Appendix I: Public Comments

COMMENTS ON THE APPLICATION TO NERSA FOR THE APPROVAL OF ELECTRICITY TARIFFS FOR THE 2026/27 FINANCIAL YEAR

Herewith my written submission comment on the proposed 14.4% electricity tariff increase.

As per the notice Langeberg Municipality placed it stated that the 14.4% increase in the electricity tariff is based on the municipality's cost of supply study. The cost of supply study that the municipality made public relates to a study done in 2022/2023, utilizing the audited actuals of 2021/2022 Annual Financial Statements as well as the statistical information (consumption reports; amount of consumer accounts; billing data per tariff category) as at that time.

I hereby object to the 14.4% increase as there was no proper process followed for this blanket estimation. The Cost of supply study to which is referred only estimated tariff increases and projected revenue to be generated for 2022/2023 and 2023/2024. This study cannot in any way be used to estimate tariffs for 2026/2027.

The municipality must follow a due process of appointing a service provider to do an updated cost of supply study utilizing the 2024/2025 audited annual financial statements and updated statistical and demographic information.

It would be a grave injustice to increase all tariff categories and every tariff block with a blanket 14.4% as depicted in the draft tariff proposal as it does not take into account the affordability of residential clients that require this basic service to survive month to month. The consumption for residential and large industrial clients cannot not be treated the same.

Therefore a proper estimate must be redone per consumer category, demand and usage per consumer category on various block tariffs as well as seasonal usage must be taken into account when re-estimating the revenue required to fund the 2026/2027 budget expenditure for electricity.

The municipality cannot utilize the surplus from electricity service charges to subsidize other services as all tariffs and services must be cost reflective.

Lastly I would like to enquire what the projected expenditure for electricity services will be for 2026/2027 and what the estimated revenue projection based on the increased 14.4% increase in electricity tariffs will be.

Information from the 2025/2026 approved MTREF Budget:

WC026 Langeberg - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2021/22	2022/23	2023/24	Current Year 2024/25			2025/26 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2025/26	Budget Year +1 2026/27	Budget Year +2 2027/28

Revenue

Trading services		-	-	731 165	796 042	800 484	800 484	945 057	1 018 981	1 120 227
Energy sources		-	-	571 308	636 702	626 872	626 872	714 577	788 878	876 978

Expenditure

Trading services		-	-	668 465	692 362	752 291	752 291	806 809	871 609	959 793
Energy sources		-	-	493 178	574 644	586 598	586 598	597 247	664 828	739 522

Capital Expenditure

Vote number	Sage Account	Vote Description	SOURCE	Ward	Original Budget 2025/2026	Budget 2026/2027	Budget 2027/2028
Electrical Engineering							
9/132-30810-133	C0006-4/AA0631 3/F0002/X032/R0683/001/0503_ACQ	Replace Safety Equipment - Electrical Services	CRR	All	300 000.00	350 000.00	350 000.00
9/132-30642-254	C0006-3/AA07020/F0002/X032/R0683/001/0503_ACQ	Solar at Municipal buildings	CRR	All	300 000.00	500 000.00	500 000.00
9/132-30711-129	C0019-2/AA07280/F0002/X032/R0683/001/0503_ACQ	New Elect Connections	CRR	All	400 000.00	400 000.00	400 000.00
9/132-30712-130	C0019-3/AA07280/F0002/X032/R0683/001/0503_ACQ	Replacement and Repairs of Network	CRR	All	2 500 000.00	3 000 000.00	3 500 000.00
9/132-30748-294	C0020-4/AA07300/F0786/X032/R5404/001/0503_ACQ	Electrification of Boekenhoutskloof-INEP	INEP	4	7 258 260.87	3 043 478.26	3 180 869.57
9/132-30125-119	C0018-1/AA07220/F0002/X032/R4951/001/0503_ACQ	Replace 66Kv Transformers at Robertson Main Substation	CRR	1,2,3,6,11	8 625 000.00		
New	C0007-15/AA01367/F8308/X032/R5402/001/0503_ACQ	Bakkies and Truck - Robertson	EFF	1,2,3,8,11	4 610 000.00		
New	C0007-16/AA01367/F8308/X032/R5401/001/0503_ACQ	Bakkies - Ashton	EFF	9,10,11	1 790 000.00	-	
New	C0007-17/AA01367/F8308/X032/R5403/001/0503_ACQ	Bakkies - Montagu	EFF	7,11,12	550 000.00	-	
		Total Electrical Engineering			[illegible]	[illegible]	[illegible]

Estimations based on the last approved budget for electricity:

Revenue Increase from 25/26 to 26/27 = (788 878' – 714 577')/ 714 577'

= 10.39%

Operational Expenditure increase = (664 828' – 597 247')/ 597 247'

= 11.32%

Capital Expenditure = 7.3 million

Surplus for 2026/27 = Revenue – Operating Expenditure – Capital Expenditure

= 788 878' - 664 828' – 7 293'

= 116.8 million

Based on the last council approved budget for 2026/2027 a surplus of R116.8 million will be made from electricity services revenue if a estimated tariff increase of 10.39% is applied. Which means that if a tariff increase of 14.4% is applied the Municipality will make a much larger surplus.

A revised estimate must be done to lower the electricity tariff increase taking into account inflation projected at 3.7% for 2026/2027 and the NERSA approved bulk increase of 8.76% (Annexure added of NERSA Media Statement on 27 Aug 2025).

I would recommend that Langeberg Municipality do a review of the entire cost of supply study to be based on 2024/2025 audited actual information and statistical information as mentioned above in my letter.

Due to the lack of time for the detailed cost of supply study I would recommend the municipality revise **the proposed tariff downward to 9%** at most, as operational expenditure must be curbed via cost containment measures to align the tariff to be more cost reflective as inflation, wage increase and the bulk electricity tariff increase will be below 9%.

08/01/2026

9 January 2026

The Langeberg Municipal Manager

<u>Comments on the application to Nersa for the approval of electricity tariffs for the 2026/2027 financial year</u>

This letter is written on behalf of Rooodezandt RF (Pty) Ltd Directors, Members and Personnel in response to the call for public participation on the proposed electricity tariff increase by Langeberg Municipality. Roodezandt constitutes a cornerstone of the Langeberg local economy, both in terms of employment and economic output. We already contribute to municipal finances through property rates as well as payment for water and services.

The proposed electricity tariff in our opinion is not acceptable because municipal tariffs must:

- be **cost reflective**, having regard to the cost of providing the service.
- be **fair and equitable**.
- **not be used to generate excessive surpluses**.
- consider the **economic impact of the tariff on the community**, including the effect on local economic activity and competitiveness.

The following should be addressed before a proposal for an electricity tariff increase can be made:

The Cost of Study Report
The Langeberg Municipality Cost of Study is a two-year-old report with estimates and cannot be used to mot[illegible].4% increase for 2026/2027. This report is still signed by late Mr.M.Shude, who sadly passed away in December 2024. For a proper proposal to be made the multi-year model spanning across 3 years, should be used. The information used for this should be as follows:

- Year 0 (FY 24/25) - The data input test year with the recently audited financial statements
- Year 1 (FY 25/26) - The current year in which the study is taking place
- Year 2 (FY 26/27) - The following year for which tariffs are being designed

Langeberg Financial System and Management
The Electricity Loss
Audited disclosures show a pronounced deterioration in electricity distribution losses:

Financial Year	Electricity Loss %	Loss Value (R million)
2021/22	6.69%	41.9
2022/23	3.93%	22.7
2023/24	5.76%	39.4
2024/25	16.89%	143.6

The escalation to a 16.89% loss ratio in 2024/25 represents a systemic failure in network management, metering integrity, billing and credit control. Such losses are explicitly disclosed as not recoverable and therefore cannot be justified as legitimate cost inputs for tariff determination. In the 2019 financial year, the losses were a mere 2.84%. From the historic data it is clear that a much more modest loss ratio than the allowable 12% should be used.

Langeberg Financial System

Cash-flow

Audited cash-flow disclosures show a sustained deterioration in cash generated from operations, despite repeated electricity tariff increases:

- **2021/22:** R152.8 million
- **2022/23:** R111.5 million
- **2023/24:** R120.7 million
- **2024/25:** R51.6 million

The sharp decline in 2024/25 is particularly concerning when viewed against the background of escalating electricity losses, rising impairments and bad debts, and significant underspending on capital budgets. This pattern demonstrates that liquidity pressure is not driven by inadequate tariff levels, but by operational leakage, credit-control failures, and weak execution of approved budgets. These losses can be tied back to a lack of application for debt control and the implementation of a new accounting system which has led to underbilling which is well documented by complaints. This was also reported numerous times by our business and IUB which reviews our accounts. IUB has made several submissions on incorrect billing on our and some of our members' behalf and the concerns have not been fully and satisfactorily addressed yet.

Capital Expenditure

It may be argued that the proposed tariff increase is necessary because of a backlog in electricity infrastructure renewal and expansion. If a genuine backlog exists, it strengthens—not weakens—the case for **credible, ring-fenced, cost-reflective planning**. However, the audited record shows repeated **underspending against approved capital budgets**, which indicates that the binding constraint is not only the tariff level but also execution capacity, procurement readiness, and project management.

Accordingly:

- A tariff increase cannot be justified based on a "backlog" where the Municipality has consistently failed to implement its own approved electricity (and broader) capital budgets and spending targets per the submissions to NERSA.
- Any backlog claim must be supported by a current and itemized **asset management and refurbishment plan**, including asset-condition assessments, quantified backlog (R value), prioritized projects, timelines, and measurable service-level outcomes.
- Where electricity is generating material surpluses, those surpluses should demonstrably translate into reinvestment in the network and reductions in technical and non-technical losses. If not, the tariff proposal risks becoming a revenue instrument rather than a service charge aligned to delivery.
- In future, electricity profits should be ring fenced and held in a separate account.

The Municipality should therefore be required to publish, alongside the tariff proposal, a time-bound electricity infrastructure program with quarterly milestones and reporting against delivery (budget vs actual), so that any "backlog" justification can be tested against implementation.

Economic impact
Tariff setting cannot be separated from the underlying economic capacity of the community. Official economic data published for the Cape Winelands District demonstrates that **Langeberg Municipality has the lowest gross domestic product per capita (GDPR per capita) of all local municipalities within the Cape Winelands District**, indicating the least affluent local economic and revenue base.

In 2022, Langeberg's real GDPR per capita was approximately R76,679, compared to an average GDPR per capita of approximately R93,873 for the Cape Winelands District as a whole.

- This differential confirms that Langeberg households, farms and businesses operate with materially lower average income and economic resilience than those in neighbouring municipalities such as Stellenbosch, Drakenstein and Breede Valley.
- Uniform or above-inflation electricity tariff increases therefore have a disproportionately severe affordability impact in Langeberg relative to the rest of the district.
- In this context, repeated above-inflation electricity tariff increases directly undermine affordability, local competitiveness and business viability, particularly in an agricultural economy where electricity is a critical production input and margins are highly sensitive to administered prices.
- Our members also pay more for their electricity than direct Eskom customers in the nearby Worcester rural area, which renders their enterprises less competitive in this already strained market.

Of further special concern is that, unlike urban residential and commercial users, agricultural enterprises receive few, if any, direct municipal services in return for these rates. Core services such as housing, internal roads, sanitation, refuse handling, and social infrastructure for farm residents and workers are privately provided and maintained by farmers themselves, without financial support or subsidy from the Municipality. Our members, who already contribute through their share of property taxes, effectively face a second and unlawful implicit "tax" through the contributions under proposed higher electricity rates for agricultural producers.

To summarize, the Municipality is requested to:

1. Withdraw the proposed electricity tariff increase.
2. Publish an updated cost-of-supply study based on current and audited figures.
3. Sort out the Financial Management and System, get electricity losses, debt collection and capital expenditure under control.
4. Align tariff increases with the forecasted inflation rate of below 4% for 2026 and the NERSA approved increase of 8.76% for 2026/2027.
5. Re-engage in a lawful consultation process once these steps are completed.

Best Regards

Ref	Date Receive	Name	Comment	Response	Comments Source	Original Comment
1	2025/11/24		Dear Municipal Manager and Members of Council I, hereby raise a formal objection to the proposed electricity tariff increase of 14,40% for the 2026/2027 financial year, as set out in the Langeberg Municipality's tariff schedule for domestic, commercial and industrial consumers. According to the published tariffs, the increase is consistently applied across almost all blocks and tariff categories, including: •household prepaid and conventional meters (all blocks); •commercial consumers (basic levies and kWh costs); •industrial/bulk consumers (basic, demand, access, and energy); •agricultural and time-of-use rates; •as well as additional charges such as availability fees and street lighting. 1.Unfair burden on households An increase of 14,40% is excessively high in the current economic climate. Households in Langeberg are already experiencing severe pressure due to rising living costs, and even the lower consumption blocks (0–350 kWh) that represent basic use are being increased by the same percentage. This means that the increase not only hits high consumption, but also essential household energy use. 2.Negative impact on local businesses and job creation The rates for businesses likewise increase by 14.40%. Small and medium businesses are either going to have to pass these costs on to consumers, or cut back elsewhere to survive. This will harm local growth and job creation and put further pressure on residents. 3.Lack of protections for vulnerable consumers	Dear Ms Thank you, for your detailed objection to the proposed 14.40% electricity tariff increase for 2026/2027. Your submission is recorded and will be considered by Council as part of the tariff approval process. **1.Unfair burden on households** We recognise the impact on low and middle income households and the municipality's Cost of Supply (COS) study was published to showing the breakdown of how the 14.40% was calculated so stakeholders can verify which cost drivers are passed through to consumers. Municipalities are required to submit COS studies with tariff applications. **2.Negative impact on local businesses and job creation** The COS study will separately show the effect on commercial and industrial tariffs (basic charges, demand charges, kWh rates). Council will consider mitigation measures for small businesses where feasible. **3.Lack of protections for vulnerable consumers** The indigent block at R0.00 for 0–50 kWh will be retained; the municipality management will also consider modelling of targeted relief options (e.g., lower increases for basic blocks, lifeline tariffs, or rebates) for Council consideration.	Email	Ek, Krisna Kleinhans, rig hiermee 'n formele beswaar teen die voorgestelde elektrisiteitstariefverhoging van 14,40% vir die 2026/2027 finansiële jaar, soos uiteengesit in die Langeberg Munisipaliteit se tariefskedule vir huishoudelike, kommersiële en industriële verbruikers. Volgens die gepubliseerde tariewe word die verhoging konsekwent toegepas oor bykans alle blokke en tariefkategorieë, insluitend: •huishoudelike voorafbetaalde en konvensionele meters (alle blokke); •kommersiële verbruikers (basiese heffings én kWh-koste); •industriële/bulksverbruikers (basies, aanvraag, toegang en energie); •landbou- en tyd-van-gebruik tariewe; •asook bykomende heffings soos beskikbaarheidsfooie en straatbeligting. 1.Onbillike las op huishoudings 'n Verhoging van 14,40% is buitensporig hoog in die huidige ekonomiese klimaat. Huishoudings in Langeberg ervaar reeds erge druk weens stygende lewenskoste, en selfs die laer verbruiksblokke (0–350 kWh) wat basiese gebruik verteenwoordig, word teen dieselfde persentasie verhoog. Dit beteken dat die verhoging nie net hoë verbruik tref nie, maar ook noodsaaklike huishoudelike energiegebruik. 2.Negatiewe impak op plaaslike besighede en werkskepping Die tariewe vir besighede styg eweneens met 14,40%. Klein en medium ondernemings gaan hierdie koste óf na verbruikers moet oordra, óf elders besnoei om te oorleef. Dit gaan plaaslike groei en werkskepping benadeel en verdere druk op inwoners plaas. 3.Gebrek aan beskermingsmaatreëls vir kwesbare verbruikers Hoewel die indigent-blok vir 0–50 kWh teen R0,00 behou word, bied die tariefstruktuur min verdere verligting vir lae- en middelinkomste huishoudings. Die feit dat alle daaropvolgende blokke teen dieselfde
2	2025/12/15		Who may be affected by it I am writing the letter on behalf of the boarding schools of Robertson High School. The electricity bill is already the 2nd highest expense on the budget of the residences. With such huge increases, the residences will struggle to stay afloat. We cannot give 14.4% increases on residence fees. I request that you come up with an affordable raise. I would like to continue to run an affordable boarding school for our children from Robertson and surrounding towns.	Dear Thank you for your letter on behalf of the boarding schools of Robertson High School. We acknowledge the important role your residences play in providing affordable accommodation for learners from Robertson and surrounding towns. We understand that electricity costs are already one of the highest expenses in your budget, and that the proposed 14.4% increase places significant strain on your ability to keep residence fees affordable. NERSA's mandate, in terms of the Electricity Regulation Act (Act No. 4 of 2006), is to ensure that tariffs are cost-reflective while also considering the impact on consumers, especially vulnerable institutions such as schools. The NERSA Cost of Supply (COS) study tool was applied to determine a required tariff increase of 14.4%. This tool plays a crucial role in ensuring that electricity tariffs in South Africa remain fair, transparent, and cost-reflective. By doing so, it supports municipalities and utilities in maintaining financial sustainability while safeguarding the interests of consumers. The COS analysis for Langeberg Municipality indicates that rising electricity purchase costs have been the primary driver of increased expenses. Over recent years, Eskom's tariff hikes have consistently exceeded 11%. In response, the municipality has mirrored Eskom's	Email	Wie dit mag aangaan Ek skryf die brief namens die koshuise van Hoërskool Robertson. Die elektrisiteitsrekening is alreeds die 2de hoogste uitgawe op die begroting van die koshuise. Met sulke reuse verhogings gaan die koshuise sukkel om kop bo water te hou. Ons kan nie 14.4% verhogings gee op koshuisgelde nie. Ek versoek dat u met 'n bekostigbare verhoging navore kom. Ek wil graag 'n bekostigbare koshuis vir ons kinders van Robertson en omliggende dorpe bly bestuur.

Ref	Date Receive	Name	Comment	Response	Comments Source	Original Comment
3	2025/11/25		Will the municipality's cost of supply study be made public as well which was used for determining the increase in tariffs?	Dear Yes – municipalities are required to make their Cost of Supply (COS) studies available to the public, as these studies form the basis for tariff increases and are central to transparency and regulatory compliance. The COS study was made available on the municipal website.	Facebook	
3	2025/11/25		Nadia Hendricks I concur we would like to know how you came to this increase	Dear Yes – municipalities are required to make their Cost of Supply (COS) studies available to the public, as these studies form the basis for tariff increases and are central to transparency and regulatory compliance. The COS study was made available on the municipal website.	Facebook	

Ref	Date Received	Name	Comment	Response	Comments Source	Original Comment
3	2025/11/25		14 percent this is really day time robbery thinks about the people in the langeberg community that already struggling to buy a month electricity	Dear We understand that a 14% increase feels heavy, especially for households in Langeberg already struggling with monthly electricity costs. However, it's important to note that this adjustment is not intended as "daylight robbery," but rather as a necessary measure to ensure the sustainability of electricity supply in our community. The NERSA Cost of Supply (COS) study tool was applied to determine a required tariff increase of 14.4%. This tool plays a crucial role in ensuring that electricity tariffs in South Africa remain fair, transparent, and cost-reflective. By doing so, it supports municipalities and utilities in maintaining financial sustainability while safeguarding the interests of consumers. The COS analysis for Langeberg Municipality indicates that rising electricity purchase costs have been the primary driver of increased expenses. Over recent years, Eskom's tariff hikes have consistently exceeded 11%. In response, the municipality has mirrored Eskom's increases in its own electricity tariffs in an effort to break even. Section 74(2) of the Municipal Systems Act requires that municipal tariff policies accurately reflect the costs reasonably associated with delivering a service. The COS study's key finding is that Langeberg Municipality must	Facebook	
3	2025/11/25		Ai ai Ai	Dear The NERSA Cost of Supply (COS) study tool was applied to determine a required tariff increase of 14.4%. This tool plays a crucial role in ensuring that electricity tariffs in South Africa remain fair, transparent, and cost-reflective. By doing so, it supports municipalities and utilities in maintaining financial sustainability while safeguarding the interests of consumers. The COS analysis for Langeberg Municipality indicates that rising electricity purchase costs have been the primary driver of increased expenses. Over recent years, Eskom's tariff hikes have consistently exceeded 11%. In response, the municipality has mirrored Eskom's increases in its own electricity tariffs in an effort to break even. Section 74(2) of the Municipal Systems Act requires that municipal tariff policies accurately reflect the costs reasonably associated with delivering a service. The COS study's key finding is that Langeberg Municipality must raise its tariffs by 14.4% to achieve full cost-reflectivity. This adjustment aligns with both the Municipal Systems Act and the Electricity Regulation Act. We appreciate your engagement. The municipality is committed to transparent justification of tariff proposals and to exploring	Facebook	

Ref	Date Receive	Name	Comment	Response	Comments Source	Original Comment
3	2025/11/25		Noooooooooooo	Dear The NERSA Cost of Supply (COS) study tool was applied to determine a required tariff increase of 14.4%. This tool plays a crucial role in ensuring that electricity tariffs in South Africa remain fair, transparent, and cost-reflective. By doing so, it supports municipalities and utilities in maintaining financial sustainability while safeguarding the interests of consumers. The COS analysis for Langeberg Municipality indicates that rising electricity purchase costs have been the primary driver of increased expenses. Over recent years, Eskom's tariff hikes have consistently exceeded 11%. In response, the municipality has mirrored Eskom's increases in its own electricity tariffs in an effort to break even. Section 74(2) of the Municipal Systems Act requires that municipal tariff policies accurately reflect the costs reasonably associated with delivering a service. The COS study's key finding is that Langeberg Municipality must raise its tariffs by 14.4% to achieve full cost-reflectivity. This adjustment aligns with both the Municipal Systems Act and the Electricity Regulation Act. We appreciate your engagement. The municipality is committed to transparent justification of tariff proposals and to exploring	Facebook	
3	2025/11/27		This is ridiculous, 14.4%. Have all the steps been taken with the public? Where is the explanation and public participation? First do some work on your finance department's accounting system, because it has not yet been sorted out and there has been chaos for about 16 months. Is Langeberg in trouble? It makes one wonder!	Dear We acknowledge concerns about the 14.4% increase, but it was implemented through proper legal processes with public participation opportunities. Rising costs in electricity, fuel, and infrastructure make the adjustment essential to sustain reliable services. The finance department's past challenges are being addressed with stronger controls and improved systems. Langeberg is not in trouble—this step ensures stability, accountability, and continued service delivery.	Facebook	Dit is belaglik, 14,4%. Is al die stappe geneem met die publiek? Waar is die uiteensetting verduidelik en publieke deelname. Maak eers werk by julle finansiële departement se rekeningstelsel, want dit is nou nog nie uitgesorteer nie en daar het al omtrent al 16 maande verloop van chaos. Is Langeberg dalk in die moeilikheid ? Dit laat mens wonder!

Ref	Date Received	Name	Comment	Response	Comments Source	Original Comment
3	2025/11/27		How are we supposed to provide comment by next week if you do not respond regarding the cost of supply study used to determine the tariff increase? Will this document not be shared? If not, why not? how are we supposed to give comment on a unilateral increase of 14.4%? The NERSA bulk tariff increase for 2026/2027 has not been approved yet so based on what was the increase determined? In terms of the MFMA the tariff increases accompanies the Draft MTREF budget document in March each year which explains to the public as to how the tariffs increases were determined (30days public participation in April), how the increase in tariff is derived from the draft budget expenditures per service and how the revenue will cover those expenses. I see no such document explaining how the 14.4% was determined being made public. Public participation requires transparency and the necessary relevant information to provide valid inputs. By posting an advert to give comment with no supporting evidence as to the thought process and calculations made to determine this increase is not public participation, it is being treated as a compliance exercise which is not fair to those of us who lojally pay our municipal account. The least the municipality can do is provide a document to explain how the increase was determined.	Dear Yes – municipalities are required to make their Cost of Supply (COS) studies available to the public, as these studies form the basis for tariff increases and are central to transparency and regulatory compliance. The COS study was made available on the municipal website and an extension was granted to afford the public to peruse throught the COS in order to provide meaningful comments.	Facebook	
4	2026/01/08				Email	
5	2026/01/09				Email	
6	2026/01/09				Email	
7	2026/01/09				Email	
8	2026/01/08				Email	
9	2025/12/10		No to electicity tarrif increase! Rather do a study on fraud and corruption and how to actually curb it. Stop free elctricity	Dear Sir / Madam - Reliable electricity needs funding; tariff adjustments prevent outages. - Fraud studies help, but don't generate revenue for infrastructure. - Free basic electricity protects the poorest; cutting it harms vulnerable households. - Tariff increases ensure sustainability, fairness, and stable supply. Tackling corruption is vital, but tariff adjustments are essential to keep power reliable and protect the most vulnerable.	Email	

Ref	Date Receive	Name	Comment	Response	Comments Source	Original Comment
10	2026/01/08		Hello According to the financial statements, the unexplained losses are drastically increased.(page 323) 2024 – 5,7% 2025 - 16.8 % Styging of 195% !! We can't vouch for poor management. Who is responsible for the poor control? What happened to the oversight role of councillors? Seems to me the inhabitants again. It's a shame.	Dear Electricity losses are mainly attributed to unrecorded prepaid usage, faulty meters, and theft. Encouragingly, these losses are on a downward trend. To further address the issue, the municipality is implementing corrective measures, including the prompt replacement or repair of faulty meters and the strengthening of anti-theft initiatives, with the goal of reducing overall electrical losses.	Email	Hallo Volgend die finansiele state is die onverklaarbare verliese drasties op.(bladsy 323) 2024 – 5,7% 2025 - 16.8 % Styging van 195 % !!! Ons kan mos nie instaan vir swak bestuur nie . Wie staan pa vir die swak kontrole ? Wat het geword van die oorsigrol van raadslede ? Lyk my alweer die inwoners. Dis skande.
11	2026/01/20		Langeberg Municipality. Ashton. Good day Mr Lubbe. I would like to hereby comment on the unexplained losses as indicated in the June 30, 2025 Financial Statements. First of all, I congratulate you on the savings as recorded on the water. Figure came off very nicely. Exceptional performance. Secondly, I feel very concerned about the 195% rise in unexplained losses on electricity! This is certainly the highest in Municipality's history. The value of lost power amounts to millions. I would really appreciate it if you could find out for me from the manager in question what steps are being taken to address the problem. We are already 6 months into the new financial year and I would like to hear what the monthly figures look like after corrective action has been introduced. Would love to hear from you.	Dear E Electricity losses are mainly attributed to unrecorded prepaid usage, faulty meters, and theft. Encouragingly, these losses are on a downward trend. To further address the issue, the municipality is implementing corrective measures, including the prompt replacement or repair of faulty meters and the strengthening of anti-theft initiatives, with the goal of reducing overall electrical losses.		Langeberg Munisipaleteit. Ashton. Goele dag Mnr Lubbe. Graag wens ek hiermee kommentaar te lewer op die onverklaarbare verliese soos aangedui in die 30 Junie 2025 Finansiele State. Eerstens wens ek julle geluk te wens met die besparings soos aangeteken op die water . Syfer het baie mooi afgekom. Besonderse prestasie. Tweedens voel ek baie bekommerd oor die 195% styging in onverklaarbare verliese op elektrisiteit ! Dit is seer sekerlik die hoogste in Munisipaleteit se geskiedenis. Die waarde van verlore krag beloop mijoene. Ek sal dit baie waardeer as jy vir my kan uitvind by die betrokke bestuurder watter stappe geneem word om die probleem aan te spreek. Ons is alreeds 6 maande in die nuwe boekjaar en ek verneem graag hoe die maandelikse syfers daar uitsien nadat regstellende stappe ingestel is. Hoor graag van jou.

5 December 2025

To: The Municipal Manager
Langeberg Municipality
Private Bag X2
Ashton
6715

Subject: Request for extension of public comment period and access to Cost of Supply Study – 2026/27 Electricity Tariff Application

Further reference for ease of identification by the Langeberg Municipality: "**COMMENTS ON THE APPLICATION TO NERSA FOR THE APPROVAL OF ELECTRICITY TARIFFS FOR THE 2026/27 FINANCIAL YEAR"**

Mr Lubbe

1. I refer to the notice dated 24 November 2025 and published on the Langeberg Municipality website titled "Call for comments on the application to NERSA for the approval of electricity tariffs for the 2026/27 financial year". The notice records that the Municipality will submit its 2026/27 electricity tariff application to NERSA and that the tariffs are based on Langeberg Municipality's cost of supply study. It further invites comments on the 2026/27 electricity tariffs "that are based on the municipality's cost of supply study", with a closing date of 5 December 2025 at 12:00. This afforded the public only approximately ten working days between publication of the notice and the closing date for comments, which is in itself a compressed period for such a technical and economically significant matter.

2. On Monday, 1 December 2025, I requested a copy of the cost of supply study referred to in the notice, specifically in order to be able to provide informed and substantive comment on the proposed tariffs. Since then I have sent several follow-up emails and made several calls to the Municipality, aven enlisting the help of the Mayor's PA who confirmed he also requested such cost study be made available to me. These communications are all documented and can be provided upon request.

3. As at the time of this letter, no copy of the cost of supply study has been provided to me, and to my knowledge it has not been made available to the public in any other way. The only document available on the website appears to be the tariff table, not the underlying cost of supply study itself.

4. It is obvious that the core basis of the proposed tariff increase is the cost of supply study. Without access to that study – including its methodology, assumptions, allocation of costs between customer categories and calculation of the proposed tariffs – it is not reasonably possible for members of the public to assess whether

the tariffs are lawful, cost-reflective, non-discriminatory and compliant with the Electricity Regulation Act and the MFMA.

5. In those circumstances, any “public participation” process that proceeds without providing the underlying cost of supply study is, in substance, defective and cannot be described as meaningful public participation as contemplated in the Municipal Systems Act, the MFMA and the constitutional duty to act in a procedurally fair and transparent manner when making decisions that materially affect the public. This approach is consistent with the Constitutional Court’s jurisprudence in, among others, Land Access Movement of South Africa and Others v Chairperson of the National Council of Provinces and Others (“LAMOSA”), which holds that public participation must be real and meaningful, and that truncated processes that do not afford the public adequate information and a reasonable opportunity to engage are inherently unreasonable. It is also aligned with the recent AfriForum NPC v National Energy Regulator of South Africa judgments of the Gauteng Division, which confirm that municipal electricity tariff processes must be supported by properly disclosed cost-of-supply studies and by procedurally fair, PAJA-compliant public consultation.

6. By way of context, I note that the City of Cape Town has in its most recent budget cycle phased out its profit margin on electricity, moving towards cost-reflective tariffs. This reflects an acknowledgement that municipalities should not use electricity tariffs primarily as a profit centre, but rather as a means of recovering efficient costs in a fair and transparent way.

7. In the early 2000s, agricultural producers in the Langeberg area requested that their electricity lines be transferred to the Municipality and that they become customers of Langeberg instead of Eskom. At that stage a gross profit margin of approximately 4–5% was set. Over time, however, this position has degraded with steep increases, to the point where agriculture in Langeberg now struggles to compete with nearby areas such as Breede Valley Municipality, where tariff structures and margins are more favourable if sourced directly from Eskom.

8. The current costs have become uncompetitive. This is effectively forcing many consumers, particularly in the agricultural and commercial sectors, to move to embedded solar generation because the cash-flow case for doing so is now strongly positive. While that may make individual financial sense, it will, over time, erode the Municipality’s electricity customer base and impede the long-term financial sustainability of Langeberg Municipality. In simple terms: pricing that is perceived as excessive or unfair accelerates the migration of good-paying customers off the grid.

9. Furthermore, since 1 July 2024 the introduction of the new billing system, combined with a failure to consistently apply the Municipality’s own credit control policies, has led to a sharp increase in electricity losses, impairments of receivables and

debt write-offs. These abnormal increases are not the result of higher underlying supply costs, but rather of billing and credit control failures. They therefore cannot legitimately be used to justify higher tariffs. If the Municipality has sufficient potential revenue but fails to bill and collect correctly, it is not equitable or rational to punish compliant consumers further to make up that shortfall.

10. Against that background, I formally request that the current closing date for comments (5 December 2025 at 12:00) be extended and that the Municipality formally confirm in writing that the public participation period will run until at least five (5) working days after the full cost of supply study has been properly made available to the public (for example, by publishing it on the municipal website and making it available on request in electronic form). Without prejudice to my right to supplement these submissions once the cost of supply study is disclosed, my comment at this stage is that the proposed increase is already too high and, on the information presently available, should not be approved by NERSA.

11. For the avoidance of doubt: until such time as the cost of supply study is made publicly available and a reasonable period for comment has run, the matter cannot lawfully or credibly be treated as having been "dealt with", and any attempt to represent to NERSA or any other body that adequate public participation has occurred on the basis of a process where the underlying cost of supply study was withheld should expressly be discounted.

12. I request that this letter, together with my previous correspondence requesting the cost of supply study, be placed on the official record of the tariff application process, be submitted together with the Municipality's application to NERSA, and be circulated to the relevant internal officials (including the Manager: Revenue Services) without delay.

13. I reserve all my rights, including the right to lodge a formal PAIA request in respect of the cost of supply study (to the extent not already done), to raise the absence of meaningful public participation directly with NERSA, and, if necessary, to challenge any approval of tariffs based on a process where the underlying cost of supply study was not made accessible.

Yours sincerely,

Covering Letter: Electricity Tariff Submission – Langeberg Municipality

To
The Municipal Manager
Langeberg Municipality

And
The National Energy Regulator of South Africa (NERSA)
Afriforum

I hereby submit the attached **"Submission on Proposed Electricity Tariff Increase – Langeberg Municipality"** for consideration as part of the electricity tariff approval process.

This submission must be read together with my prior correspondence, including:

- My written request for access to the Cost of Supply study and for an extension of the public participation period, dated **1, 3 and 5 December 2025**, addressed to the Municipal Manager; and
- The related email correspondence confirming acknowledgment of receipt but **failing to provide the requested Cost of Supply study**, or any substantive response.

To date, **no response has been received** to that correspondence. I was likewise **not notified of any extended or renewed call for public comments**, despite having formally engaged the Municipality within the original comment window and having expressly requested access to the underlying Cost of Supply study to enable meaningful participation. The extended call for public participation was also not even advertised in the local community newspaper, **Standard Breederivier Gazette**.

This procedural history is material. The attached submission demonstrates that:

- The proposed tariff increase is premised on a **defective and outdated Cost of Supply study**, which relies on incorrect assumptions, outdated Eskom tariff references, and improper cost attribution;
- Electricity in Langeberg is **structurally over-profitable on a normalised basis**, and any apparent financial stress arises from governance failures (losses, billing inaccuracies, credit control breakdowns and capital underspending), not from insufficient tariffs;

- The Municipality has **conflated indigent support with bad debt write-offs**, notwithstanding that indigent services are funded through the equitable share and may not lawfully be recovered again through electricity tariffs;
- Electricity tariffs are being used, in effect, as a **revenue-substitution mechanism**, imposing a disproportionate burden on productive sectors — particularly agriculture — in a municipality with the **lowest GDP per capita in the Cape Winelands District**; and
- The public participation process has been **procedurally compromised**, both by the failure to disclose the Cost of Supply study and by non-compliance with PAIA in respect of directly relevant records. The attached Cost of Supply Study is materially misleading to the public and Regulator in terms of its content.

Breach of Trust and the LAMOSA Principle

The concerns raised in the attached submission must also be understood in light of the broader **breach of trust** that arises when a municipality fails to act transparently, accountably, and in good faith in the exercise of its fiscal powers. Jurisprudence, including the *LAMOSA* line of cases, affirms that public authorities are custodians of public power and public resources, and that administrative and fiscal decisions must be exercised in a manner that preserves public confidence and trust.

Where a municipality relies on incomplete or outdated information, withholds material records necessary for public participation, or uses tariffs as a substitute revenue mechanism rather than as cost-reflective service charges, it undermines the trust relationship between the municipality and the community it serves. In the present matter, the combination of defective cost-of-supply data, persistent PAIA non-compliance, and the apparent use of electricity tariffs to compensate for governance failures constitutes a **systemic breach of that trust**.

Such a breach is not merely procedural. It has substantive implications for the lawfulness and rationality of the tariff decision itself, particularly where the economic burden is shifted onto less affluent communities and productive sectors without a transparent, evidence-based justification.

Since April 2023, a pattern of conduct has emerged that has materially impaired meaningful public participation in matters relating to electricity tariffs and broader municipal governance. This includes repeated refusals of lawful and narrowly framed PAIA requests, notwithstanding findings by the Information Regulator that Langeberg Municipality failed to comply with the statutory requirements to limit access to information, resulting in the issuing of an enforcement notice. In parallel, substantive inputs made during budget, IDP, and related public participation processes have been acknowledged and formally recorded, but not actioned or responded to in any meaningful way. The Public Protector is furthermore investigating the Speaker's refusal to allow lawful attendance and participation at council meetings during which the annual report was discussed and approved, despite such participation being mandated under the MFMA framework. Taken together, these facts demonstrate a systemic failure to treat public participation as a genuine decision-shaping process. In the context of *LAMOSA*, this constitutes a breakdown in the trust relationship required for lawful administrative action, with the result that the current tariff process cannot be said to satisfy the standard of meaningful, good-faith engagement required by law. The author is willing to provide further documentary evidence in support of these statements upon request.

In these circumstances, it would be inappropriate and unlawful to proceed on the basis that meaningful public participation has occurred, or that the tariff proposal before NERSA is supported by a lawful, current, and cost-reflective evidentiary foundation.

I therefore respectfully request that:

1. This covering letter and the attached submission be **formally placed on record** as part of Langeberg Municipality's electricity tariff application to NERSA;
2. NERSA **acknowledge receipt** of this submission and confirm that its contents will be taken into account; and
3. **No approval be granted** on the basis of the current defective Cost of Supply study, defective public participation or tariff application, for the reasons fully set out in the attached document.
4. An **investigation** be launched as to the matters addressed in the submission and this letter.

All rights are fully reserved.

Yours sincerely,

8 January 2025

Submission on Proposed Electricity Tariff Increase – Langeberg Municipality

1. Introduction and Standing

This submission is made in response to the call for public participation on the proposed electricity tariff increase by Langeberg Municipality. The information contained herein is sourced from audited Annual Financial Statements (AFS), MFMA disclosures, and related governance records. The submission does not oppose cost-reflective tariffs in principle; it challenges the factual basis, procedural integrity, and justification for the proposed increase in Langeberg Municipality.

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2. Legal and Governance Framework

Electricity tariffs must comply with:

- Municipal Systems Act, section 74 (fairness, equity, cost-reflectivity)
- MFMA sections 18, 19, 62 and 71 (credible budgets, sound financial management)
- NERSA Electricity Pricing Methodology
- Constitutional principles of lawful, reasonable and procedurally fair administrative action
- Meaningful public participation, which requires access to current and complete information

Tariff principles in terms of section 74(2) of the Municipal Systems Act

Section 74(2) of the Municipal Systems Act prescribes mandatory principles that must govern municipal tariffs. In particular, tariffs must:

- be **cost reflective**, having regard to the cost of providing the service;
- be **fair and equitable**;
- **not be used to generate excessive surpluses**;
- take into account the **economic impact of the tariff on the community**, including the effect on local economic activity and competitiveness.

These principles are not discretionary. They establish substantive constraints on the use of tariffs as fiscal instruments. A tariff that materially exceeds the cost of providing the service, generates persistent and disproportionate surpluses, or is relied upon to fund unrelated municipal functions is inconsistent with section 74(2), irrespective of whether it has been procedurally adopted.

Consistency with the Municipality's Adopted Tariff Policy (2025/26)

The Municipality's Tariff Policy for 2025/26 expressly incorporates and operationalises the requirements of section 74 of the Municipal Systems Act. The Policy records that it is adopted *"in terms of section 74 of the Local Government: Municipal Systems Act"* and that it must give effect to the tariff principles contained therein.

The Policy further provides that:

- *"Tariffs must reflect the total cost of services rendered."*
- *"The total cost of providing services includes direct and indirect operating costs, capital costs, maintenance, administration and overheads."*

In rel**a**tion to electricity as a trading service, the Policy recognises that Council may decide to generate a surplus, but only in a defined and transparent manner:

- *"Where Council decides to make a profit on the service, the profit will be added to the fixed and variable cost before tariffs are calculated."*

This provision presupposes an explicit policy decision, quantified profit margins, and a cost base that is accurately measured. It does not authorise the generation of surplus through tolerated technical and non-technical losses, weak credit control, or the socialisation of avoidable impairments through tariffs.

The Policy further states that:

- *"The amount payable by consumers must be in proportion to usage of the service."*
- *"Differentiation of tariffs must be based on infrastructure costs, volume usage, availability of services and service quality."*

Persistently rising electricity tariffs in the face of declining service quality, escalating distribution losses and chronic capital underspending are therefore inconsistent with the Municipality's own Tariff Policy, read together with section 74(2) of the Municipal Systems Act.

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3. Electricity Is Structurally Profitable

Audited segmental reporting confirms that electricity (Energy Sources) has generated material operating surpluses over multiple years and is not a loss-making service.

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4. Capital Expenditure Failure Undermines Tariff Credibility

4.1 Electricity Capital Expenditure (Budget vs Actual)

Financial Year	Budgeted Capex (R million)	Actual Capex (R million)	% of Budget Spent
2021/22	8.36	8.26	99%
2022/23	12.34	11.59	94%
2023/24	21.48	10.73	50%
2024/25	17.89	14.30	80%

4.2 Systemic Municipal Underspending

Total municipal capital expenditure delivery has averaged approximately 68–73% of budget over several years, demonstrating structural weaknesses in planning and execution that undermine forward-looking tariff assumptions.

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5. Electricity Losses, Credit Control and Cash Erosion

5.1 Electricity Losses

Audited disclosures show a pronounced deterioration in electricity distribution losses:

Financial Year	Electricity Loss %	Loss Value (R million)
2021/22	6.69%	41.9
2022/23	3.93%	22.7
2023/24	5.76%	39.4
2024/25	16.89%	143.6

The escalation to a 16.89% loss ratio in 2024/25 represents a systemic failure in network management, metering integrity, billing and credit control. Such losses are explicitly disclosed as not recoverable and therefore cannot be justified as legitimate cost inputs for tariff determination. In the 2019 financial year, the losses were a mere 2.84%.

5.2 Cash Generated by Operations (Expanded) Cash Generated by Operations (Expanded)

Audited cash-flow disclosures show a sustained deterioration in cash generated from operations, despite repeated electricity tariff increases:

- **2021/22:** R152.8 million
- **2022/23:** R111.5 million
- **2023/24:** R120.7 million

- **2024/25:** R51.6 million

The sharp decline in 2024/25 is particularly concerning when viewed against the background of escalating electricity losses, rising impairments and bad debts, and significant underspending on capital budgets. This pattern demonstrates that liquidity pressure is not driven by inadequate tariff levels, but by operational leakage, credit-control failures, and weak execution of approved budgets. These losses can be tied back to a lack of application of debt control and the implementation of a new accounting system which has led to underbilling which is well documented by complaints. This was also reported numerous times by IUB which reviews some of the consumers' accounts in Langeberg.

5.3 Anticipated Counter-Argument: Electricity Capital Backlog

It may be argued that the proposed tariff increase is necessary because of a backlog in electricity infrastructure renewal and expansion. If a genuine backlog exists, it strengthens—not weakens—the case for **credible, ring-fenced, cost-reflective planning**. However, the audited record shows repeated **underspending against approved capital budgets**, which indicates that the binding constraint is not only the tariff level but also execution capacity, procurement readiness, and project management.

Accordingly:

- A tariff increase cannot be justified on the basis of a "backlog" where the Municipality has consistently failed to implement its own approved electricity (and broader) capital budgets and spending targets per the submissions to NERSA.
- Any backlog claim must be supported by a current and itemised **asset management and refurbishment plan**, including asset-condition assessments, quantified backlog (R value), prioritised projects, timelines, and measurable service-level outcomes.
- Where electricity is generating material surpluses, those surpluses should demonstrably translate into reinvestment in the network and reductions in technical and non-technical losses. If not, the tariff proposal risks becoming a revenue instrument rather than a service-charge aligned to delivery.
- In future, electricity profits should be ringfenced and held in a separate account.

The Municipality should therefore be required to publish, alongside the tariff proposal, a time-bound electricity infrastructure programme with quarterly milestones and reporting against delivery (budget vs actual), so that any "backlog" justification can be tested against implementation

5.4 Local Economic Context and Affordability

Tariff setting cannot be divorced from the underlying economic capacity of the community. Official economic data published for the Cape Winelands District demonstrates that

Langeberg Municipality has the lowest gross domestic product per capita (GDPR per capita) of all local municipalities within the Cape Winelands District, indicating the least affluent local economic and revenue base.

In **2022**, Langeberg's real GDPR per capita was approximately **R76,679**, compared to an average GDPR per capita of approximately **R93,873** for the Cape Winelands District as a whole. This differential confirms that Langeberg households, farms and businesses operate with materially lower average income and economic resilience than those in neighbouring municipalities such as Stellenbosch, Drakenstein and Breede Valley.

Uniform or above-inflation electricity tariff increases therefore have a **disproportionately severe affordability impact** in Langeberg relative to the rest of the district.

In this context, repeated above-inflation electricity tariff increases directly undermine affordability, local competitiveness and business viability, particularly in an agricultural economy where electricity is a critical production input and margins are highly sensitive to administered prices.

6. Normalised Electricity Surplus (Expanded)

For the purposes of this submission, a **normative benchmark** has been applied to assess the electricity function's financial performance. In this context, *normative* refers to performance levels that are demonstrably achievable under proper governance and network management, based on the Municipality's own historical results and conservative industry standards.

The benchmarks applied are:

- **Electricity losses capped at 3% of system input**, which is supported by Langeberg's own audited performance in **2019**, when electricity distribution losses were recorded at **2.84%**.
- **Electricity collection at the recorded levels in the segment reporting**, which is reasonable, conservative, and historically demonstrated in a predominantly agricultural municipality where electricity is a critical production input and payment discipline is structurally stronger than the national average. This benchmark is more than supported by the collection rate of 100% demonstrated in the s71 reports of June 2021 and June 2022. Debt collection rates below 98% should be thoroughly investigated and reported on.

Applying these normative benchmarks, the normalised electricity surplus is estimated as follows:

- **2020/21:** ~R91 million
- **2021/22:** ~R113 million
- **2022/23:** ~R62 million
- **2023/24:** ~R74 million

- **2024/25:** ~R180 million

These figures represent the surplus that would reasonably have been achieved had electricity losses, billing accuracy and credit control been managed within levels already proven achievable by the Municipality itself.

7. Electricity vs Property Rates (Expanded)

Financial Year	Normalised Electricity Surplus	Property Rates (Gross)
2020/21	~R91 m	R59.5 m
2021/22	~R113 m	R92.8 m
2022/23	~R62 m	R96.6 m
2023/24	~R74 m	R101.2 m
2024/25	~R180 m	R108.4 m

Electricity therefore functions as a fiscal pillar comparable to, and in most recent years exceeding, property rates *after all costs*. This exposes a possible conflict with section 229 of the Constitution whereby an additional unauthorised electricity "tax" became the dominant funding of Langeberg Municipality.

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8. Conflation of Indigent Support and Bad Debt Write-offs

Langeberg Municipality intentionally conflates the implementation of indigent support with the recognition of bad debt write-offs. It is well documented in the Municipality's own section 71 reports that significant debt write-offs are routinely attributed to the commencement or revision of indigent cycles. This framing is conceptually and legally flawed.

The provision of basic services to indigent households is a planned and targeted policy intervention, funded primarily through the equitable share transferred by National Treasury. Indigent support is intended to operate *ex ante*, through free basic services, rebates, or structured subsidies applied to qualifying households in accordance with an adopted indigent policy. It is not intended to manifest retrospectively through the billing of services, followed by non-collection and subsequent write-off of debt.

To the extent that debt write-offs are attributed to indigent households, such amounts are already compensated for through the equitable share and may not lawfully be recovered again through electricity tariffs. Including these write-offs in the electricity cost base therefore results in double recovery and improperly inflates the tariff under the guise of cost-reflectivity.

Accordingly, a material portion of the so-called "bad debts written off" and impairments relied upon by the Municipality must be disregarded for tariff-setting purposes, as they do not represent the efficient or legitimate cost of providing electricity services.

The Municipality's persistent refusal to provide disaggregated information distinguishing indigent accounts from non-indigent debt, as detailed in **Section 13 (PAIA Compliance Failures and Procedural Unfairness)** of this submission, further frustrates proper scrutiny and undermines meaningful public participation.

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9. Comparative Governance Context

Reference is made to the City of Cape Town's recent budgetary approach, which explicitly acknowledges the risks of using electricity as a revenue engine and signals a shift towards cost-based recovery and reduced cross-subsidisation. The Breede Valley Municipality, which has a comparable total electricity usage (about 10-20% less), had a gross margin ((sales -bulk purchases) / bulk purchases expressed as a percentage) for electricity of ~19% for the year to 30 June 2025. Langeberg Municipality's normalised sales margin for the same period was ~34% for 2025, after adding back the extraordinary electricity losses to sales and then calculating the comparative amount at a more acceptable 3% loss ratio.

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10. Evaluation of the Current Defective Cost of Supply Study

10.1 Structural Misattribution of Domestic Electricity Costs

The Cost of Supply (COS) study concludes that domestic consumers receive electricity at below cost. This conclusion is difficult to reconcile with the structure of current domestic tariffs, particularly in the context of widespread prepaid metering. At prevailing tariffs — with upper domestic blocks of **R4.1567 per kWh** — electricity supplied through prepaid meters cannot, as a matter of fact, result in a loss at the point of sale, as payment is received in advance and no collection risk exists.

The only plausible explanations for the apparent "below-cost" outcome are therefore structural rather than transactional. Either indigent households and free basic electricity volumes are being included within the domestic customer class without proper offset against the equitable share, or electricity losses and impairments — arising from factors such as tampering, illegal connections, metering inaccuracies, or delayed credit control — are being attributed to the domestic category as a whole.

These factors do not constitute the efficient cost of supplying electricity. They reflect governance, enforcement and data-classification failures that should be addressed directly through loss-reduction measures, metering integrity, and proper indigent policy implementation, rather than being absorbed into tariff calculations. This is also not reflected in the audited outcomes.

To the extent that such losses or subsidies are blended into the domestic cost base, the resulting conclusion that electricity is sold at a loss is artificial and misleading. It implies that cross-subsidisation from other customer classes is required, when in fact the underlying issue is the inappropriate attribution of non-supply costs.

In the absence of a clear disaggregation between prepaid domestic consumption, indigent subsidies funded by the equitable share, and avoidable non-technical losses, the entire basis of the Cost of Supply study becomes questionable. At minimum, this necessitates a **re-evaluation of the Cost of Supply study using current data, proper customer segmentation, and explicit treatment of indigent support and losses**, before any tariff increase can be considered lawful or cost-reflective.

10.2 Reliance on Outdated and Factually Incorrect Assumptions

The COS study further records an Eskom proposed tariff increase of **12%**, which is no longer current or correct. Eskom tariff determinations are updated annually and are subject to NERSA approval; reliance on outdated proposed increases materially undermines the relevance and reliability of the study for the current tariff-setting process.

In addition, the COS study is signed by **M. Shude**, who tragically passed away in a fatal motor vehicle accident in **December 2024**. While this is noted with respect, it underscores that the study has not been updated, reviewed, or reaffirmed by its author or the Municipality in light of subsequent financial years, audited outcomes, and materially changed circumstances.

Taken together, these factors confirm that the COS study is **not current**, does not reflect the Municipality's latest audited financial data, loss profiles, or tariff environment, Eskom bulk supply tariffs, and therefore cannot lawfully or rationally be relied upon as the basis for the proposed electricity tariff increase. It also fails to assess, model or analyse the ability of consumers to absorb an increase in tariffs.

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11. Agricultural Sector Impact and Implicit Double Taxation

The agricultural sector constitutes a cornerstone of the Langeberg local economy, both in terms of employment and economic output. This sector already contributes to municipal finances through **property rates**, levied on agricultural land as part of its formal participation in the municipal fiscal framework.

However, unlike urban residential and commercial users, agricultural enterprises **receive few, if any, direct municipal services** in return for these rates. Core services such as housing, internal roads, sanitation, refuse handling, and social infrastructure for farm residents and workers are **privately provided and maintained by farmers themselves**, without financial support or subsidy from the Municipality.

Electricity therefore represents the **primary — and in many cases the only — direct municipal service** consumed by the agricultural sector. Imposing above-cost or revenue-generating electricity tariffs on this sector effectively results in a **second, implicit tax**, layered on top of property rates, without a commensurate increase in service delivery.

This structure is economically distortive. It disproportionately burdens a sector that:

- already internalises service-delivery costs ordinarily borne by municipalities;
- operates on tight margins and is highly sensitive to administered input costs;
- underpins employment and downstream economic activity in Langeberg.

Using electricity tariffs as a fiscal instrument in this context **penalises productive economic activity**, discourages investment, accelerates self-generation and grid defection, and ultimately erodes the Municipality's own revenue base. The cumulative effect is to deter economic growth in precisely the sector least able to absorb additional quasi-taxation.

This outcome is incompatible with section 74(2) of the Municipal Systems Act, which requires tariffs to consider the **economic impact on the community** and prohibits their use as instruments to generate excessive or cross-subsidising surpluses. According to the data in the cost study, this impacts 48% of usage.

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12. Substitution Risk and Grid Defection

Persistently high electricity tariffs, combined with network under-investment and supply constraints, accelerate customer substitution through rooftop solar and self-generation, shrinking sales volumes and creating a self-reinforcing tariff spiral.

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13. PAIA Compliance Failures and Procedural Unfairness

A request in terms of the Promotion of Access to Information Act, 2000 (PAIA) was submitted on **4 August 2025**, seeking records directly relevant to electricity losses, credit control, disconnections, billing accuracy, and the implementation of the Municipality's Credit Control and Debt Collection Policy.

The statutory 30-day period elapsed without a decision, rendering the request **deemed refused**. An internal appeal was duly lodged on **5 September 2025**. No decision was issued on the appeal, and the appeal was **not tabled before Council**, despite Council being the designated appeal authority in terms of PAIA.

The records sought—set out in detail in the attached PAIA request—are directly relevant to the issues raised in this tariff consultation, including electricity losses, selective enforcement of disconnections, and credit-control failures. The Municipality's failure to process the request and appeal lawfully has the following consequences:

- It frustrates the right of access to information protected by section 32 of the Constitution and PAIA.
- It undermines meaningful public participation by withholding information essential to evaluating the tariff proposal.
- It renders the tariff consultation procedurally unfair, as participants are denied access to current and relevant records.

In these circumstances, proceeding with a tariff increase while the Municipality remains in material non-compliance with PAIA exposes the decision to review and oversight intervention.

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14. Conclusion and Requests

On the Municipality's own audited figures, the proposed electricity tariff increase is not justified as cost-reflective. It operates as revenue substitution for failures in loss control, credit management, and capital execution, and is based on a Cost of Supply study that is demonstrably outdated and defective.

The Municipality is requested to:

1. Withdraw the proposed electricity tariff increase in its current form.
2. Publish an updated cost-of-supply study based on current audited figures, proper customer segmentation, and explicit treatment of indigent support and losses.
3. Disclose a ring-fenced electricity reinvestment and loss-reduction plan, with time-bound milestones and reporting.
4. Rectify PAIA compliance failures and enable meaningful public participation by releasing the requested records.
5. Re-engage in a lawful consultation process once these steps are completed.

Requests directed to the National Energy Regulator of South Africa (NERSA):

In light of the material defects identified in this submission, NERSA is respectfully requested to:

6. **Disregard the attached Cost of Supply study** for purposes of tariff approval, on the basis that it is outdated, relies on factually incorrect assumptions, and does not reflect current audited financial data or loss profiles.
7. **Decline or invalidate the requested electricity tariff increase** submitted by Langeberg Municipality, as it is not supported by a lawful, current, and cost-reflective cost-of-supply determination.
8. **Acknowledge receipt of this submission** and confirm that its contents will be taken into account in any assessment or decision relating to the Municipality's electricity tariffs.

9. Where appropriate, **require the Municipality to submit a revised Cost of Supply study** that complies with NERSA's Electricity Pricing Methodology, properly disaggregates customer classes, and excludes non-supply costs such as avoidable losses, impairments, and double-funded indigent subsidies.

These steps are necessary to ensure compliance with section 74 of the Municipal Systems Act, the MFMA, and NERSA's mandate to protect consumers against unjustified tariff increases while ensuring efficient and sustainable electricity supply.

ANNEXURE PACK (EXTRACTS)

Electricity Tariff Submission – Langeberg Municipality

This annexure pack consists solely of targeted extracts and screenshots taken from audited annual financial statements, Section 71 MFMA reports, and official municipal records. The annexures are limited to those portions directly relevant to the electricity tariff determination. Full source documents are publicly available and can be provided upon request.

Annexure Index

1. Annexure A – Electricity Financial Performance (Segmental Analysis Extracts)
2. Annexure B – Capital Expenditure: Budget vs Actual (Electricity and Infrastructure)
3. Annexure C – Electricity Losses and Collection Rates
4. Annexure D – Bad Debts, Impairments and Indigent Cycle Evidence
5. Annexure E – PAIA request for electricity related information which was refused
6. Annexure F – Mathematical workings used to calculate normalised profit in section 7

Annexure A – Electricity Financial Performance (Segmental Analysis)

Extracts showing electricity revenue, expenditure and surplus on a segmental basis.

LANGEBERG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

66.1 Segmental Analysis of Financial Performance

Year Ended 30 June 2025

Description	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste water Management	Water Management	Other	Total for Municipality
	R	R	R	R	R	R	R	R
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	-	-	-	-	-	-	108,425,415	108,425,415
Fines, Penalties and Forfeits	30,584	-	206,349	-	-	-	36,766,105	37,003,038
Availability Charges	-	-	1,841,688	1,239,893	1,123,234	523,959	-	4,728,773
Transfers and Subsidies	112,772	41,357,045	10,175,296	10,921,047	10,964,472	11,221,347	112,528,903	197,280,882
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	1,850,985	1,850,985
Revenue from Exchange Transactions								
Licences and Permits	124,136	-	4,318	-	-	-	3,713,188	3,841,642
Service Charges	-	-	676,665,848	38,345,973	39,127,003	82,699,959	(2,887,085)	833,951,698
Sales of Goods and Rendering of Services	586,489	-	-	1,508,716	-	-	3,360,812	5,456,017
Income from Agency Services	-	-	-	-	-	-	6,099,675	6,099,675
Income from Library services	10,835,840	-	-	-	-	-	-	10,835,840
Rental from Fixed Assets	884,955	-	-	-	-	-	2,883,918	3,768,873
Interest, Dividends and Rent on Land Earned	-	-	(141,581)	-	-	-	31,484,726	31,343,145
Operational Revenue	-	6,484	-	-	-	-	12,610,700	12,617,184
Gains on Other Operations	-	-	-	-	-	-	1,948	1,948
Gains on Disposal of Capital Assets	-	-	-	-	-	-	-	98,988
Inventory Losses	-	-	-	-	-	-	32,280	32,280
Total Revenue	**12,574,776**	**41,363,529**	**688,751,918**	**52,015,629**	**51,214,709**	**94,445,265**	**316,871,570**	**1,257,336,383**
EXPENDITURE								
Employee Related Costs	43,652,376	12,713,691	23,983,129	28,806,843	15,162,368	17,833,417	159,591,268	301,743,092
Remuneration of Councillors	-	-	-	-	-	-	12,348,967	12,348,967
Depreciation and Amortisation	3,558,437	16,589,305	6,570,575	4,103,705	2,053,718	10,286,984	11,573,212	54,735,936
Impairment Losses	-	-	16,145,216	5,930,678	5,385,263	10,606,552	27,887,918	65,955,627
Bad Debts Written Off	-	-	-	-	-	-	28,160,210	28,160,210
Interest, Dividends and Rent on Land	-	-	2,407,255	10,454,370	1,790	-	8,831,563	21,694,978
Bulk Purchases	-	-	592,037,805	-	-	-	-	592,037,805
Contracted Services	1,214,461	1,656,842	1,288,682	2,248,096	12,339,714	8,943,979	15,349,373	43,041,147
Inventory Consumed	1,431,442	3,685,192	4,408,660	2,516,162	3,608,337	9,984,028	12,626,323	38,260,144
Transfers and Subsidies Paid	700,000	-	-	-	-	-	2,799,552	3,499,552
Operating Leases	-	-	-	-	-	-	66,321	66,321
Operational Costs	2,447,840	693,356	2,028,993	2,523,031	514,170	1,289,755	44,301,277	53,798,422
Total Expenditure	**53,004,556**	**35,338,386**	**648,877,400**	**56,582,885**	**39,065,386**	**58,945,921**	**323,527,667**	**1,215,342,201**
Surplus/(Deficit) for the Year	**(40,429,780)**	**6,025,143**	**39,874,518**	**(4,567,257)**	**12,149,323**	**35,499,343.52**	**(6,656,097)**	**41,994,182**

LANGEBERG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

LANGEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

Year Ended 30 June 2024

Description	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
		R	R	R	R	R		
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	-	-	-	-	-	-	101,162,835	101,162,835
Fines, Penalties and Forfeits	26,349	-	6,000	-	-	-	11,353,550	11,385,899
Availability Charges	-	-	1,657,527	-	2,247,067	1,201,482	-	5,106,076
Transfers and Subsidies	-	34,114,518	8,931,917	13,042,737	14,670,753	8,279,830	113,435,894	192,475,649
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	2,039,506	2,039,506
Revenue from Exchange Transactions								
Licences and Permits	151,959	-	7,985	-	-	-	2,077,942	2,237,886
Service Charges	-	-	561,442,898	31,239,545	32,213,124	58,764,244	(5,106,076)	678,553,735
Sales of Goods and Rendering of Services	466,001	-	637	1,640,907	-	-	3,271,343	5,378,887
Income from Agency Services	-	-	-	-	-	-	5,435,214	5,435,214
Income from Library services	9,685,217	-	-	-	-	-	-	9,685,217
Rental from Fixed Assets	820,075	63	-	-	-	-	2,966,443	3,786,581
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	36,974,555	36,974,555
Operational Revenue	-	61,305	3,418,204	-	-	6,529	8,519,218	12,005,256
Intercompany/Parent-subsidiary Transactions	-	-	-	-	-	-	-	-
Gains on Other Operations	-	-	-	-	-	-	17,332	17,332
Gains on Disposal of Property, Plant and Equipment	(95,163)	(14,471)	(329,037)	(495)	(7)	(24,061)	(159,375)	(159,375)
Inventory Losses							(273,465)	(273,465)
Total Revenue	**11,054,438**	**34,161,415**	**575,136,131**	**45,922,694**	**49,130,937**	**68,228,024**	**281,714,916**	**1,065,811,788**
EXPENDITURE								
Employee Related Costs	39,424,625	10,387,436	23,209,429	27,615,052	16,736,987	19,233,661	134,782,386	271,389,576
Remuneration of Councillors	-	-	-	-	-	-	11,830,452	11,830,452
Depreciation and Amortisation	3,591,994	9,507,224	6,463,157	3,598,841	5,011,394	8,608,030	15,574,110	52,354,750
Impairment Losses	32,584	46,301	3,670,725	3,898,218	5,620,481	5,619,223	(2,807,579)	16,079,953
Bad Debts Written Off	-	-	31,357	1,007,759	802,626	1,546,564	10,461,223	13,849,529
Interest, Dividends and Rent on Land	-	-	2,631,537	10,115,268	399,436	106,122	8,684,595	21,936,958
Bulk Purchases	-	-	486,280,892	-	-	-	-	486,280,892
Contracted Services	2,063,695	2,722,145	3,433,429	3,619,035	8,131,069	9,560,653	17,619,504	47,149,530
Inventory Consumed	3,093,559	9,164,251	6,050,899	6,613,135	7,052,599	7,927,010	9,610,743	49,512,196
Transfers and Subsidies Paid	408,576	-	-	-	-	-	2,926,251	3,334,827
Operating Leases	-	-	-	-	-	-	38,616	38,616
Operational Costs	1,093,471	811,048	1,423,285	(4,338,914)	903,259	779,924	41,926,815	42,598,888
Loss on Disposal of Property, Plant and Equipment	32,584	46,301	205,089	306	329	5,434	(290,043)	-
								-
Total Expenditure	**49,708,504**	**32,638,405**	**529,697,717**	**47,222,723**	**38,235,073**	**46,220,834**	**250,357,073**	**1,016,356,167**
Surplus/(Deficit) for the Year	**(38,654,066)**	**1,523,010**	**45,438,414**	**(1,300,029)**	**10,895,864**	**22,007,189.76**	**31,357,843.00**	**49,455,621**

66.1 Segmental Analysis of Financial Performance
Year Ended 30 June 2023

Description	Community and Social Services	Road Transport	Energy Sources	Waste Management	Wastewater Management	Water Management	Other	Total for Municipality
	R	R	R	R	R	R		
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	-	-	-	-	-	-	96 635 339	96 635 339
Fines, Penalties and Forfeits	26 471	-	74 606	-	-	-	11 472 809	11 573 886
Service Charges			1 411 196		1 043 199	1 216 047		3 670 443
Transfers and Subsidies	12 035 550	32 205 317	785 693	15 502 662	18 242 293	13 772 169	78 283 301	170 826 985
Surcharges and Taxes	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	1 580 727	1 580 727
Revenue from Exchange Transactions	-							-
Licences and Permits	188 315	2 280	7 871	-	-	-	1 963 618	2 162 084
Service Charges	-	-	486 942 129	32 745 352	30 409 279	53 984 191	(3 670 443)	600 410 508
Sales of Goods and Rendering of Services	554 068	-	329 299	133 752	-	-	2 679 548	3 696 667
Income from Agency Services	-	-	-	-	-	-	5 341 009	5 341 009
Rental from Fixed Assets	800 143	63	-	-	-	-	2 968 430	3 768 636
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	32 678 712	32 678 712
Operational Revenue	-	33 348	-	-	-	15 399	10 517 936	10 566 683
Gains on Other Operations	-	-	-	-	-	-	-	-
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	1 631 532	1 631 532
Inventory Losses							(75 047)	(75 047)
Total Revenue	**13 604 547**	**32 241 008**	**489 550 794**	**48 381 766**	**49 694 771**	**68 987 806**	**242 007 471**	**944 468 164**
EXPENDITURE								
Employee Related Costs	37 916 931	9 153 112	21 142 227	22 582 059	15 497 013	16 355 797	112 536 724	235 183 863
Remuneration of Councillors	-	-	-	-	-	-	10 817 391	10 817 391
Depreciation and Amortisation	3 325 078	9 288 365	5 677 282	2 400 134	4 888 934	8 098 422	13 313 914	46 992 129
Impairment Losses	-	-	(223 383)	3 236 961	4 437 425	5 633 289		
- Total Losses, Including PPE	-	-	(1 384 564)	1 124 987	1 782 215	3 081 780	7 694 827	12 299 245
- Bad Debts Written Off	-	-	1 170 653	2 111 974	2 655 210	2 551 509	8 459 132	16 948 478
Interest, Dividends and Rent on Land	-	-	2 884 401	9 162 300	460 080	124 284	7 712 920	20 343 985
Bulk Purchases	-	-	401 064 972	-	-	5 950 405	-	407 015 377
Contracted Services	2 199 444	1 747 952	974 216	2 320 040	6 365 517	6 499 095	16 921 524	37 027 788
Inventory Consumed	2 930 527	4 565 407	3 957 541	6 336 290	4 206 253	7 265 178	26 873 941	56 135 137
Transfers and Subsidies Paid	60 000	-	-	-	-	-	2 170 418	2 230 418
Operating Leases	-	-	-	-	-	-	46 892	46 892
Operational Costs	1 142 329	2 507 988	1 244 551	(6 188 491)	1 411 981	1 277 496	36 200 402	37 596 256
Loss on Disposal of Property, Plant and Equipment	-	-	9 472	-	-	-	498 835	508 307
Total Expenditure	**47 574 309**	**27 262 824**	**436 740 751**	**39 849 293**	**37 267 203**	**51 203 966**	**243 246 920**	**883 145 266**
Surplus/(Deficit) for the Year	**(33 969 762)**	**4 978 184**	**52 810 043**	**8 532 473**	**12 427 568**	**17 783 840,41**	**(1 239 449)**	**61 322 898**

LANGEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

Year Ended 30 June 2022

Description	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
		R	R	R	R	R		
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	-	-	-	-	-	-	92 757 614	92 757 614
Fines, Penalties and Forfeits	51 073	-	1 525 537	-	-	-	9 133 750	10 710 360
Service Charges			1 463 204	-	1 004 849	511 408		2 979 461
Transfers and Subsidies	12 559 334	23 029 797	3 938 458	13 882 960	28 899 564	23 156 604	72 349 052	177 815 769
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	1 084 613	1 084 613
Revenue from Exchange Transactions	-	-	-	-	-	-	-	-
Licences and Permits	213 996	1 394 142	18 064	-	-	-	505 862	2 132 064
Service Charges	-	-	527 716 705	27 726 338	30 716 013	54 286 047	(2 979 461)	637 465 642
Sales of Goods and Rendering of Services	625 083	-	2 397 355	51 338	-	-	2 964 699	6 038 475
Income from Agency Services	-	-	-	-	-	-	5 106 265	5 106 265
Rental from Fixed Assets	661 791	-	-	-	-	-	2 703 473	3 365 264
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	18 309 708	18 309 708
Operational Revenue	-	40 010	-	-	-	3 650	5 175 939	5 219 599
Gains on Other Operations	-	-	-	-	-	-	4 289	4 289
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	370 866	370 866
Inventory Losses							30 840	30 840
Total Revenue	**14 111 277**	**24 463 949**	**537 059 323**	**41 660 636**	**60 620 426**	**77 957 709**	**207 517 509**	**963 390 829**
EXPENDITURE								
Employee Related Costs	35 338 156	9 464 461	17 674 637	21 041 321	14 318 593	14 925 950	104 212 254	216 975 372
Remuneration of Councillors	-	-	-	-	-	-	10 750 826	10 750 826
Depreciation and Amortisation	2 808 860	8 641 614	5 218 991	2 246 214	4 316 255	6 042 470	7 559 052	36 833 456
Impairment Losses	28 093	-	2 025 490	6 448 229	7 443 397	8 574 363	14 561 192	39 080 764
- Total Losses, Including PPE	28 093	-	1 684 647	1 374 170	974 000	1 421 647	7 787 497	13 270 054
- Bad Debts Written Off	-	-	346 867	5 074 059	6 469 397	7 152 716	6 765 376	25 808 415
Interest, Dividends and Rent on Land	-	-	3 130 204	6 299 784	392 470	107 674	6 257 796	16 187 928
Bulk Purchases	-	-	422 441 810	-	-	5 706 977	-	428 148 787
Contracted Services	1 312 687	1 036 338	1 302 058	1 501 304	5 170 260	5 129 664	13 642 999	29 095 310
Inventory Consumed	2 249 542	4 689 192	3 534 778	4 605 580	3 740 128	6 384 700	13 945 029	39 148 949
Transfers and Subsidies Paid	100 000	-	-	-	-	-	2 401 004	2 501 004
Operating Leases	-	-	-	-	-	-	277 912	277 912
Operational Costs	1 119 431	1 386 008	904 252	10 879 608	747 564	694 827	24 419 071	40 150 761
Loss on Disposal of Property, Plant and Equipment	-	-	6 024	-	-	-	80 289	86 313
Total Expenditure	**42 956 769**	**25 153 557**	**456 238 244**	**53 022 040**	**36 128 667**	**47 566 625**	**198 099 105**	**896 004 486**
Surplus/(Deficit) for the Year	**(28 845 492)**	**(689 608)**	**80 821 079**	**(11 361 404)**	**24 491 759**	**30 391 084,00**	**9 418 404,00**	**67 386 343**

LANGEBERG LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

LANGEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE (Continued)

Year Ended 30 June 2021

Description	Community and Social Services	Road Transport	Energy Sources	Waste Management	Waste Water Management	Water Management	Other	Total for Municipality
		R	R	R	R	R		
REVENUE								
Revenue from Non-exchange Transactions								
Property Rates	-	-	-	-	-	-	59 485 886	59 485 886
Fines, Penalties and Forfeits	24 430	-	150 460	-	-	-	7 362 400	7 537 290
Licences and Permits	-	-	-	-	-	-	-	-
Transfers and Subsidies	9 973 124	19 631 518	1 240 596	15 101 795	17 226 890	5 846 520	77 567 208	146 587 651
Surcharges and Taxes	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	640 594	640 594
Revenue from Exchange Transactions	-	-	-	-	-	-	-	-
Licences and Permits	132 052	1 487 256	1 287	-	-	-	537 176	2 157 771
Service Charges	-	-	463 964 824	21 508 056	24 603 347	46 369 594	-	556 445 821
Sales of Goods and Rendering of Services	790 215	-	1 952 392	39 702	-	-	3 134 290	5 916 599
Income from Agency Services	-	-	-	-	-	-	5 166 816	5 166 816
Rental from Fixed Assets	165 839	287	-	-	-	-	2 736 662	2 902 788
Interest, Dividends and Rent on Land Earned	-	-	-	-	-	-	12 708 523	12 708 523
Operational Revenue	-	40 621	-	-	-	5 745	5 251 026	5 297 392
Intercompany/Parent-subsidiary Transactions	-	-	-	-	-	-	-	-
Gains on Other Operations	-	-	-	-	-	-	63 048	63 048
- Total Gains, Including PPE	9 682	46 121	695 580	105 595	101 045	127	368 028	1 326 178
Gains on Disposal of Property, Plant and Equipment	9 682	46 121	695 580	105 595	101 045	127	304 980	1 263 130
Inventory Losses							6 107	6 107
Total Revenue	**11 095 342**	**21 205 803**	**468 005 139**	**36 755 148**	**41 931 282**	**52 221 986**	**174 964 716**	**806 179 416**
EXPENDITURE								
Employee Related Costs	43 473 255	8 138 207	16 768 946	13 766 724	12 000 178	12 780 412	103 619 565	210 547 287
Remuneration of Councillors	-	-	-	-	-	-	10 701 101	10 701 101
Depreciation and Amortisation	2 711 466	6 669 820	4 665 894	2 082 824	4 170 262	5 450 374	7 267 527	33 018 167
Impairment Losses	12 569	23 966	4 738 213	1 346 408	2 389 773	3 382 989	8 903 837	20 797 755
- Total Losses, Including PPE	20 453	24 966	4 977 732	644 618	1 273 909	2 437 374	1 661 902	11 040 954
- Bad Debts Written Off	-	-	235 841	915 370	1 115 864	945 615	7 466 497	10 679 187
Interest, Dividends and Rent on Land	4 560 652	40 794	3 450 617	5 300 035	656 341	213 561	579 448	14 801 448
Bulk Purchases	-	-	364 560 122	-	-	6 289 996	-	370 850 118
Contracted Services	1 149 262	535 396	1 010 245	2 251 248	4 550 353	3 797 564	14 718 831	28 012 899
Inventory Consumed	740 951	1 476 880	2 487 974	3 067 139	3 887 495	4 867 124	31 871 576	48 399 139
Transfers and Subsidies Paid	140 000	-	-	-	-	-	1 991 699	2 131 699
Operating Leases	-	-	-	-	-	-	-	-
Operational Costs	1 733 614	2 816 623	1 698 618	(2 606 364)	671 722	1 033 949	26 239 000	31 587 162
Income Taxes	-	-	-	-	-	-	-	-
Statutory Payments other than Taxes	-	-	-	-	-	-	-	-
Loss on Disposal of Property, Plant and Equipment	7 884	1 000	475 360	213 580	-	-	224 562	922 386
Total Expenditure	**54 529 653**	**19 702 686**	**399 855 989**	**25 421 594**	**28 326 124**	**37 815 969**	**206 117 146**	**771 769 161**
Surplus/(Deficit) for the Year	**(43 434 311)**	**1 503 117**	**68 149 150**	**11 333 554**	**13 605 158**	**14 406 017,00**	**(31 152 430,00)**	**34 410 255**

Source: Audited Annual Financial Statements

Annexure B – Capital Expenditure: Budget vs Actual

Extracts evidencing chronic under-execution of capital budgets, including electricity infrastructure.

LANGEBERG LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

66.2 Segmental Analysis of Capital Expenditure

2025 Description	Budget Amounts	Actual Outcome
CAPITAL EXPENDITURE PER FUNCTION		
Community and Social Services	15,216,359	13,633,135
Road Transport	49,927,517	27,256,921
Energy Sources	17,889,052	14,299,972
Waste Management	5,300,000	4,547,213
Waste Water Management	38,348,604	38,086,193
Water Management	30,192,729	13,785,765
Other	16,410,135	14,976,794
Total Capital Expenditure	**173,284,396**	**126,585,993**

2024 Description	Budget Amounts	Actual Outcome
	R	R
CAPITAL EXPENDITURE PER FUNCTION		
Community and Social Services	1,259,000	417,203
Road Transport	87,107,405	61,701,250
Energy Sources	21,482,246	10,730,942
Waste Management	8,316,829	7,771,156
Waste Water Management	38,372,779	35,428,629
Water Management	8,627,495	3,537,897
Other	38,857,072	28,055,304
Total Capital Expenditure	**204,022,826**	**147,642,381**

66.2 Segmental Analysis of Capital Expenditure

2023Description	Budget Amounts	Actual Outcome
CAPITAL EXPENDITURE PER FUNCTION		
Community and Social Services	2 143 514	2 543 499
Road Transport	47 639 505	9 636 717
Energy Sources	12 335 596	11 589 025
Waste Management	22 162 415	20 709 209
Waste Water Management	23 190 249	20 649 934
Water Management	15 380 679	15 233 437
Other	30 678 378	23 573 066
Total Capital Expenditure	**153 530 336**	**103 934 886**

2022Description	Budget Amounts	Actual Outcome
	R	R
CAPITAL EXPENDITURE PER FUNCTION		
Community and Social Services	13 076 546	7 590 267
Road Transport	31 653 913	22 629 739
Energy Sources	8 363 043	8 259 920
Waste Management	3 353 538	2 722 388
Waste Water Management	16 000 380	13 148 100
Water Management	34 475 595	20 576 028
Other	1 710 000	1 105 505
Total Capital Expenditure	**108 633 015**	**76 031 947**

Source: Audited Annual Financial Statements

Annexure C – Electricity Losses and Collection Rates

Extracts evidencing historic low electricity losses and consistently high collection rates.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
40. Bad debt written off		
Receivables from exchange transactions	63 990	14 239 229
Receivables from non-exchange transactions	4 060 948	4 424 683
	4 124 938	**18 663 912**
41. Bulk purchases		
Electricity - Eskom	339 725 520	289 899 530
Water	2 979 243	3 100 014
	342 704 763	**292 999 544**
Electricity losses		
Units purchased (kWh)	321 345 142	316 563 848
Units sold (kWh)	(307 879 306)	(307 543 777)
Units lost during distribution (kWh)	**13 465 836**	**9 020 071**
Percentage Loss:		
Percentage lost during distribution	4,19%	2,84%
Water losses		
Units disinfected/purified/purchased (kl)	7 182 390	6 544 530
Units sold (kl)	(6 118 480)	(5 500 880)
Units lost during distribution (kl)	**1 063 910**	**1 043 650**
Percentage Loss:		
Percentage lost during distribution	15,81%	15,90%

Source: Audited Annual Financial Statements

Collection Rate

Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100		95%	100%
		Gross Debtors closing balance		117 071 676
		Gross Debtors opening balance		100 019 920
		Bad debts written Off		15 347 334
		Billed Revenue		767 509 197

The collection rate is 100% in the month ended 30 June 2022. This is above the benchmark of 95%. The collection ratio of 100% indicates that the municipality's quality of credit control is strong as the municipality ensures that billed revenue is collected from consumers.

MONTHLY BUDGET STATEMENT FOR JUNE 2022 CONSOLIDATED WITH THE QUARTERLY BUDGET STATEMENT FOR JUNE 2022

Source: Section 71 MFMA report June 2022

-

4	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100		95%	100%
			Gross Debtors closing balance		100 019 290
			Gross Debtors opening balance		97 711 977
			Bad debts written Off		4 258 706
			Billed Revenue		611 285 571

The collection rate increased to 100% in the month ended 30 June 2021 from 97% in the month ended 31 May 2021. The collection ratio of 100% indicates that the municipality's quality of credit control is strong as the municipality ensures that billed revenue is collected from consumers.

Source: Section 71 MFMA report June 2021

Annexure D – Bad Debts, Impairments and Indigent Cycle

Extracts demonstrating the linkage between electricity losses, bad debt write-offs and the indigent cycle, and the improper attribution of these costs to electricity tariffs.

LANGEBERG LOCAL MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

	2025 R	2024 R

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor and mayoral commitee members are provided with secretarial support and an office at the cost of the municipality.

Ald CJ Grootboom replaced Cllr J G Steenkamp on 13.08.2024 as Deputy Mayor

Cllr NJ Beginsel and Cllr OC Simpson was removed as a council members on 07.09.2023 and 22.01.2024 respectively

39. DEPRECIATION AND AMORTISATION

	2025 R	2024 R
Depreciation: Property, Plant and Equipment	54,149,913	52,291,432
Depreciation: Investment Property	63,144	63,318
Amortisation: Intangible Assets	522,879	-
Total Depreciation and Amortisation	**54,735,936**	**52,354,750**

40. BAD DEBT WRITTEN OFF

	2025 R	2024 R
Bad Debts Written Off	28,160,210	13,849,530
Total Bad Debts Written Off	**28,160,210**	**13,849,530**

Implementation of new indigent cycle, resulting in increased debt impairment and debt write-off

41. IMPAIRMENT LOSSES

	2025 R	2024 R
Property, Plant and Equipment	-	457,308
Receivables from Exchange Transactions	58,288,911	18,140,182
Receivables from Non-Exchange Transactions	7,666,716	(2,517,537)
Total Impairment Losses	**65,955,627**	**16,079,953**

55.1.8 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

	Lost Units	Tariff	Value
30 June 2025	51,706,305	2.7764	143,557,712
30 June 2024	16,011,097	2.4631	39,437,574

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2025	2024
Volumes in kWh/year:		
System Input Volume	306,134,581	278,167,053
Billed Consumption	254,428,276	262,155,956
Unaccounted	51,706,305	16,011,097
Normal distribution losses - 8% of electricity purchases		
	51,706,305	16,011,097
Percentage Distribution Loss	16.89%	5.76%

Source: 30 June 2025 Audited Annual Financial Statements

LANGEBERG LOCAL MUNICIPALITY

	2023 R	2022 R
37. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	46 927 916	36 760 867
Depreciation: Investment Property	64 213	72 587
Total Depreciation and Amortisation	**46 992 129**	**36 833 454**
38. BAD DEBT WRITTEN OFF		
Bad Debts Written Off	16 948 478	25 808 416
Total Bad Debts Written Off	**16 948 478**	**25 808 416**

Implementation of new indigent cycle, resulting in increased debt impairment or dent write-off

	2023 R	2022 R
39. IMPAIRMENT LOSSES		
Property, Plant and Equipment	-	60 645
Receivables from Exchange Transactions	4 456 227	4 883 349
Receivables from Non-Exchange Transactions	7 704 300	7 773 639
Reversal of Impairment	138 718	552 421
Total Impairment Losses	**12 299 245**	**13 270 054**

54.1.8)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

	Lost Units	Tariff	Value
30 June 2023	10 595 405	2.1400	22 674 167
30 June 2022	21 417 789	1.9578	41 931 747

Electricity Losses occur due to *inter alia* , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Source: 30 June 2023 Audited Annual Financial Statements

JJJS Januarie	Member of Council	Member of Council	327 270	327 270
JS Mafilika	Member of Council	Member of Council	327 270	327 270
LJ Prince	Member of Council and Section 79	Member of Council and Section 79	325 454	-
BH Nteta	Member of Council	Member of Council	327 270	327 270
AJ Shibili	Member of Council	Member of Council	327 270	327 270
OC Simpson	Member of Council	Member of Council	327 270	327 270
TM van der Merwe	Member of Council and Section 79	Member of Council	395 264	327 270
EW Hohlo	Member of Council and Section 79	Member of Council and Section 79	364 861	-
			10 701 101	**11 017 973**

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

37. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	32 985 036	29 321 194
Depreciation: Investment Property	60 073	57 936
Total Depreciation and Amortisation	**33 045 109**	**29 379 130**

38. BAD DEBT WRITTEN OFF

Bad Debts Written Off	10 679 186	4 124 938
Total Bad Debts Written Off	**10 679 186**	**4 124 938**

39. IMPAIRMENT LOSSES

Property, Plant and Equipment	3 765 746	4 921 674
Investment Property	-	208 379
Receivables from Exchange Transactions	5 387 292	3 262 288
Receivables from Non-Exchange Transactions	1 614 170	4 222 328
Reversal of Impairment	(648 639)	(2 447 440)
Total Impairment Losses	**10 118 569**	**10 167 230**

53.1.8)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

	Lost Units	Tariff	Value
30 June 2021	16 312 776	1,2797	20 874 970
30 June 2020	13 465 836	1,1088	14 930 261

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Auditing to build public confidence
30 November 2021

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2021	2020
Volumes in kWh/year:		
System Input Volume	326 193 668	321 345 142
Billed Consumption	309 880 892	307 879 306
Unaccounted	16 312 776	13 465 836
Normal distribution losses - 8% of electricity purchases		-
	16 312 776	13 465 836
Percentage Distribution Loss	5,00%	4,19%

Source: 30 June 2021 Audited Annual Financial Statements

Irrecoverable debts written off:

The year-to-date actual expenditure is R14 536 000, compared to the year-to-date budget projection of R3 961 000. There is a negative variance of 267% caused by the new indigent cycle that started on 01 July 2024.

Operational costs:

The year-to-date actual expenditure is R25 514 000, compared to the year-to-date budget projection of R29 702 000. There is a negative variance of 14%.

This is due to some operational costs such as licenses, workmen's compensation, subscription fees which are once off payments that are due at specific times and are not spread throughout the financial year.

MONTHLY BUDGET STATEMENT FOR DECEMBER 2024 CONSOLIDATED WITH THE QUARTERLY BUDGET STATEMENT FOR DECEMBER 2024

Source: Section 71 MFMA report December 2024

Annexure E – PAIA request for electricity related information which was refused

The full text of the PAIA request follows:

4 August 2025

The Information Officer/ Municipal Manager

Langeberg Municipality
Private Bag X2
Ashton
6715

Subject: Request for Records – Implementation of Credit Control and Electricity Disconnection Policies (1 July 2023 – 4 August 2025)

i. **Background and Context**

I submit this request under the Promotion of Access to Information Act, 2000 (PAIA) to obtain records related to the implementation and enforcement of Langeberg Municipality's Credit Control and Debt Collection Policy 2024/2025 and prior versions, particularly insofar as they relate to electricity service disconnections and reconnections.

The request arises from documented indications of selective enforcement and administrative bias, including:

- Public statements by the Municipality on the cost and concerns of legal connections and electricity losses (e.g., Quarterly Financial Report ending 30 June 2025).
- Known exemptions applied to certain users, despite arrears in keeping with the policy.
- Known errors in the application of tariffs dating back to 1 July 2023.
- Known errors in consumer accounts and many requests for corrections or information that have gone unanswered since 1 July 2024.
- A lack of tracking of municipal account queries and disputes, as is evident from the lack of data published on the complaints received for incorrect billing in the Langeberg Express newsletter.
- A management decision to halt disconnections following protests in Swellendam (September 2023), seemingly contrary to council-approved policy.
- A tender award (12/2024) to Inzalo UMS (Pty) Ltd for disconnection/reconnection services, with significant operational and financial implications.

ii. **Specific Records Requested (Identifiable)**

A. Policy and Management Directives

1. Internal memoranda, circulars, or decisions instructing or authorising:
   - Suspension or modification of disconnection actions (e.g., following Swellendam protests, September 2023).
   - Selective exemptions for specific categories or geographic areas.
2. All standard operating procedures (SOPs) governing the process for initiating, authorising, and carrying out disconnections, including the criteria for decision-making, approval workflows, and communication of such instructions to implementing staff or contractors, including the date of approval of such SOPs that existed since 1 July 2023.

B. Operational and Statistical Data

3. A list of all instructions that circumvented the SOPs listed above or had the impact of halting a disconnection.

4. Monthly summaries of electricity disconnections and reconnections for the period 1 July 2023 – 4 August 2025, categorised by:
   - Ward
   - Reason for disconnection (e.g., arrears, illegal connections, tampering, administrative error)
   - Customer type (residential, HOA, business, farm)
   - Also indicate whether notice (other than a message about "auxillary" on monthly accounts) was delivered to the consumer and also received by the consumer as well as the number of days prior to disconnection such notice was deliverd.
   - If you are unable to provide these statistics, please provide detailed workflow documents, including any criteria, job cards, instructions, and lists of disconnections.

5. Electricity loss ratios (system losses):
   - Monthly data for 1 July 2023 to 4 August 2025
   - Breakdown of technical vs. non-technical losses, with explanatory notes if available

C. Tender and Contract Records

6. Full signed contract and service-level agreement awarded under Tender 12/2024 ("Provision of services for the disconnection and

reconnection of municipal services for a period of three (3) years")
to Inzalo UMS (Pty) Ltd.

7. Performance and payment records under this contract, including invoices and reports submitted by the service provider.

D. Oversight and Complaints

8. Internal audit, council, or committee reports evaluating the implementation of the Credit Control Policy, specifically regarding electricity disconnections.

9. Summaries of customer complaints and appeals (aggregated, anonymised) regarding disconnections, indicating outcomes and trends.

10. A list of monthly complaints regarding consumer accounts, including any sent via the call centre, handled in person, or sent to any municipal email address, from 1 July 2023 to date. Please also provide detail regarding the issues described by the complainant (e.g., tariffs, detail of account, usage).

11. A list of all payments made to Inzalo UMS (Pty) Ltd 1 July 2023 to 4 August 2025.

E. Evidence of Selective Application

12. Records evidencing decisions to exempt or treat differently specific categories of customers from disconnections.

13. Correspondence or directives from the Municipal Manager, CFO, or Mayor relating to selective application of disconnection policy or any intervention therein.

F. Records Relating to CCG Systems (Tender 74/2023)

14. Any signed agreements or contracts with CCG Systems, the accounting system provider, arising from Tender 74/2023.

15. Minutes of all meetings attended by either the Municipal Manager or the CFO and representatives of CCG Systems regarding the implementation, maintenance, or operation of the accounting system.

16. All correspondence between the CFO and CCG Systems, and between the Municipal Manager and CCG Systems, as well as all internal correspondence between the CFO and the Municipal Manager relating to CCG Systems.

iii. 3. Rights Protected and Motivation

This request is submitted to exercise and protect the following rights:

- Right to access information (PAIA, s32 of the Constitution): to review how disconnection policies are implemented and whether they align with approved council decisions.
- Right to just administrative action (s33 of the Constitution, PAJA): to ensure decisions regarding disconnections are lawful, reasonable, and procedurally fair.
- Right to equality and non-discrimination (s9 of the Constitution): to evaluate whether exemptions or selective enforcement (e.g., for certain HOAs) result in unequal treatment of residents.
- Right to accountability and transparency in public administration (s195 of the Constitution): to assess municipal compliance with its own Credit Control and Debt Collection Policy and related by-laws.
- Right to public participation and oversight: ensuring that ratepayers can hold the municipality accountable for financial losses caused by illegal connections and selective disconnections.

iv. Public Interest Motivation

- The municipality has itself acknowledged severe losses due to illegal connections and has raised concerns over the equitable enforcement of disconnections.
- Evidence exists of selective suspension of disconnections following unrest in neighbouring municipalities, raising questions of consistent policy application.
- Access to these records will enable affected communities to participate meaningfully in oversight processes, challenge unfair practices, and support remedial measures.
- The requested information is sought in summary or anonymised form where necessary to comply with the Protection of Personal Information Act (POPIA) and avoid disclosure of individual customer details.
- Numerous account holders have lodged complaints over the last 13 months and the Langeberg Municipality has consistently sent out accounts which contain errors.
- The Langeberg Municipality ended the year with R57 million less in its bank accounts than budgeted. This is despite underspending R46 million on the capital budget in the 2024/25 financial year. A cash shortfall of R103 million in public funds

and outstanding customer accounts older than 90 days of R244 million indicates severe issues with the billing system.

v. **Format and Delivery**

Please provide the requested records in electronic format (PDF or Excel) where available. If certain portions are refused, kindly provide reasons in terms of PAIA and release all severable portions.

vi. **Timeframe**

The records requested relate to the period 1 July 2023 to 4 August 2025. Please confirm receipt hereof.

Yours sincerely,

Annexure F – Mathematical workings used to calculate normalised profit in section 7

A. Basis and benchmark applied

A **single, conservative benchmark of 3.00% electricity losses** is applied, consistent with Section 6 and Section 7 of the submission. This benchmark is demonstrably achievable and supported by the Municipality's own audited history.

Only the **avoidable portion of losses above 3.00%** is added back. Losses are **not** assumed to be zero.

B. Method (loss normalisation)

The audited schedule provides both the **value of electricity losses** and the **loss percentage** for each year. Losses are normalised to the 3.00% benchmark using the following proportional method.

Step B1 — Benchmark loss value

For each year:

Benchmark loss value
= **Actual loss value** × (**3.00%** ÷ **Actual loss %**)

Step B2 — Avoidable loss (add-back)

Avoidable loss (add-back)
= **Actual loss value** − **Benchmark loss value**

This ensures the normalisation reflects **losses reduced to 3.00%**, not losses reduced to zero.

C. Full normalisation formula

For each year:

Normalised electricity surplus
= **Reported electricity surplus (Energy Sources)**

- **Avoidable loss (add-back to 3.00% benchmark)**
- **Impairment losses (receivables) under energy sources**

- **Depreciation & amortisation included under energy sources**
- **Impairment losses on PPE under energy sources**

Notes:

- Brackets indicate negative amounts per the audited schedule (e.g. reversals).
- Depreciation and PPE impairments are added back as **non-cash charges**, highlighting the lack of capital renewal despite tariff increases.

D. Full workings tables

D1. Loss normalisation workings (losses capped at 3.00%)

Financial year	Actual loss %	Actual loss value (R)	Benchmark loss value @ 3.00% (R)	Avoidable loss add-back @ 3.00% (R)
2021	5.0009%	20 874 970	12 522 607	8 352 363
2022	6.6912%	41 931 747	18 800 043	23 131 704
2023	3.9314%	22 674 167	17 302 274	5 371 893
2024	5.7559%	39 437 574	20 554 928	18 882 646
2025	16.8901%	143 557 712	25 498 616	118 059 096

D2. Normalised electricity surplus workings (losses capped at 3.00%)

Financial year	A. Reported electricity surplus (R)	B. Avoidable loss add-back @ 3.00% (R)	C. + Receivable impairments (R)	D. + Depreciation & amortisation (R)	E. + PPE impairments (R)	F. Normalised electricity surplus (R)
2021	68 149 150	8 352 363	4 738 213	4 665 894	4 977 732	**90 883 352**
2022	80 821 079	23 131 704	2 025 490	5 218 991	1 684 647	**112 882 911**
2023	52 810 043	5 371 893	(223 383)	5 676 282	(1 384 564)	**62 250 271**
2024	45 438 414	18 882 646	3 670 725	6 463 157	0	**74 454 942**
2025	39 874 518	118 059 096	16 145 216	6 570 575	0	**180 649 405**

E. Link to Section 7

The normalised electricity surplus calculated above is used in Section 7 to compare electricity's fiscal contribution against property rates revenue and to assess whether the proposed tariff increase is genuinely cost-reflective or compensates for governance, loss-control and capital-execution failures.

Submission on Proposed Electricity Tariff Increase – Langeberg Municipality

1. Introduction and Standing

This submission is made in response to the call for public participation on the proposed electricity tariff increase by Langeberg Municipality. The information contained herein is sourced from audited Annual Financial Statements (AFS), MFMA disclosures, and related governance records. The submission does not oppose cost-reflective tariffs in principle; it challenges the factual basis, procedural integrity, and justification for the proposed increase in Langeberg Municipality.

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2. Legal and Governance Framework

Electricity tariffs must comply with:

- Municipal Systems Act, section 74 (fairness, equity, cost-reflectivity)
- MFMA sections 18, 19, 62 and 71 (credible budgets, sound financial management)
- NERSA Electricity Pricing Methodology
- Constitutional principles of lawful, reasonable and procedurally fair administrative action
- Meaningful public participation, which requires access to current and complete information

Tariff principles in terms of section 74(2) of the Municipal Systems Act

Section 74(2) of the Municipal Systems Act prescribes mandatory principles that must govern municipal tariffs. In particular, tariffs must:

- be **cost reflective**, having regard to the cost of providing the service;
- be **fair and equitable**;
- **not be used to generate excessive surpluses**;
- take into account the **economic impact of the tariff on the community**, including the effect on local economic activity and competitiveness.

These principles are not discretionary. They establish substantive constraints on the use of tariffs as fiscal instruments. A tariff that materially exceeds the cost of providing the service, generates persistent and disproportionate surpluses, or is relied upon to fund unrelated municipal functions is inconsistent with section 74(2), irrespective of whether it has been procedurally adopted.

Consistency with the Municipality's Adopted Tariff Policy (2025/26)

The Municipality's Tariff Policy for 2025/26 expressly incorporates and operationalises the requirements of section 74 of the Municipal Systems Act. The Policy records that it is adopted *"in terms of section 74 of the Local Government: Municipal Systems Act"* and that it must give effect to the tariff principles contained therein.

The Policy further provides that:

- *"Tariffs must reflect the total cost of services rendered."*
- *"The total cost of providing services includes direct and indirect operating costs, capital costs, maintenance, administration and overheads."*

In relation to electricity as a trading service, the Policy recognises that Council may decide to generate a surplus, but only in a defined and transparent manner:

- *"Where Council decides to make a profit on the service, the profit will be added to the fixed and variable cost before tariffs are calculated."*

This provision presupposes an explicit policy decision, quantified profit margins, and a cost base that is accurately measured. It does not authorise the generation of surplus through tolerated technical and non-technical losses, weak credit control, or the socialisation of avoidable impairments through tariffs.

The Policy further states that:

- *"The amount payable by consumers must be in proportion to usage of the service."*
- *"Differentiation of tariffs must be based on infrastructure costs, volume usage, availability of services and service quality."*

Persistently rising electricity tariffs in the face of declining service quality, escalating distribution losses and chronic capital underspending are therefore inconsistent with the Municipality's own Tariff Policy, read together with section 74(2) of the Municipal Systems Act.

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3. Electricity Is Structurally Profitable

Audited segmental reporting confirms that electricity (Energy Sources) has generated material operating surpluses over multiple years and is not a loss-making service.

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4. Capital Expenditure Failure Undermines Tariff Credibility

4.1 Electricity Capital Expenditure (Budget vs Actual)

Financial Year	Budgeted Capex (R million)	Actual Capex (R million)	% of Budget Spent
2021/22	8.36	8.26	99%
2022/23	12.34	11.59	94%
2023/24	21.48	10.73	50%
2024/25	17.89	14.30	80%

4.2 Systemic Municipal Underspending

Total municipal capital expenditure delivery has averaged approximately 68–73% of budget over several years, demonstrating structural weaknesses in planning and execution that undermine forward-looking tariff assumptions.

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5. Electricity Losses, Credit Control and Cash Erosion

5.1 Electricity Losses

Audited disclosures show a pronounced deterioration in electricity distribution losses:

Financial Year	Electricity Loss %	Loss Value (R million)
2021/22	6.69%	41.9
2022/23	3.93%	22.7
2023/24	5.76%	39.4
2024/25	16.89%	143.6

The escalation to a 16.89% loss ratio in 2024/25 represents a systemic failure in network management, metering integrity, billing and credit control. Such losses are explicitly disclosed as not recoverable and therefore cannot be justified as legitimate cost inputs for tariff determination. In the 2019 financial year, the losses were a mere 2.84%.

5.2 Cash Generated by Operations (Expanded) Cash Generated by Operations (Expanded)

Audited cash-flow disclosures show a sustained deterioration in cash generated from operations, despite repeated electricity tariff increases:

- **2021/22:** R152.8 million
- **2022/23:** R111.5 million
- **2023/24:** R120.7 million
- **2024/25:** R51.6 million

The sharp decline in 2024/25 is particularly concerning when viewed against the background of escalating electricity losses, rising impairments and bad debts, and significant underspending on capital budgets. This pattern demonstrates that liquidity pressure is not driven by inadequate tariff levels, but by operational leakage, credit-control failures, and weak execution of approved budgets. These losses can be tied back to a lack of application of debt control and the implementation of a new accounting system which has led to underbilling which is well documented by complaints. This was also reported numerous times by IUB which reviews some of the consumers' accounts in Langeberg.

5.3 Anticipated Counter-Argument: Electricity Capital Backlog

It may be argued that the proposed tariff increase is necessary because of a backlog in electricity infrastructure renewal and expansion. If a genuine backlog exists, it strengthens—not weakens—the case for **credible, ring-fenced, cost-reflective planning**. However, the audited record shows repeated **underspending against approved capital budgets**, which indicates that the binding constraint is not only the tariff level but also execution capacity, procurement readiness, and project management.

Accordingly:

- A tariff increase cannot be justified on the basis of a "backlog" where the Municipality has consistently failed to implement its own approved electricity (and broader) capital budgets and spending targets per the submissions to NERSA.
- Any backlog claim must be supported by a current and itemised **asset management and refurbishment plan**, including asset-condition assessments, quantified backlog (R value), prioritised projects, timelines, and measurable service-level outcomes.
- Where electricity is generating material surpluses, those surpluses should demonstrably translate into reinvestment in the network and reductions in technical and non-technical losses. If not, the tariff proposal risks becoming a revenue instrument rather than a service-charge aligned to delivery.
- In future, electricity profits should be ringfenced and held in a separate account.

The Municipality should therefore be required to publish, alongside the tariff proposal, a time-bound electricity infrastructure programme with quarterly milestones and reporting against delivery (budget vs actual), so that any "backlog" justification can be tested against implementation.

5.4 Local Economic Context and Affordability

Tariff setting cannot be divorced from the underlying economic capacity of the community. Official economic data published for the Cape Winelands District demonstrates that **Langeberg Municipality has the lowest gross domestic product**

per capita (GDPR per capita) of all local municipalities within the Cape Winelands District, indicating the least affluent local economic and revenue base.

In **2022**, Langeberg's real GDPR per capita was approximately **R76,679**, compared to an average GDPR per capita of approximately **R93,873** for the Cape Winelands District as a whole. This differential confirms that Langeberg households, farms and businesses operate with materially lower average income and economic resilience than those in neighbouring municipalities such as Stellenbosch, Drakenstein and Breede Valley.

Uniform or above-inflation electricity tariff increases therefore have a **disproportionately severe affordability impact** in Langeberg relative to the rest of the district.

In this context, repeated above-inflation electricity tariff increases directly undermine affordability, local competitiveness and business viability, particularly in an agricultural economy where electricity is a critical production input and margins are highly sensitive to administered prices.

6. Normalised Electricity Surplus (Expanded)

For the purposes of this submission, a **normative benchmark** has been applied to assess the electricity function's financial performance. In this context, *normative* refers to performance levels that are demonstrably achievable under proper governance and network management, based on the Municipality's own historical results and conservative industry standards.

The benchmarks applied are:

- **Electricity losses capped at 3% of system input**, which is supported by Langeberg's own audited performance in **2019**, when electricity distribution losses were recorded at **2.84%**.
- **Electricity collection at the recorded levels in the segment reporting**, which is reasonable, conservative, and historically demonstrated in a predominantly agricultural municipality where electricity is a critical production input and payment discipline is structurally stronger than the national average. This benchmark is more than supported by the collection rate of 100% demonstrated in the s71 reports of June 2021 and June 2022. Debt collection rates below 98% should be thoroughly investigated and reported on.

Applying these normative benchmarks, the normalised electricity surplus is estimated as follows:

- **2020/21:** ~R91 million
- **2021/22:** ~R113 million
- **2022/23:** ~R62 million
- **2023/24:** ~R74 million
- **2024/25:** ~R180 million

These figures represent the surplus that would reasonably have been achieved had electricity losses, billing accuracy and credit control been managed within levels already proven achievable by the Municipality itself.

7. Electricity vs Property Rates (Expanded)

Financial Year	Normalised Electricity Surplus	Property Rates (Gross)
2020/21	~R91 m	R59.5 m
2021/22	~R113 m	R92.8 m
2022/23	~R62 m	R96.6 m
2023/24	~R74 m	R101.2 m
2024/25	~R180 m	R108.4 m

Electricity therefore functions as a fiscal pillar comparable to, and in most recent years exceeding, property rates *after all costs*. This exposes a possible conflict with section 229 of the Constitution whereby an additional unauthorised electricity "tax" became the dominant funding of Langeberg Municipality.

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8. Conflation of Indigent Support and Bad Debt Write-offs

Langeberg Municipality intentionally conflates the implementation of indigent support with the recognition of bad debt write-offs. It is well documented in the Municipality's own section 71 reports that significant debt write-offs are routinely attributed to the commencement or revision of indigent cycles. This framing is conceptually and legally flawed.

The provision of basic services to indigent households is a planned and targeted policy intervention, funded primarily through the equitable share transferred by National Treasury. Indigent support is intended to operate *ex ante*, through free basic services, rebates, or structured subsidies applied to qualifying households in accordance with an adopted indigent policy. It is not intended to manifest retrospectively through the billing of services, followed by non-collection and subsequent write-off of debt.

To the extent that debt write-offs are attributed to indigent households, such amounts are already compensated for through the equitable share and may not lawfully be recovered again through electricity tariffs. Including these write-offs in the electricity cost base therefore results in double recovery and improperly inflates the tariff under the guise of cost-reflectivity.

Accordingly, a material portion of the so-called "bad debts written off" and impairments relied upon by the Municipality must be disregarded for tariff-setting purposes, as they do not represent the efficient or legitimate cost of providing electricity services.

The Municipality's persistent refusal to provide disaggregated information distinguishing indigent accounts from non-indigent debt further frustrates proper scrutiny and undermines meaningful public participation.

9. Comparative Governance Context

Reference is made to the City of Cape Town's recent budgetary approach, which explicitly acknowledges the risks of using electricity as a revenue engine and signals a shift towards cost-based recovery and reduced cross-subsidisation. The Breede Valley Municipality, which has a comparable total electricity usage (about 10-20% less), had a gross margin ((sales -bulk purchases) / bulk purchases expressed as a percentage) for electricity of ~19% for the year to 30 June 2025. Langeberg Municipality's normalised sales margin for the same period was ~34% for 2025, after adding back the extraordinary electricity losses to sales and then calculating the comparative amount at a more acceptable 3% loss ratio.

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10. Evaluation of the Current Defective Cost of Supply Study

10.1 Structural Misattribution of Domestic Electricity Costs

The Cost of Supply (COS) study concludes that domestic consumers receive electricity at below cost. This conclusion is difficult to reconcile with the structure of current domestic tariffs, particularly in the context of widespread prepaid metering. At prevailing tariffs — with upper domestic blocks of **R4.1567 per kWh** — electricity supplied through prepaid meters cannot, as a matter of fact, result in a loss at the point of sale, as payment is received in advance and no collection risk exists.

The only plausible explanations for the apparent "below-cost" outcome are therefore structural rather than transactional. Either indigent households and free basic electricity volumes are being included within the domestic customer class without proper offset against the equitable share, or electricity losses and impairments — arising from factors such as tampering, illegal connections, metering inaccuracies, or delayed credit control — are being attributed to the domestic category as a whole.

These factors do not constitute the efficient cost of supplying electricity. They reflect governance, enforcement and data-classification failures that should be addressed directly through loss-reduction measures, metering integrity, and proper indigent policy implementation, rather than being absorbed into tariff calculations. This is also not reflected in the audited outcomes.

To the extent that such losses or subsidies are blended into the domestic cost base, the resulting conclusion that electricity is sold at a loss is artificial and misleading. It implies that cross-subsidisation from other customer classes is required, when in fact the underlying issue is the inappropriate attribution of non-supply costs.

In the absence of a clear disaggregation between prepaid domestic consumption, indigent subsidies funded by the equitable share, and avoidable non-technical losses, the entire basis of the Cost of Supply study becomes questionable. At minimum, this necessitates a **re-evaluation of the Cost of Supply study using current data, proper**

customer segmentation, and explicit treatment of indigent support and losses, before any tariff increase can be considered lawful or cost-reflective.

10.2 Reliance on Outdated and Factually Incorrect Assumptions

The COS study further records an Eskom proposed tariff increase of **12%**, which is no longer current or correct. Eskom tariff determinations are updated annually and are subject to NERSA approval; reliance on outdated proposed increases materially undermines the relevance and reliability of the study for the current tariff-setting process.

In addition, the COS study is signed by **M. Shude**, who tragically passed away in a fatal motor vehicle accident in **December 2024**. While this is noted with respect, it underscores that the study has not been updated, reviewed, or reaffirmed by its author or the Municipality in light of subsequent financial years, audited outcomes, and materially changed circumstances.

Taken together, these factors confirm that the COS study is **not current**, does not reflect the Municipality's latest audited financial data, loss profiles, or tariff environment, Eskom bulk supply tariffs, and therefore cannot lawfully or rationally be relied upon as the basis for the proposed electricity tariff increase. It also fails to assess, model or analyse the ability of consumers to absorb an increase in tariffs.

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11. Agricultural Sector Impact and Implicit Double Taxation

The agricultural sector constitutes a cornerstone of the Langeberg local economy, both in terms of employment and economic output. This sector already contributes to municipal finances through **property rates**, levied on agricultural land as part of its formal participation in the municipal fiscal framework.

However, unlike urban residential and commercial users, agricultural enterprises **receive few, if any, direct municipal services** in return for these rates. Core services such as housing, internal roads, sanitation, refuse handling, and social infrastructure for farm residents and workers are **privately provided and maintained by farmers themselves**, without financial support or subsidy from the Municipality.

Electricity therefore represents the **primary — and in many cases the only — direct municipal service** consumed by the agricultural sector. Imposing above-cost or revenue-generating electricity tariffs on this sector effectively results in a **second, implicit tax**, layered on top of property rates, without a commensurate increase in service delivery.

This structure is economically distortive. It disproportionately burdens a sector that:

- already internalises service-delivery costs ordinarily borne by municipalities;
- operates on tight margins and is highly sensitive to administered input costs;
- underpins employment and downstream economic activity in Langeberg.

Using electricity tariffs as a fiscal instrument in this context **penalises productive economic activity**, discourages investment, accelerates self-generation and grid defection, and ultimately erodes the Municipality's own revenue base. The cumulative effect is to deter economic growth in precisely the sector least able to absorb additional quasi-taxation.

This outcome is incompatible with section 74(2) of the Municipal Systems Act, which requires tariffs to consider the **economic impact on the community** and prohibits their use as instruments to generate excessive or cross-subsidising surpluses. According to the data in the cost study, this impacts 48% of usage.

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12. Substitution Risk and Grid Defection

Persistently high electricity tariffs, combined with network under-investment and supply constraints, accelerate customer substitution through rooftop solar and self-generation, shrinking sales volumes and creating a self-reinforcing tariff spiral.

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13. Conclusion and Requests

On the Municipality's own audited figures, the proposed electricity tariff increase is not justified as cost-reflective. It operates as revenue substitution for failures in loss control, credit management, and capital execution, and is based on a Cost of Supply study that is demonstrably outdated and defective.

The Municipality is requested to:

1. Withdraw the proposed electricity tariff increase in its current form.
2. Publish an updated cost-of-supply study based on current audited figures, proper customer segmentation, and explicit treatment of indigent support and losses.
3. Disclose a ring-fenced electricity reinvestment and loss-reduction plan, with time-bound milestones and reporting.
4. Re-engage in a lawful consultation process once these steps are completed.

Requests directed to the National Energy Regulator of South Africa (NERSA):

In light of the material defects identified in this submission, NERSA is respectfully requested to:

6. **Disregard the attached Cost of Supply study** for purposes of tariff approval, on the basis that it is outdated, relies on factually incorrect assumptions, and does not reflect current audited financial data or loss profiles.
7. **Decline or invalidate the requested electricity tariff increase** submitted by Langeberg Municipality, as it is not supported by a lawful, current, and cost-reflective cost-of-supply determination.

8. **Acknowledge receipt of this submission** and confirm that its contents will be taken into account in any assessment or decision relating to the Municipality's electricity tariffs.
9. Where appropriate, **require the Municipality to submit a revised Cost of Supply study** that complies with NERSA's Electricity Pricing Methodology, properly disaggregates customer classes, and excludes non-supply costs such as avoidable losses, impairments, and double-funded indigent subsidies.

These steps are necessary to ensure compliance with section 74 of the Municipal Systems Act, the MFMA, and NERSA's mandate to protect consumers against unjustified tariff increases while ensuring efficient and sustainable electricity supply.

Yours sincerely,