17 April 2026

NERSA
Per email: publichearings@nersa.org.za

REDETERMINATION OF THE MSUNDUZI MUNICIPALITY ELECTRICITY TARIFFS FOR 2024/2025 FINANCIAL YEAR WITH DECREASED RATES

1. PURPOSE

The purpose of this document is to outline the rationale for the **redetermination of Msunduzi Municipality's electricity tariffs for the 2024/2025 financial year, specifically with a focus on implementing reduced rates.** This update aims to address concerns regarding fairness, sustainability, and compliance with constitutional principles, while ensuring transparent public participation and equitable treatment for all stakeholders.

2. BACKGROUND

2.1 The 2024/2025 Msunduzi Municipality Electricity Tariff Increases are legally indefensible, unsustainable, and in direct contravention of the constitutional principles of fairness and equity. These tariffs lack justification under current statutory and constitutional frameworks, and their imposition violates the requirements for rationality, proportionality, and procedural fairness as enshrined in the Constitution and relevant municipal legislation.

2.2 The tariff increases impose excessive and unreasonable financial burdens on both business and residential ratepayers, aggravated by persistent infrastructure failures, frequent power outages, rampant electricity theft, and escalating operational costs. These conditions undermine the municipality's ability to provide reliable services and contravene the legal obligation to ensure rates are fair, reasonable, and reflective of actual service delivery.

2.3 The absence of meaningful public participation and transparent governance throughout the tariff approval process constitutes a material breach of statutory and constitutional requirements. The municipality's failure to properly consider objections raised during public consultations at Council, and its disregard for transparent and inclusive decision-making, render the tariff increases procedurally invalid. This lack of genuine engagement and ongoing governance deficiencies further question the legality and enforceability of these tariffs.

2.4 The tariff increases place an unjustifiable and disproportionate burden on both business and residential ratepayers, who are already subjected to ongoing infrastructure failures, frequent power outages, rampant electricity theft, and rising operational costs. Furthermore, the cumulative impact of increasing diesel prices, post-pandemic economic challenges, the July 2021 civil unrest in Pietermaritzburg, rising costs of living, and escalating labour expenses collectively threaten the sustainability and competitiveness of the local economy. This destabilisation directly contravenes the constitutional mandate for equitable treatment and economic stability for all stakeholders.

2.5 Taken together, these issues significantly destabilise the local economy and breach the constitutional and statutory requirements for equitable treatment, transparency, and accountability among all stakeholders. The necessity for tariff redetermination is therefore both urgent and legally mandated, in order to re-establish compliance and promote sustainable, fair municipal service delivery.

3. CURRRENT SITUATION

3.1 Recent High Court rulings invalidated Msunduzi Municipality's 2024/25 electricity tariffs due to the absence of a transparent, legitimate Cost-of-Supply study and inadequate public participation, mandating that future applications provide proper documentation and allow for public review. The court also emphasised that tariffs must reflect the costs of an efficient operator and not be used to cover inefficiencies or governance failures. The municipality failed to release the necessary Cost-of-Supply Study Reports for public input, violating court orders and disregarding ratepayer feedback.

3.2 Due to a split supply arrangement, some wards receive electricity from Eskom and others from the municipality, resulting in many wards not being billed for total consumption and causing revenue losses. The audited financial statements for 2024/2025 show a deficit of **R120,644,369.00**, with expenditure of **R8,227,214,944** exceeding revenue of **R8,227,214,000.00**. Despite some surplus from arrear debt collection, the municipality reported significant losses: **R715,038,054.00** in electricity and **R166,774,733.00** in water divisions, along with a write-off of bad debts totalling **R22,523,583.00** and various unbudgeted and overbudget items.

3.3 The National Treasury's December 2025 Financial Recovery Plan Assessment confirmed deterioration in the municipality's finances. These results demonstrate that tariff increases have not resolved financial instability but have instead highlighted deficiencies in governance, management, and billing equity. As a result, it is recommended that the redetermined electricity tariffs for 2024/2025 be adjusted downwards.

3.4 Ongoing losses and unbilled usage mean that consistently paying ratepayers are unfairly carrying the burden of inefficiencies, raising issues of billing equity and affordability, contrary to the principle of cost-reflective tariffs.

4. RECOMMENDATIONS

4.1 Further tariff increases are unjustified and invalid unless the municipality shows clear progress in reducing operational losses, rectifying Eskom procurement discrepancies, enhancing prepaid electricity sales, and urgently tackling the bypassing of prepaid meters. Effective prosecution of electricity theft in both formal and informal sectors is essential, alongside the completion of a credible Cost-of-Supply study and the implementation of a fully funded plan to address and minimise losses. Without these measures, additional tariff hikes cannot be considered lawful or effective.

4.2 Based on the foregoing analysis and recent judicial determinations, it is hereby recommended that the **2024/2025 electricity tariffs be recalculated and reduced** to ensure alignment with statutory, procedural, and transparency standards.

The Msunduzi Municipality has not demonstrated comprehensive adherence to legal and regulatory requirements, nor has it adequately resolved the fundamental causes of its electricity infrastructure deficiencies and persistent governance shortcomings, with the **2024/2025 Cost of Supply Study not** being made available to the public to date. These ongoing issues continue to erode the confidence of both businesses and ratepayers. Accordingly, a **downward revision of the 2024/2025 Msunduzi Municipality tariffs is essential to restore stakeholder trust and uphold the principles of fair and accountable municipal service delivery.**

5. Attachments

5.1 Letter to the Municipal Manager dated 15 October 2025: NERSA Cost of Supply Study Report.

5.2 Letter to the Municipal Manager dated 19 February 2026: Objections to Msunsduzi Municipality rates and tariff increases.

5.3 List of Wards which are annexed to all MARRC submission to the Municipal Manager that are deliberately not submitted to the Council.

Yours faithfully

ANTHONY WALDHAUSEN
CHAIRPERSON - MARRC

Contact details:
Cell: 072 536 2978
Email: info@marrc.org.za