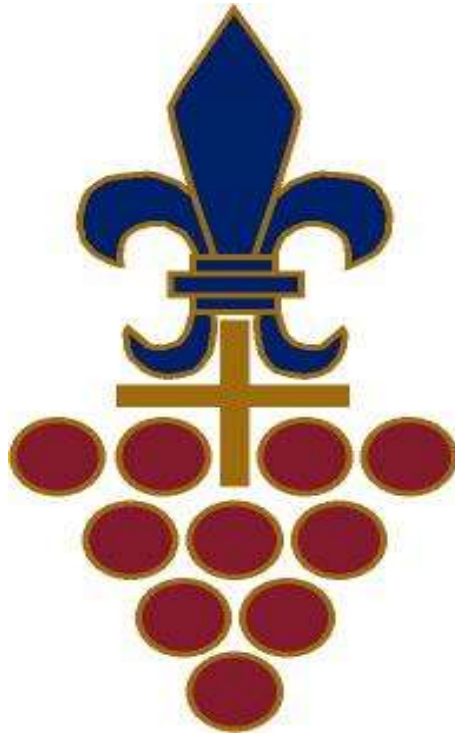


ANNEXURE A

STELLENBOSCH MUNICIPALITY



**AMENDED ELECTRICITY
DEVELOPMENT BULK LEVY
CONTRIBUTIONS FOR
2024/2025**

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STELLENBOSCH
STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNICIPALITY • UMASIPALA • MUNISIPALITEIT

Collaborator No:
IDP KPA Ref No:
Meeting Date:

Good Governance & Compliance
17 and 24 April 2024

1. SUBJECT: ELECTRICITY BULK CONTRIBUTION LEVY

2. PURPOSE

To inform Council of the review of the Electricity Bulk Infrastructure Contribution Levy which is the basis upon which development charges will be determined i.t.o. electricity will be as per NRS 069: Code of practice for the recovery of capital costs for distribution network assets.

That the current valid Electricity Development Charge (DC) also known as Development Contribution Levy in the 2024/25 draft tariffs be replaced with the proposed updated Development Contribution Levy calculation detailed in ANNEXURE A and approved for public participation.

3. DELEGATED AUTHORITY

Council

4. EXECUTIVE SUMMARY

The Bulk Electrical Contribution Levy is not the electrical usage charge per kilowatt which consumers normally use for electricity usage. It is a once-off payment by consumers when they choose to upgrade their system from a 40 amperes to a 60 ampere system for example, or increase their monthly ampere allowance which the Municipality has allocated them to use.

This increase in capacity warrants an upgrade fee which the Municipality uses to ultimately upgrade the bulk electrical infrastructure system. The Municipality has been consistently keeping this once-off levy as low as possible, but has conducted a study to ascertain what the appropriate levy should be.

This has also been benchmarked against what other Municipalities are charging to ensure that the Municipality is also fair and ensuring value for money. The Municipal towns benchmarked against are: Paarl, Wellington, Worcester, Overstrand and the City of Cape Town as per the Table below.

The Municipality must adjust the unit cost for each municipal infrastructure service on an annual basis during the budget preparation process referred to in Section 21 of the Local Government: Municipal Finance Management Act 56 of 2003, to take account of inflationary impacts and must publish the adjusted unit costs within two months of approving the municipal budget. The Municipality will use the Contract Price Adjustment Factor as prescribed in the SAICE General Conditions of Contract for Construction Works (as amended) to determine the annual effect of inflation.

Where possible, unit costs for each municipal infrastructure service should be recalculated every five years to take into account the current and planned capacity for each municipal infrastructure service at the date of re-calculation, and any other relevant factors.

A Development Charge ('DC') also known as Development Contribution Levy is a once-off capital charge to recover the actual cost of external infrastructure required to accommodate the additional impact of a new development on engineering services. A DC calculation is triggered by a land use change/development application that will, if approved, intensify the municipal infrastructure demand. The threshold is the level up to which a new land use is deemed to have the same infrastructure impact as the existing permissible use and is determined based on a technical assessment. The current development contribution charge is R 4 130.33 per kVA inclusive of Vat. The proposed development contribution charge based on the revised calculation study is calculated at R 5 293. 85 per kVA inclusive of Vat. The request from the Executive Mayor to indicate the comparison is included below.

Below find a table detailing the comparison of Development Contribution Levy's per Municipality in our area. It must be noted that each Municipality has a unique electricity distribution network which, it is these unique attributes in the infrastructure that would be used during the compilation of the Levy. The Levy's are reviewed every five years and therefore the different financial years indicated below.

Comparison of BICL Cost per kVA per Municipality					
CoCT	Paarl	Wellington	Overstrand	Worcester	Stellenbosch
23/24	23/24	23/24	23/24	22/23	24/25
R 5 456.40	R 4 317.00	R 3 795.00	R 6 439.13	R 4 046.09	R 5 293.85

5. RECOMMENDATIONS

- a) That the content of this report be noted.
- b) that the current valid Electricity Development Charge (DC) also known as Development Contribution Levy in the 2024/25 draft tariffs be replaced with the proposed updated Development Contribution Levy calculation detailed in **ANNEXURE A** and approved for public release.

6. DISCUSSION / CONTENTS

6.1. Background

A Development Charge (DC) also known as Development Contribution Levy is a once-off capital charge to recover the actual cost of external infrastructure required to accommodate the additional impact of a new development on engineering services. A Development Charge (DC) calculation is triggered by a land use change/ development application that will, if approved, intensify the municipal infrastructure demand. The threshold is the level up to which a new land use is deemed to have the same infrastructure impact as the existing permissible use and is determined based on a technical assessment.

6.2 Discussion

Municipal Development Charges also known as Development Contribution Levy complement these sources of capital finance, by providing a direct charge to beneficiaries of existing and planned infrastructure installed to enable an intensification of land use. Development charges are thus an additional source of capital finance, which enhance the efficiency and volume of municipal capital financing through:

- ensuring that the beneficiaries of infrastructure pay a fair share of the
- costs of installing it, relative to other residents;
- releasing resources that a municipality would otherwise have
- dedicated to meeting these needs to be spent on other development
- priorities;
- and providing an additional revenue stream to support municipal borrowing programmes, where applicable.

A Development Charge (DC) also known as Development Contribution Levy is a once-off capital charge to recover the actual cost of external infrastructure required to accommodate the additional impact of a new development on engineering services. A Development Charge (DC) calculation is triggered by a land use change/ development application that will, if approved, intensify the municipal infrastructure demand. The threshold is the level up to which a new land use is deemed to have the same infrastructure impact as the existing permissible use and is determined based on a technical assessment.

Attention is invited to the provisions of the following legislation.

- The National Constitution.
- Local Government: Municipal Systems Act, 32 of 2000 – ('MSA').
- Stellenbosch Municipality: Zoning Scheme By-Law 2019 – ('Zoning Scheme').
- Municipal Fiscal Powers and Functions Act, 12 of 2007 – ('Fiscal Powers Act').

- The Spatial Planning and Land Use Planning Act, 16 of 2013; (SPLUMA)
- The Western Cape Land Use Planning Act, 2014, Act. 3 of 2014 (PN 99/2014 of 7 April 2014); (LUPA)

The basis upon which development charges will be determined i.t.o. electricity will be as per NRS 069: Code of practice for the recovery of capital costs for distribution network assets.

The Municipality must adjust the unit cost for each municipal infrastructure service on an annual basis during the budget preparation process referred to in Section 21 of the Local Government: Municipal Finance Management Act 56 of 2003, to take account of inflationary impacts and must publish the adjusted unit costs within two months of approving the municipal budget. The Municipality will use the Contract Price Adjustment Factor as prescribed in the SAICE General Conditions of Contract for Construction Works (as amended) to determine the annual effect of inflation.

Where possible, unit costs for each municipal infrastructure service should be recalculated every five years to take into account the current and planned capacity for each municipality.

6.2. Financial Implications

The budgeted amount is R350 000 which is the estimated cost for the Electricity Bulk Infrastructure Contribution Levy calculation study.

6.4 Legal Implications

The recommendations in this report comply with Council's policies and all applicable legislation.

Attention is invited to the provisions of the following legislation.

- The National Constitution.
- Local Government: Municipal Systems Act, 32 of 2000 – ('MSA').
- Stellenbosch Municipality: Zoning Scheme By-Law 2019 – ('Zoning Scheme').
- Municipal Fiscal Powers and Functions Act, 12 of 2007 – ('Fiscal Powers Act').
- The Spatial Planning and Land Use Planning Act, 16 of 2013; (SPLUMA)
- The Western Cape Land Use Planning Act, 2014, Act. 3 of 2014 (PN 99/2014 of 7 April 2014); (LUPA)

6.5 Staff Implications

This report has no staff implications for Stellenbosch Municipality.

6.6 Previous / Relevant Council Resolutions:

There are none.

6.7 Risk Implications

This report has no risk implications for Stellenbosch Municipality.

6.8 Comments from Senior Management:

No comments were requested from Directors.

6.8.5 Chief Financial Officer:

After the item serves and is approved by council on 24 April 2024; the department will place an advertisement in the newspaper for the public participation period of 21 days to commence. The public participation period on the item will close before the final budget will be tabled before council, for approval as at the end of May. The comments received on the item will also be included with the budget comments.

6.8.7 Municipal Manager:

Supports the recommendations.

RECOMMENDATIONS FROM THE EXECUTIVE MAYOR, IN CONSULTATION WITH THE EXECUTIVE MAYORAL COMMITTEE, TO COUNCIL: 2024-04-17: ITEM 7.6.4

- (a) that the content of this report be noted; and
- (b) that the current valid Electricity Development Charge (DC) also known as Development Contribution Levy in the 2024/25 draft tariffs be replaced with the proposed updated Development Contribution Levy calculation detailed in ANNEXURE A and approved for public release.

ANNEXURES

Annexure A: Electricity Bulk Infrastructure Contribution Levy calculation report.

FOR FURTHER DETAILS CONTACT:

NAME	Shane Chandaka
POSITION	Director
DIRECTORATE	Infrastructure Services
CONTACT NUMBERS	021 808 8213
E-MAIL ADDRESS	shane.chandaka@stellenbosch.gov.za
REPORT DATE	2024 – 04 - 09

DIRECTOR: INFRASTRUCTURE SERVICES

SHANE CHANDAKA

STELLENBOSCH MUNICIPALITY

MISCELLANEOUS

DIREKTORAAT: INFRASTRUKTUUR DIENSTE DIRECTORATE: INFRASTRUCTURE SERVICES

MISCELLANEOUS	Unit	Tariff 2023/24 (Incl. VAT)	Excl. VAT 2024/25	2024/25 VAT 15%	Tariff 2024/25 (Incl. VAT)	VAT
DEVELOPMENT BULK LEVY CONTRIBUTIONS						
<i>Please Note: Any additional costs to make the supply available to the users are for the developers account</i>						
Existing Municipal Minisub or Transformer						
Non Residential	per kVA	R 4 130.33	R 4 603.35	R 690.50	R 5 293.85	Included
Residential > 60Amp Single Phase to max 60 Amp Three Phase	per kVA	R 4 130.33	R 4 603.35	R 690.50	R 5 293.85	Included