MUNICIPAL DEBT RELIEF - TERMINATION

Information Sessions

PRESENTED BY:

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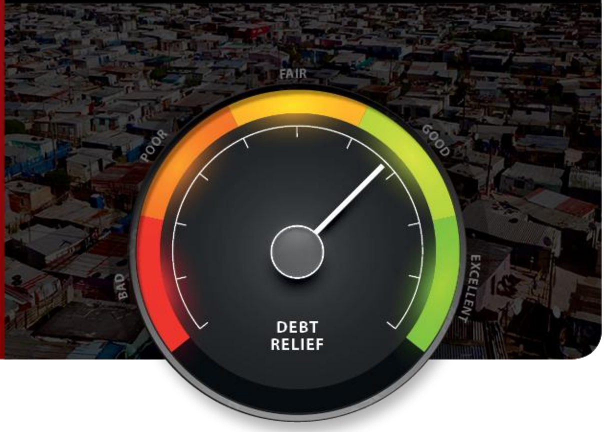
16 March 2026



national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

2030
NDP

TERMINATION FROM MUNICIPAL DEBT RELIEF PROGRAM - ALTERNATIVELY DISTRIBUTION AGENCY AGREEMENT WITH ESKOM

National Treasury Letter @22Feb2026 – provides the municipality options -

- **Option 1** – exit the Municipal Debt Relief programme (Termination)
- **If this option is preferred**
  - Municipality needs to undertake the Municipal Systems Act Section 78 process – as per the National Treasury Municipal Debt Relief approval letter.

MFMA CIRCULAR NO. 124

Municipal Conditions

IF THE MUNI FAILS TO COMPLY WITH THE CONDITIONS

Upon Termination – it will result in -

- Immediate Eskom credit control and debt management - municipality to again start repaying the municipal relief debt (not yet written off) plus any new debt incurred with Eskom since 1 April 2023, while maintaining the current account.
- Eskom to resume legal proceedings, including attaching the municipal bank account
- The normal penalties applicable to the wider local government will also apply, etc.
- In terms of the existing smart meter grant support, the municipality will not receive any new support through the smart meter grant effective 1 April 2026 - If the municipality already received support, the support would continue until the end of the existing service level agreement with the smart meter service provider.
- Effective 01 April 2023, Eskom may not charge any new interest on the **municipal relief debt** - this benefit remains permanently post the municipality's termination from the program.
- Eskom must charge interest on any **new debt the municipality incurred with effect 1 April 2023.** However, the interest concession on all municipal bulk accounts remains – this means that Eskom must cap interest raised on the bulk account(s) at the prevailing prime interest rate plus 2.5 per cent (or less at Eskom' sole discretion).
- **Continuation of previous concession** to ALL municipalities – allocate payments received from municipalities to capital 1st then to interest
- Adhere to the accounting and mSCOA requirements set out in the MFMA Circular No. 124: Supplementary Guide when accounting for the termination and any of the other remaining benefit(s) of debt relief monthly and in the annual financial statements.

NT upon DEE (Eskom) request - invoke section 216 of the Constitution and/ or any other remedies (including instituting individual financial misconduct and/ or criminal proceedings)

TERMINATION FROM MUNICIPAL DEBT RELIEF PROGRAM - ALTERNATIVELY DISTRIBUTION AGENCY AGREEMENT WITH ESKOM

National Treasury Letter @22Feb2026 – provides the municipality options -

- **If preferred, Option 2** – alternative to enter into a Distribution Agency Agreement (DAA) with Eskom
- **This requires, the Municipality:**
  - To submit a council resolution (**due 27Mar26**) (i) accepting the DAA alternative and (ii) committing to:
  - The Municipality needs to undertake the Municipal Systems Act Section 78 process
  - Conclude the MSA S78 and submit signed DAA (**due 01Sep26**)

Option 2

the Municipality remains on a differentiated form of Municipal Debt Relief - the DAA facilitates the Municipal Debt Relief write-off

DAA without undertaking MSA S78 -
the DAA expenditure potentially irregular

MFMA BUDGET CIRCULAR NO. 132

DAA with Eskom (item 4.10)

NATIONAL TREASURY

MFMA Circular No. 132

Municipal Finance Management Act No. 56 of 2003

THANK YOU

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CONDITION 6.14

NERSA Licence –

- By applying for municipal debt relief, the municipality agrees that if it fails to meet the Relief Conditions – the municipality will voluntarily apply to NERSA to revoke the municipality's licence.
- The **municipality can elect any of the following 4 grounds** to apply to NERSA (*condition 6.14 is not prescriptive*)-
  - the licensed facility or activity is no longer required;
  - the licensed facility or activity is not economically viable;
  - another person is willing and demonstrably able to assume the rights and obligations of that licensee in accordance with the requirements and objectives of the Act, and a new licence is issued to such a person; or
  - conditions of a licence are not met.

*(s. 17 of the Electricity Regulation Act, 2006 (Act no. 4 of 2006) (**ERA**).*

A municipality that operates the reticulation business in a manner that Eskom cannot be paid is often also not able to adequately repair or maintain the existing network or invest in the growth thereof.

- Likely to already be failing the conditions of the NERSA licence.
- NERSA can already initiate a tribunal process to investigate and fine the municipality; and / or
- A compulsory process to revoke the municipality's license.

(s. 18 and / or 19 of the Electricity Regulation Act, 2006 (Act no. 4 of 2006).

Any application ito of ERA (s.17) should 1st follow due process ito Chapter 8: Municipal Systems Act –

- Appointment of an external mechanism
- SDA that aligns with both Systems Act and Chapter IV: ERA

All these processes (voluntary / tribunal / court (compulsory)) are NERSA processes – final decision / action is that of NERSA (s.17, s.18 or the court (s.19)).

Note - Condition 6.14 must read as referring to s.17 of the Electricity Regulation Act, 2006 (***not s. 18***).