

Incline Block Tariffs for Prepaid Meters

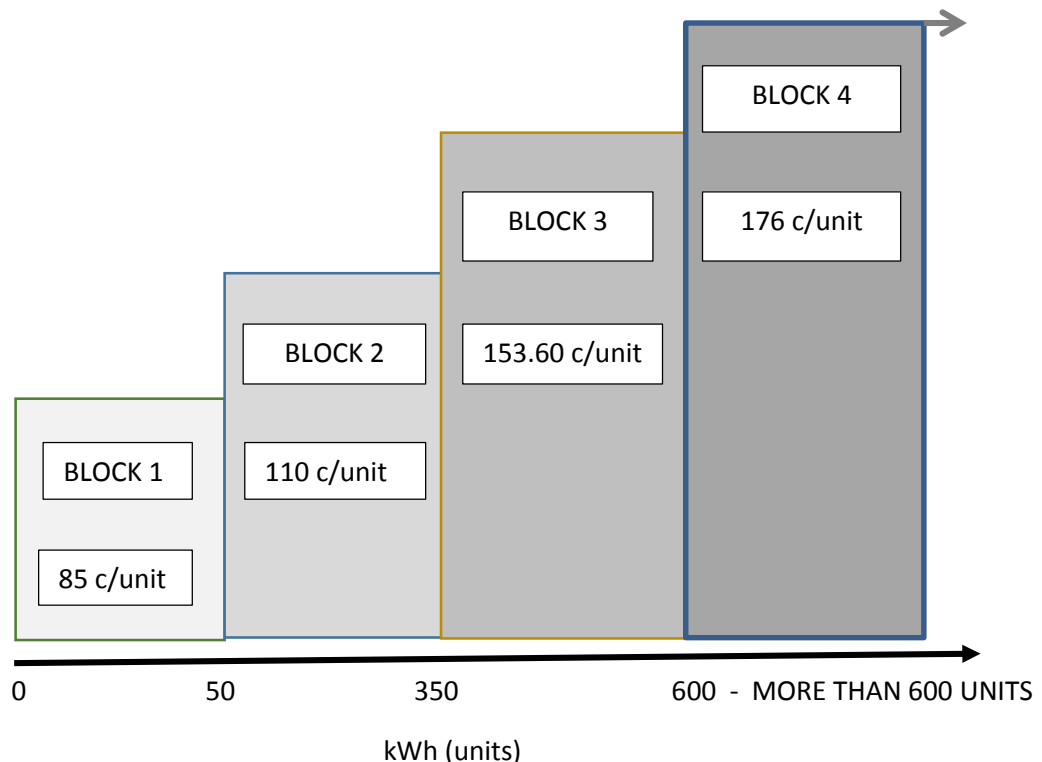
What is Incline Block Tariff (IBT)?

Incline Block Tariffs divide the electricity price into several blocks. The first block of electricity is at the lowest price. As the customer purchases more electricity during the month, the electricity bought will eventually fall in block 2 which is a bit more expensive. This process repeats automatically as the customer purchases further electricity to move into the next block. **At the end of the month, the history is reset and the customer will again start the next month from block 1.**

The process to move from the one block to the next is automatic and depends only on the amount of electricity that is acquired by the customer. The movement to the next block is not at all affected whether the purchases are spread over many transactions or if all the electricity is part of one transaction.

Because the blocks increase in the amount of units purchase, customers can save money by not buying more electricity than what they will use during the month. It is much better to wait until the next month and start to buy again at the low price.

Below is a chart to show how these blocks are divided for the total purchase during a month (excluding 14% VAT):



Electricity purchased is measured in kWh along the horizontal line at the bottom from the left (0) to the right (600)

The first electricity units purchased for the month are always counted from the left (0) and follows the horizontal line as more electricity units are purchased during the month.

As more electricity is purchased beyond a certain block that portion of electricity will be at the higher price of the next block.

Remember the total electricity bought during the month determines the average price per unit, not the date or the number of purchases.

Note that the Free Basic Electricity (FBE) is also included in the blocks. If a customer is configured to receive free basic electricity, he will still receive it but it will make up the first part of the electricity in the month, therefore the purchases will follow after the free electricity portion.

Practical explanation of the incline Block-Tariffs

It is very important to determine what your average electricity consumption per month is to ensure that you do not buy more than you need as illustrated by the example below.

For this example, I assume that my average consumption is 500 units per month:

- A) If I buy **500 units at the start of every month** the average unit cost can be determined as follows:

500 UNITS EVERY MONTH:

	Block 1 (0-50) kWh	Block 2 (51-350)kWh	Block 3 (351- 600)kWh	Block 4 (601 and more)kWh	Total
KWh Purchased	50	300	150	0	500 units
Unit Cost	85.00c	110.00c	153.60c	176.00c	
Total	R42.50	R 330.00	R 230.40	R 0.00	R 602.00
<u>The average cost per unit is (602 / 500) = R 1.20 + 14% VAT</u>					

- B) If I decide to buy **units in advance for the next 6 months (500 X 6)** the average unit cost can be determined as follows:

BULK PURCHASES: 3000 UNITS FOR 6 MONTHS:

	Block 1 (0-50) kWh	Block 2 (51-350)kWh	Block 3 (351- 600)kWh	Block 4 (601 and more)kWh	Total
kWh Purchased	50	300	250	2400	3000
Unit Cost	85.00c	110.00c	153.60c	176.00c	
Total	R 42.50	R 330.00	R 384.00	R 4224.00	R 4980.50
<u>The average cost per unit is (4980.50 / 3000) = R 1.66 + 14 % VAT</u>					

Please contact Mr C J Vorster at 023-6268266 if you need further explanation.

VENDORS

Consumers are requested to report vendors at the municipality, who imposes a prerequisite for their products to be purchased before consumers can buy electricity.