

LAINGSBURG MUNICIPALITY



Electricity Distribution Losses Policy

2023/24

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<https://www.laingsburg.gov.za>

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1. SCOPE

The scope of this policy is to identify and describe electrical losses that are experienced on the distribution system and to find ways to keep these losses to a minimum. This policy will also describe the disclosing of electricity losses in terms of the relevant legislation. This policy should be read in conjunction with the Accounting Policy of Laingsburg Municipality.

2. OBJECTIVE

The objective of the municipality must be to minimize these losses. These losses can have a significant financial impact with the municipality that will have to pay for electricity that cannot be billed to consumers.

3. LEGISLATION

Municipal Finance Management Act 56 of 2003

Section 125(2) - The notes to the annual financial statements of a municipality or municipal entity must disclose the following information:

- (d) particulars of -
- (i) any material losses

4. TYPES OF LOSSES

The Municipality have two types of losses that can occur in the distribution of electricity.

- **Technical Losses:** These losses occur due to heat dissipation when electricity flows through the system conductors which consists of either copper or aluminium. (Network / infrastructure related losses)
- **Non – Technical Losses:** These losses occur due to theft (illegal connections, meter tampering) and incorrect metering.

5. ACCEPTABLE NORM

In terms of Municipal Finance Management Act (MFMA) Circular No. 71: Uniform Financial Ratios and Norms, dated January 2014, the industry norm pertaining to electricity losses is between **7% to 10%**, however this will be superseded by the sector determination, namely by NERSA, the National Energy Regulator of South Africa.

Interpretation of Results

A ratio below the norm depicts that electricity losses are well managed. If the ratio exceeds the norm, it could indicate various challenges, for example, deteriorating electricity infrastructure or poor management of the networks, affecting the Municipality, which would require further analysis to determine the reasons for such losses. In addition, the root causes should be addressed.

6. CONTROL AND MONITORING

- The municipality must have the intention to keep the losses of electricity below a specified percentage of the total electricity purchased from Eskom. This can be a Key Performance Indicator within the SDBIP.
- To keep the technical losses to a minimum, distribution losses must be reported on a monthly basis to the Director / Manager Infrastructure.
- To keep the non-technical losses to a minimum the metering of electricity must be monitored sufficiently. The billing system must be used to detect possible cases of illegal connections (low and no consumption report / deviation or exception reporting).
- A formal system of communication should be maintained or put in place to ensure effective and efficient communication between the revenue department and the technical department. This will ensure that meters replaced, meter reset, disconnections, last readings etc. being accounted for to ensure that the municipality suffer no losses in this regard.
- If theft is detected the electricity supply to the premises will be disconnected and a tariff will be charged in terms of the council approved municipal tariffs and dealt with in terms of the policy that deals with customer care, credit control and debt collection. Criminal charges should be considered.

7. REPORTING

- Electricity Losses must be reported to the Director / Manager Infrastructure by the revenue department on a monthly basis.
- Reported on a quarterly basis in terms of section 52 of the MFMA to Council.
- The total losses that a municipality incurred for electricity must be reported and quantified in the Annual Financial Statements of the municipality.
- Electricity losses will also be reported in the Mid-Year Performance Report of the municipality.

The electricity losses reported upon in terms of financial reporting, must clearly indicate the quantity in terms of units (kWh) lost, as well as the financial implication of the losses. Losses incurred must be disclosed and quantified as in terms of the Accounting Policy.

8. POLICY REVIEW

The content of the policy will be reviewed as and when required but at least on an annual basis.

DOCUMENT CONTROL

Summary: This document describes the principles of the Electricity Distribution Losses Policy that will be applicable to Laingsburg Municipality, with effect from 01 July 2023.