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E-Mail Message

NERSA
Pretoria

4th May 2010

Attention: Mr. Smunda Mokoena

Ref.: Residential/Commercial Tariff Structures

Dear Sir,

Power Measurement & Distribution c.c. (PM&D) was registered as a closed corporation in May of 1996. PM&D is a specialist electricity metering company supplying a number of specialist metering systems to the industry. Amongst the metering services supplied by the company are ESETA and SAIEE registered Advanced Electricity Meter training courses, Large Power Unit *in situ* auditing, supply and management of Smart PLC Metering systems (to City Power) and SubMetering.

In 2004 we were approached by a Cape Town based consulting engineering company (De Villiers & Moore) for solution to a problem one of their clients was having. The client, Rawson Developers, was trying to reduce the electrical reticulation and supply costs on a residential development (Abbey Field in Parklands) that they were busy building. Our proposed solution was to apply for a bulk electricity account and to supply repayment meters for the apartments. We registered for and received our own SGC and originally vended via an Actaris (now Itron) on-line vending unit. The solution worked well for the developers and for the tenants. Over time the solution was upgraded and improved upon by transferring our data base to EasyPay and using their outlets (Shoprite, Checkers, Pick 'n Pay, Lewis etc) to vend on a national basis.

The concept worked well and was accepted by Developers, Consulting Engineers, Supply Authorities and especially the consumers. All pricing and charges were on the basis that the consumer paid the exact same price he would have if he were a direct consumer of the local Supply Authority and no extra service charges, tariff's or fee's of any sort were levied. The success of the SubMetering service can be measured by the fact that in May 2004 we had a total of 38 consumers and in May 2010 we have ***in excess of 25,000 consumers*** of which approximately 19,000 are prepayment customers.

In 2004 we were selling electricity to our consumers at a cost of R 0.3882/kWh (Homelight 2) excluding vat in Eskom Supply areas. At the same time our cost was R 0.2162/kWh with a Network Charge of R 253.25 and a monthly Service Charge of R 118.10 (Business Rate 3) excluding vat. The difference

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between our selling price and our cost price was used to fund the replacement of faulty meters, our 24 hour technical call out facility (from all three branches), our administration costs, commission payments to the switching house, EasyPay, bank charges, vendors and our profit.

The latest approved tariffs for Eskom, and on our understanding for all the utilities, make use of an upward sliding tariff for all residential customers. The Eskom sliding tariff is as follows –

0 – 50 kWh	R 0.5470
51 – 350 kWh	R 0.5848
351- 600 kWh	R 0.7635
601 and above	R 0. 8374

The Business Rate 3 Tariff is now R8.77/day Service Charge, R29.65/day Network Charge, R0.5634/kWh Energy charge and R0.228/kWh Environmental levy charge.

Abbeyfield with 38 Residential Units has an average Energy Consumption of 12230 kWh/month.

Our reconciliation is then as follows –

Purchases (from Eskom)	
30 days Service Charge @ R 8.77/day =	R 263.10
30 days Network Charge @ R 29.65/day =	R 889.50
12230 kWh @ R 0.5862 Energy and Environmental Levy charge =	R 7,169.23
Total Cost	R 8,321.82

Sales (to consumers)	
Assuming all the residential consumers purchase the same amount of energy then it is –	
12230 kWh/38 = 321.84 kWh/residence for the month.	
50 X R 0.5470 =	R 27.35
271.84 X R 0.5848 =	R 158.97
Total income/residence =	R 186.32
Total income for Abbeyfield =	R 7,080.16

This equation also ignores any FBE that might be issued as per the Cape Town Metro supply agreement between Eskom Western Cape and The Cape Town Metropolis.

The point of this exercise is to highlight and justify our observations as per below –

All Utility Residential Tariffs that utilise the Inclining Block Rate Tariff have the first two blocks (first three blocks if FBE is included) subsidized.

As a commercial client of the Utility this subsidy is not offered or available to PM&D and therefore we can no longer supply FBE or access to these subsidized block tariffs and therefore can only supply energy for our consumers on Block 4.

We believe that there are two potential solutions to the issue of these customers not receiving their subsidization.

- a) NERSA extend the subsidy to PM&D or

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- b) On an annual basis, PM&D will issue a certificate to all our qualifying consumers as exactly how much energy they consumed in the previous annual tariff period, for them to be able to submit to you, for the issuing of a credit for the subsidization they did not receive.

We trust that this certification is an acceptable solution to yourselves and would appreciate if you could specify, per return mail, a) The exact format that you would require this certificate to be in and b) how the consumers are to contact you.

Yours Faithfully

Power Measurement & Distribution

A handwritten signature in black ink that reads "Neal Douglass". The signature is written in a cursive style with a large, stylized "D" and "G".

Neal Douglass

A logo for "POWER MEASUREMENT". The word "POWER" is written in a large, bold, teal-colored serif font. Below it, the word "MEASUREMENT" is written in a smaller, teal-colored sans-serif font. The text is centered within a circular graphic that features a light blue outline of the African continent in the background and a white-to-teal gradient arc on the right side.

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