



OFFICIAL PUBLIC CIRCULAR

1. INTRODUCTION

- 1.1. Since the start of the current financial year on 1 July 2025 the Municipality has received over 5000 letters from residents in the form of disputes and queries in regard to service charges relating to electricity, water and sanitation, and property rates.
- 1.2. The Municipality does not have the internal administrative capacity to respond individually to each letter which has been received from residents timeously. Timely attention to issues and complaints raised by residents is an essential element of Batho Pele. This notice is intended to address all the issues which have been raised.

2. ELECTRICITY

- 2.1. The production and provision of electricity in South Africa is regulated by the National Energy Regulator of South Africa ("NERSA"). This includes the pricing of electricity. Section 4(a)(ii) of the Electricity Regulation Act, 4 of 2006 provides that NERSA must set and approve prices and tariffs for electricity. This means that the Municipality as an electricity distributor is only allowed to charge those prices which have been approved by NERSA.

- 2.2. Section 15(1)(a) of the Electricity Regulation Act requires that in determining electricity tariffs, a Municipality must recover its full cost of supply from its customers. In simple terms, the cost of providing electricity (which includes Eskom's selling price to the Municipality, the costs of the maintenance and service of the power lines and infrastructure, staff salaries, repair costs, Eskom interest charges on overdue accounts, etc) must all be built into the price and paid by the customers.
- 2.3. This is the basic pricing methodology which is required by legislation. Inevitably due to the rising cost of electricity production on the part of Eskom, and electricity theft which contributes to frequent substation failures which then require repairs, electricity prices inevitably become expensive. This methodology ignores the socio-economic realities of South African communities, and in particular, rural communities which have low economic activity and low income per resident.
- 2.4. Before 2023, NERSA and municipalities used the Guideline and Benchmarking Methodology to set and approve the percentage increase by which municipalities and other licensees may increase their prices in a given financial year. The percentage increase was based on the bulk price of electricity supplied by Eskom to municipalities, salary increase, and inflation combined with tariff benchmarks for comparison. So, when a municipality applied for an increase, it would be rejected or approved by NERSA based on whether it fell within the percentage range set by NERSA in terms of the guideline and benchmarking methodology.

- 2.5. This methodology was set aside by the High Court in *Nelson Mandela Bay Business Chambers NPC and Another v National Energy Regulator and Others* (63393/2021) [2022] ZAGPPHC 778 (20 October 2022) on the basis that it did not reflect a municipality's respective cost of supply.
- 2.6. Thereafter, NERSA developed the assumptions methodology for setting electricity prices. The assumptions methodology essentially resembled the benchmarking methodology. AfriForum then brought an urgent application 2024 to review and set aside the assumptions methodology on the basis that it did not reflect each municipality's costs of supply. The High Court therefore declared this methodology unlawful for lack of compliance with section 15(1)(a) of the Electricity Regulation Act.
- 2.7. As a result of AfriForum's application, the Municipality was required to conduct a cost of supply study in formulating a tariff. The study revealed that the Municipality had been charging below what it costs to supply electricity over the last 5 years. In order to break even or recover this deficit the Municipality had to increase its electricity prices on average by 51% across all customer categories. In terms of the cost of supply, which had been commissioned by virtue of the AfriForum judgment, the electricity prices had to increase considerably in order to recoup the deficit which had accrued over the years. This is the cause of the significant increase in electricity prices which has been experienced since 01 July 2025.
- 2.8. Upon receipt of public complaints, the municipal council convened on 11 July 2025 and approved a revised tariff which was essentially a reduction in the electricity prices. This revised tariff was submitted to NERSA for approval as

required by law. However, despite numerous engagements on the part of the Municipality, NERSA has refused to revise the tariff because it had already made its decision when it passed the tariff which was implemented at the beginning of July 2025.

2.9. To address the unaffordable electricity price, and as a result of various consultation with stakeholders the Council of Abaqulusi has resolved to implement an electricity tariff rebate for both prepaid and conventional electricity consumers. The rebate will apply retrospectively with effect from 1 July 2025. The ultimate effect of the rebate is that prices of electricity shall increase by only 15% from the 2024/2025 financial year prices as opposed to the current increase of 51%.

2.10. This is how the rebate will work. Prepaid customers will receive a rebate covering purchases from 01 July 2025 which will be issued as a separate token. The conventional consumers will receive the rebate on their January 2026 account. Their consumption for the months of July to December in the different tariff blocks has been calculated and a credit per block has been allocated to each conventional consumer. The rebate is detailed in Annexure A to this Circular, which contains a revised tariff structure which will be different in each tariff block.

2.11. The above rebates are only applicable in the current financial year and shall lapse on 30 June 2026.

3. PROPERTY RATES

- 3.1. The Municipality acknowledges receipt of complaints about the increase of property rates. The Municipality has adopted a new valuation roll with effect from 01 July 2025 which has ascribed new property values in terms of which the current rates have been determined. Prior to the finalisation of the valuation roll, the municipality had published the valuation roll in the provincial gazette for inspection and comment by residents. Furthermore, the Municipality issued notices in terms of section 49(1)(c) to each property owner setting out the proposed property value of his/her property for comment or objection within 21 days.
- 3.2. The residents who submitted an objection to their property evaluation their objections were considered by the valuers and where possible adjusted accordingly.
- 3.3. Those residents who qualified for the various rebates offered the Municipality; they may apply for those rebates to be applied against the rates payable against their properties.
- 3.4. Unfortunately, it is not permissible, after the finalisation of valuation roll, to dispute the property rates which have been determined for your property, except by way of a judicial review in a competent court. Since the valuation roll has been finalised, any disputes regarding the valuation of a property cannot be resolved.

4. WATER AND SANITATION

- 4.1. Section 73(1) of the Local Government: Municipal Systems Act, 32 of 2000 requires municipalities to ensure that all members of the local community have access to at least the minimum level of basic services. This includes water and sanitation as envisaged in the Water Services Act.
- 4.2. The Municipality charges for water and sanitation separately. Water charges relate to portable water provided to residents, and sanitation services which involve the safe collection, transport and disposal of human excreta and wastewater to maintain public health and infrastructure.
- 4.3. The charges for water services are in two parts: "basic charges" and "consumption charges".
 - 4.3.1. The Municipality charges a fixed basic charge for the water provision infrastructure that is in place to all water service customers except those residents who do not have serviced stands. The basic charge is payable regardless of whether a customer has consumed water.
 - 4.3.2. The second part is payment for the actual water consumed by the customer in a particular month.
- 4.4. There have been disputes and queries raised by customers who have boreholes on their properties. In these circumstances, the Municipality is still entitled to recoup the cost of making water available to the property by way of

the water infrastructure which is installed on the property. Thus, borehole users must pay the water basic charge. If a bore hole user does use the water provided by the Municipality, such consumption will be reflected in the meter and billed accordingly.

- 4.5. Further, borehole users also use the same sewerage and sanitation system which has been developed by the Municipality for the collection and disposal of wastewater. Therefore, the Municipality is entitled to charge a basic charge for the fixed cost of building and maintenance of the sanitation infrastructure, which includes the pipeline network and treatment plants.
- 4.6. The Municipality is entitled to charge for sanitation usage which is currently billed at a flat rate which appears on a customer's monthly bill as borehole additional sewer charge. This charge is based on the fact that sewage and grey water from the household is transferred through municipal infrastructure which cannot be specifically metered, but it is assumed that 75% of the water consumed per household is then disposed through the municipal system.
- 4.7. The sanitation basic and usage charges are payable by all residents who have sanitation services made available to their stands, regardless of whether they use municipal water or borehole extracted water.
- 4.8. In regard to water and sanitation, the Municipality had also been billing below its cost of providing water and sanitation services. Hence in the 2025-26 financial period the water and sanitation tariffs were revised for the Municipality to recover its full cost of supply.

- 4.9. However, due to public concerns about the affordability of essential services, the Council has resolved to rescind its decision to levy borehole tariff and domestic wastewater consumption tariffs. As part of this relief, all interest charges and late payment penalties linked to these charges will be reversed from customers accounts and written off. A credit has been passed on consumers accounts in the January billing and tariffs have been removed.
- 4.10. The water and sanitation relief mentioned above will be effective retrospectively from 01 July 2025 to 30 June 2026.

5. CONCLUSION

- 5.1. It bears mentioning that the funding model of municipalities in South Africa is such that they must finance their own operations. This means that municipalities are expected to recover the full cost of providing services from customers plus a reasonable margin of return in order to be able to sustainably continue rendering services and develop infrastructure for future generations. This all means, the residents must finance this project. This financial model unfortunately ignores that not all communities can afford to fund municipal operations from revenue generated from the sales of the various services.
- 5.2. To meet the funding shortfall the Municipality must rely on the equitable share it receives from National Treasury, which equitable share is unfortunately insufficient to meet the funding shortfall. The Municipality has in this financial year attempted to align its policies with national government policies for service charges.

5.3. We trust that all your queries and concerns have been adequately addressed in this circular. Residents are requested to consider their queries regarding the correct calculation of accounts in accordance with the tariffs which have been adopted for the 2025-26 financial year which are available at municipal offices and on the official website of the Municipality.

5.4. If you consider your dispute to remain despite the contents of this circular, please direct your disputes to the Office of the Chief Financial Officer.

Yours faithfully,

A handwritten signature in black ink, consisting of a stylized 'S' followed by a horizontal line, all enclosed within an oval shape.

Ms. S.P. Dlamini
Municipal Manager
28 January 2026

DESCRIPTION	2024/2025	2025/2026 Approved Tariffs	Rebate applicable	2025/2026 Revised with 15% increase
<u>Domestic (Conventional) with ampere</u>				
Basic charge <60 ampere	R 195.10	R 224.00		R 224.37
Basic charge >60 ampere	R 195.10	R 224.00		R 224.37
<u>Low Season (September - May)</u>				
Cost per unit kWh - Excl. VAT				
Cost per unit kWh - 0-50kwh - step tariff	R 1.59	R 2.72	R 0.89	R 1.83
Cost per unit kWh - 051-350kwh -step tariff	R 2.26	R 2.72	R 0.12	R 2.60
Cost per unit kWh - 351-600kwh - step tariff	R 3.18	R 3.79	R 0.13	R 3.66
Cost per unit kWh - >600kwh - step tariff	R 3.76	R 3.79		R 4.32
<u>High Season (July, August & June)</u>				
Cost per unit kWh - Excl. VAT				
Cost per unit kWh - 0-50kwh - step tariff	R 1.59	R 3.35	R 1.52	R 1.83
Cost per unit kWh - 051-350kwh -step tariff	R 2.36	R 3.35	R 0.64	R 2.71
Cost per unit kWh - 351-600kwh - step tariff	R 3.33	R 4.12	R 0.29	R 3.83
Cost per unit kWh - >600kwh - step tariff	R 3.96	R 4.12		R 4.55
<u>Domestic Prepayment with ampere</u>				
Basic charge	10.00	25.00		25
<u>Low Season (September - May)</u>				
Cost per unit kWh - Excl. VAT				
Cost per unit kWh - 0-50kwh - step tariff	R 1.78	R 2.55	R 0.50	R 2.05
Cost per unit kWh - 51-350kwh -step tariff	R 2.43	R 2.55		R 2.80
Cost per unit kWh - 351-600kwh - step tariff	R 3.32	R 2.72		R 3.81
Cost per unit kWh - >600kwh - step tariff	R 4.17	R 2.72		R 4.79
<u>High Season (July, August & June)</u>				
Cost per unit kWh - Excl. VAT				
Cost per unit kWh - 0-50kwh - step tariff	R 1.78	R 3.74	R 1.69	R 2.05
Cost per unit kWh - 51-350kwh -step tariff	R 2.53	R 3.74	R 0.83	R 2.91
Cost per unit kWh - 351-600kwh - step tariff	R 3.47	R 4.16	R 0.17	R 3.99
Cost per unit kWh - >600kwh - step tariff	R 4.37	R 4.16		R 5.02
<u>Domestic Prepayment - Indigent (20 amp single phase)</u>				
Cost per unit kWh - Excl. VAT				
Cost per unit kWh - 0-50kwh - step tariff	R 1.78	R 2.55	R 0.50	R 2.05
Cost per unit kWh - 51-150kwh - step tariff	R 2.43	R 2.55		R 2.80
Cost per unit kWh - 151-350kwh - step tariff	R 3.32	R 2.55		R 3.81
<u>Commercial (Business) & Agricultural (Conventional)</u>				

Basic charge	R 1 351.98	R 1 555.00		
Energy charge low 0 - 350 c/kwh	R 2.96	R 3.51	R 0.11	R 3.40
Energy charge low >351 c/kwh	R 3.06	R 4.31	R 0.79	R 3.52
Energy charge high <350	R 3.11	R 5.26	R 1.68	R 3.58
Energy charge high >351	R 3.26	R 6.46	R 2.71	R 3.75
<u>Commercial (Business) & Agricultural (Prepaid)</u>				
Basic charge	R 10.00	R 220.00		
Energy charge low < 350 c/kwh	R 3.74	R 3.87		R 4.30
Energy charge low > 351 c/kwh	R 3.89	R 4.76	R 0.29	R 4.47
Energy charge high <350	R 3.87	R 5.80	R 1.35	R 4.45
Energy charge high >351	R 4.02	R 7.14	R 2.52	R 4.62
<u>Industrial (KV a)</u>				
Basic charge	R 1 717.47	R 1 975.00		
Energy charge low < 350 c/kwh	R 1.81	R 2.08		R 2.08
Energy charge low > 351 c/kwh		R 3.46	R 1.07	R 2.39
Energy charge high <350 kwh		R 3.12	R 0.37	R 2.75
Energy charge high >351 kwh		R 5.19	R 2.03	R 3.16
kVa Charge	R 358.42			