



energy

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REPUBLIC OF SOUTH AFRICA

POLICY GUIDELINES FOR THE ELECTRIFICATION



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SECTION 1: POLICY GUIDELINES

1. Introduction

Farm workers are a very important part of our society as they form an integral part of the food supply chain. Supplying them with electricity will help to improve their living conditions. Their lifestyle, health & education will improve due to access to electricity. Studies, such as the socio-economic impact of electrification study, have shown that once the households have been electrified, the families spend considerably less money on alternate energy sources per month, thus saving money which can then be used for other household essentials.

The drive to make electricity accessible to all the people of South Africa includes the electrification of households occupied by the farm dwellers on private farms. To show commitment to universal access for electrification, Government contributes considerably towards the cost of connection and these connections are reported as part of Government's electrification achievements. Either the farm owner or the local licensed entity initiates the electrification of the farm dweller houses with requests from the farm workers. In addition to electrification, government provides Free Basic Electricity (FBE) to indigent households. Free Basic electricity covers indigent households connected to grid and non grid energy.

This document defines a farm dweller house as a permanent structure that is occupied by a person employed by a farmer, living alone or together with his/her family in either a rural or semi-urban area. The farm dwellers live on privately owned land, giving the farm owner complete and absolute rights to the governing and running of his/her

land. Usually, the farm dweller does not own the occupied house nor the stand. This means that permission, in writing, has to be granted by the farm owner for the electrification of farm worker houses.

This document will look at the issues of access to electrification, options for methods of supply, the subsidy and directives for grid and non-grid electrification of farm dweller houses.

2. Objective

The objective of this document is to outline guidelines regarding the electrification of farm dweller houses as part of the Integrated National Electrification Programme.

3. Scope of application

These policy guidelines are applicable to all licensed entities implementing the Integrated National Electrification Program (INEP) on behalf of the Department of Energy. These guidelines are only applicable to the electrification of households located on privately owned farms.

These policy guidelines can also be applied to other types of housing such as single quarters, compounds, flats, etc within the farm. Other cases, which fall outside the definition of a farm dweller house but are similar, will have to be motivated for by the farmer and left for the local licensed entity's discretion and approval by the DOE.

4. Access for electrification

Most farm owners are willing to allow the electrification of the farm dweller houses because it is a basic human right. However, some farm owners might be reluctant to electrify the farm dweller houses for valid reasons.

The farm owner has rights to the running of his/her farm. Furthermore, farm dwellers live on privately owned land; this means that the farm owner cannot be forced to electrify the farm dweller houses in his/her farm. However, in the interest of the farm dwellers, negotiations are to be held

with the farm owner to reassure and convince him/her that electrification would be in the best interest of the farm dwellers and the farm. The meetings and negotiations should be facilitated by the DOE and should include stakeholders such as the Farm Unions, AgriSA, Rural Development, the Labour Unions the Local Municipality, and the service provider for that area of supply.

5. Options for the electrification of farm dweller houses

There are two types of supply, either the grid supply or the non-grid supply. For grid supply there are two methods of supply that the farm dweller can choose from. Due to the fact that the farmer owns the land, the choice of supply should be in consultation and approval of the farm owner. The two methods include the indirect supply method and direct supply method.

5.1. Grid supply

5.1.1 Indirect supply method

Indirect supply method refers to where the farm dweller is not the direct customer of the local licensed entity but is supplied through the bulk meter of the farmer. The farmer extends an existing supply point, or takes a new supply point to supply electricity to the farm dweller houses.

The indirect supply method is the recommended method for the electrification of farm worker houses. With the indirect connections facilitated costs will be insignificant. In most cases the networks can accommodate the additional load at no additional cost due to the low consumption patterns of the farm dwellings. In addition, the farmer will carry the consumption costs.

The farm dwellers are at low levels of income and in most cases do not own the houses they live in. The responsibility for paying the local licensed entity for the consumption rests with the direct customer (the farmer). However, the option of making farm dwellers pay for their

usage or including / not including it as part of the wage package is for the farmer's discretion.

The Electricity Regulation Act of 2006 allows customer to redistribute electricity to its tenants or people residing in her or his premises. However, such customer may not make a profit from such redistribution of the electricity. However, the Act does allow redistribution of electricity through a licence issued by the National Energy Regulator of South Africa. In addition, the tariff that the farm dwellers are charged should not be more than what other electrification customers with the same supply size within the same area are paying.

5.1.2. Direct supply method

Direct supply method refers to where the farm dwellers are direct customers of the local licensed entity. This means that the farm dweller houses are connected directly to the network.

Unless the farm dweller houses are in close proximity to one another & close to the main supply line, the cost of direct connection will be very high. The direct supply method should only be used as a last resort to facilitate the electrification of farm dweller houses. Furthermore, should this method be chosen, the normal processes for the electrification of households will apply.

5.2. Non-grid supply

This type of supply allows for electrification of farm dweller houses where the farm does not have electricity at all and grid connections are not cost effective or feasible. The Solar Home System offers a technologically and economically viable alternative to providing basic electricity for essential services such as lighting and electronic media where grid connections cannot be done within acceptable cost norms.

The non-grid method will be subsidized at a maximum equal to the subsidy applicable in that particular year of supply.

6. The subsidy

To facilitate the process of electrification, Government provides subsidies. Currently, the subsidy for electrification of farm dwellings is linked to the subsidy provided for electrification in rural areas. Government will pay, through the local licensed entity, an amount up to the maximum subsidy payable for the electrification of rural households or the actual cost incurred if it is lower than the applicable subsidy. The subsidy paid will not be more than the actual cost of connection incurred by the farmer. The subsidy is based on the cost of the lowest supply size stated in the suite of supply options (20A) and a network built in accordance with relevant industry standards. This amount will be determined on an annual basis.

A certain amount of the subsidy will be retained by the licensed entity to cover for the administration costs incurred during the electrification project of the farm dweller houses. This amount may not exceed 10% of the total subsidy paid out.

The subsidy will not be given for the electrification of holiday cottages, dairies, sheds, and water pumps. Similarly, government will not contribute towards the upgrading of existing infrastructure in farm dweller houses.

In the case of non-grid supply, payment of the subsidy is subject to the farm owner giving a written & signed letter confirming the acceptance for taking responsibility for the maintenance of the systems. Government has a right and will inspect the system from time to time.

The farmer will decide on the service provider of choice for the installation of the system. There will be no service charge to be paid by farm dwellers that have been given solar home systems.

6.1 Application process for the subsidy

- The farmer must complete all details of the electrification of farm dweller houses on the standard application form.
- By completing the application form, the farmer accepts the conditions for receiving the subsidy.
- The completed application form must be submitted to the local licensed entity.
- The licensed entity will then send a technician to the farm to assess the application.
- In Eskom's area of supply, the approval of applications by Eskom will be in consultation with the local municipality.
- The licensed entity must notify the farmer in writing as to whether the application has been approved or rejected.

6.2 Claiming the subsidy

Once the electrification of the farm dweller houses is complete, the farmer must claim the subsidy from the local licensed entity. In addition, to claim the subsidy, the farmer must submit a copy of the Certificate of Compliance to the local licensed entity and proof of details of costs incurred during the electrification.

Receipts must be submitted to the licensed entity with details of material bought by the farmer and the electrical work done by the contractor. These receipts must include costs including and excluding value added tax (VAT).

Where an existing point of supply with no upgrade is used to supply the farm dwellers, the farmer must claim the subsidy within 6 months from the date the application was approved.

Where an existing supply with an upgrade or a new point of supply is needed to supply the farm dwellers, the farmer must claim the subsidy within 3 months from the date of the supply being made available.

The payment of the subsidy claim for the electrified farm dweller houses will be done in the following financial year post completion of the project unless there are funds available in that current year. This is due to the fact that farm dweller house electrification is difficult to plan and budget for as electrification is done upon application or request, thus limiting funds available to pay the subsidy claims. This would then allow for the budgeting for farm dweller house electrification subsidy claims which is informed by the applications received in that current year.

A farm dweller house project will only be considered for upgrade if the existing point of supply cannot cater for the existing number of farm dweller houses. Furthermore, should the number of farm dweller houses increase in the farm, leading to the existing network not being able cater for the increased load, the farmer should consult the local licensed entity.

When the subsidy is claimed, the local licensed entity must conduct an inspection to ensure that the network and infrastructure meets the applicable standards and the conditions of the subsidy. The conditions are as follows:

- All wiring must be done according to the SABS standards and a copy of the certificate of compliance must be issued.
- A supply of at least 20A per farm dweller house, a three-point plug and an energy saving light bulb must be installed and must be in working order.
- Receipts must have been submitted

The subsidy will cover the following costs:

- The low voltage reticulation costs beyond the farmers point of supply,
- The service connection,
- The meter, including a three-point plug and an energy saving light bulb.

The subsidy will not cover the following:

- Any internal wiring beyond the meter
 - Electrical appliances.
 - Infrastructure costs associated with networks built by the supplier before the point of supply
 - A distribution box
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- If a farmer electrified the farm dweller houses without any assistance from government, the subsidy cannot be claimed in retrospect.
 - The subsidy can only be claimed if an application is made and approved before the work/project commences.
 - After the standards certificate of compliance has been issued and the subsidy to be paid has been determined, a cheque will be issued to the farmer equal to the amount of the subsidy to be paid.
 - The cheque should be handed to the farmer and the farmer should sign acknowledgement of receiving the cheque. Where payment is done through a bank transfer, the farmer should acknowledge receipt of such payment in writing. The bank transmission sheet or proof of payment is adequate to prove full settlement of the farmer's claim.

SECTION 2: DIRECTIVES

7. Directives for grid electrification

For the indirect or direct supply method to be applicable, the following conditions must prevail: -

7.1 The indirect / direct supply method is applicable for any number of dweller houses on a farm that is used for bona fide farming;

7.2 The subsidies are only applicable in rural or semi-urban areas i.e. where bona fide farming activities are carried out and/or rural tariffs apply;

7.3 For indirect supply, the farm dwellers are customers of the farmer and not direct customers of the licensed entity and the farm should already have an existing point of supply. The houses must be on the same property as the supply point and for people employed by the farmer;

7.4 The farm dweller houses must have no electricity at the time of application and the electrification process of farm dweller houses must not have been started yet;

7.5 The farmer must apply to the local licensed entity to take part in the electrification of dweller houses project. The farmer can only commence with the electrification of the dweller houses once licensed entity has granted approval for subsidy in writing;

7.6 Farm dwellers must be consulted and informed, and opportunity must be given to the local licensed entity to provide information on electricity to the dwellers;

7.7 The local licensed entity requires prior permission and support of the farmer to market electricity and to educate dwellers in the safe and

effective use of electricity. The farmer must agree to provide supply, subject to industry standards relating to safety and quality of supply;

7.8 In the case of indirect supply, the farmer is responsible for paying all monthly tariffs for the supply point from which the dwellers are supplied. No FBE will be given in this regard unless the local municipality chooses to supply as according to the respective indigent policies.

7.9 The choice of payment for consumption is left to the farmer, in consultation with the farm dwellers. Where payment is required, consumption meters must be installed.

7.10 If the indirect supply method of electrification is chosen by the farmer, the farmer is responsible for all work beyond the farmer's point of supply. In other words the low voltage network and infrastructure in the farmer's property must be built, financed, maintained and repaired by the farmer. The farmer becomes a re-seller of electricity as a commercial activity & is therefore required to have a trading licence in terms of the section 8 of the Electricity Regulation Act

7.11 All wiring must be done according to SABS 0142 standard and a Certificate of Compliance must be issued by the service provider;

7.12 In principle, the supply size in each farm dweller house should be guided by the suite of supply options, but to avoid complications of implementation, a network with a circuit breaker supply size of at least 20A per dweller house must be installed. A three-point plug and a light are compulsory in each dweller house. The subsidy payment is, inter alia, subject to these conditions;

7.13 The subsidy will only be paid out on 100% completion and inspection of the project.

- 7.14 Government will pay through the local licensed entity, an amount which is guided by the maximum subsidy payable for the electrification of residential households based on the cost of the lowest rural supply size stated in the suit of supply options. This amount will be determined on an annual basis;
- 7.15 A certain amount of the subsidy will be retained by the local licensed entity to cover for the administration costs incurred during the electrification project of the farm dwellers. This amount may not exceed 10% of the total subsidy paid out and should be capitalised as part of the project;
- 7.16 The subsidy paid will not exceed the maximum subsidy payable for the electrification of rural households or the actual costs incurred if it is lower than the applicable subsidy. The farmer is responsible for submitting proof / details to the licensed entity of all costs involved in the electrification of the dweller houses;
- 7.17 Where any infrastructure needs to be built beyond the supply point to supply the farm dwellers, the cost can be claimed against the subsidy. Any infrastructure built by the local licensed entity before the point of supply cannot be claimed against the subsidy;
- 7.18 If assistance is received from other sources such as District Councils or Land Bank, this together with government's contribution will not exceed the costs of the connections;
- 7.19 Government will not contribute towards the upgrading of the existing electrical connection to farm dweller houses;
- 7.20 The subsidy is only for connections where the electrification subsidy was applied for; approval granted and has been included in that financial year's approved electrification programme;

7.21 The set process of reporting and financial management must be followed in compliance with the Public Finance Management Act (PFMA) (Act 1 of 1999, as amended) and related Treasury Regulation.

8. Directives for non-grid electrification

- 8.1 Annual targets indicating the number of non-grid installations for farm dweller houses must be set as part of the annual electrification planning process;
- 8.2 Licensed electricity distributors must approach farmers with information on the subsidy from Government;
- 8.3 The farmer must sign an undertaking to maintain the systems in good working order and for their intended use;
- 8.4 The systems installed must comply with the standard approved for INEP;
- 8.5 The local licensed entity must ensure that the people responsible for the maintenance of the installed systems are provided with the education relevant to the maintenance of the systems;
- 8.6 Government retains the right to inspect the systems from time to time.