue to develop and support the key partnerships between cities, national government and NGOs that lie at the heart of the programme. SEED builds capacity in these organisations and provides training, supports information campaigns, demonstrations and implementation and supports exchange of experience through networking and policy development. SEED is funded by DANIDA.

This edition was put together by SEA staff. Information from personal communications with Retief de Villiers and Jannie Fourie of Tshwane Electricity, Tshidiso Nkgoudi and Tebogo Hlatshwayo of City Power and Brian Jones from the City of Cape Town.

SUSTAINABLE ENERGY AFRICA
(Association Incorporated under Section 21)
Directors: M. Borchers, P. Wolpe
The Green Building,
9B Bell Crescent Close, Westlake, 7945
Tel: +27 - 21 - 702-3622
Fax: +27 - 21 - 702-3625
info@sustainable.org.za
www.sustainable.org.za

Boosting free basic energy with improved housing delivery

The forward by the Minister to the national Electricity Basic Services Support Tariff (Free Basic Electricity) Policy (2003) notes that the FBE benefit could be increased through energy savings and the efficient utilisation of energy. Improved housing quality, notably ceilings, insulation, good orientation and use of daylight can substantially improve the thermal comfort of houses and reduce energy needed for lighting, heating and cooling. Municipalities are well placed to ensure that these interventions are included in subsidy housing development within their jurisdictions.

City of Tshwane

In its initial implementation of FBE the City of Tshwane used a “Broad Base” approach to providing FBE. This meant that all households in the domestic sector were provided with 50KWh of FBE irrespective of their electricity use. The benefit of this system is that it is extremely easy to implement and monitor. The disadvantage is that it results in a lot of ‘leakage’ of the FBE benefit to groups not identified as beneficiaries within government poverty alleviation programmes.

To reduce costs and to better target poor households, a new targeting scheme has been developed. Consumers officially registered at the City of Tshwane Metropolitan Municipality by the Department of Social Services as indigents are provided with 100KWh of FBE per 30 day period. The customers need to register with the Department of Social Services who would then register them as indigent. This would then automatically be updated on the electricity department’s billing system as a part of a social welfare package. This increase in FBE targets indigent households more tightly and provides them with more free electricity per month – improving the socio-economic benefits of electricity access.

The City of Tshwane also has a large component of customers (approximately 22,000) using under 200KWh per month (based on an annual average) who either do not fulfil the ‘indigent’ qualification, or are as yet not registered as indigent. Under the new scheme, these households continue to be provided with 50KWh of FBE. This is based on the self targeted approach outlined in the FBE policy.

Interestingly, there appears to have been a decrease in non-technical losses since the implementation of this new FBE system in Tshwane. In its most basic form, non-technical losses are calculated by subtracting the KWh billed (number of KWh flowing out to customers) from the KWh bought by customers. Any difference would be the non-technical losses. It is assumed that this is due to the better targeting of the indigent population causing a decrease in ‘illegal’ connections.

In the 2006/2007 financial year the City of Tshwane supplied 226 million KWh of FBE to an estimated 375 000 households while still using the broad base FBE approach. These figures exclude the FBE supplied directly by Eskom on behalf of the municipality. Electricity figures since the implementation of the new FBE scheme are still being consolidated but the total cost of electricity provision by the municipality is expected to be lower through better FBE targeting and decreased losses.

City of Johannesburg

The City of Johannesburg has also recently changed its FBE allocation scheme. Up until the 1st of July 2008, all prepaid and “lifeline” customers received 50KWh of FBE regardless of electricity usage. Any customer using under 300KWh per month also received 50KWh of FBE. Lifeline customers are customers who chose to be billed on the lifeline tariff, which was structured to be beneficial to low-use customers but more expensive for high usage customers (above 1200KWh per month).

As of the 1st of July 2008, all lifeline and low-usage customers (any customer

using under 300KWh per month) receive 100KWh of FBE. To better target the indigent households, the municipality also automatically assigns 100KWh of FBE to all households registered on the cities indigent household list irrespective of monthly consumption. To try and reduce costs, the removal of customers using over 300KWh per month was automated whereas before, this limit was not strictly controlled. As a result of the new FBE scheme, the municipality has stemmed significant ‘leakage’ of the benefit of FBE to non-qualifying customers while at the same time providing higher levels of FBE to those who qualify. In July 2007, CityPower provided 10.52 million KWh of FBE while in July 2008 they supplied 6.02 million KWh of FBE. The impact of the tighter monitoring of FBE on poorer households does however need to be analysed.

City of Cape Town

The City of Cape Town supplies 50KWh of FBE to an estimated 270 000 households within the metropole who purchase less than 400KWh of electricity per month. This equates to an estimated 162 million KWh of FBE supplied per year.

DME. Guidelines for implementing free basic electricity. DME, 2003.

COSATU. COSATU and NUM submission on the national energy bill. 2008

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DME. Electricity Basic Services Support Tarrif (Free Basic Electricity) Policy. 2003