**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 2016/1019**

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**Mr K J Mileham (DA) to ask the Minister of Cooperative Governance and Traditional**

**Affairs:**

1. In each case where a municipality has been threatened with having the supply of electricity cut off by Eskom, was a payment agreement entered into with Eskom in order to avert such a cut-off; if not, (a) why not and (b) what steps is his department taking to resolve the situation in each case; if so, in each case, when was each such an agreement reached and signed, (2) is the payment schedule (a) affordable and (b) reducing the specified municipalities' debt owed to Eskom; (3) has the specified municipalities complied with the terms of their respective agreements; if not, why not; (4) what is the current status of the inter-ministerial negotiations to resolve the impasse between municipalities and Eskom regarding (a) the billing period and (b) the interest charged by Eskom?.
 **Reply**1 (a) (b). Yes, a process of entering into payment agreements between each of the affected municipalities is in its final stages. The Department of Co-operative Governance ((DCoG) in collaboration with Department of Public Enterprise (OPE), SALGA, Provincial COGTA's and Treasury conducted work sessions with the affected municipalities and Eskom. A detailed affordability analysis was conducted for each municipality taking into account its unique circumstances, the root causes for non-payment as well as other municipal commitments. This work resulted in new payment arrangements being drafted for Eskom's consideration. On approval by Eskom, these agreements will be formalised with municipalities by means of council resolutions. Eskom aims to have all the agreements in place with municipalities by end of May 2016.

2. (a). Yes, since the draft payment agreements were based on the affordability analysis; they will be affordable to municipalities.

(b) The debt will be reduced because one of the conditions of the agreements is that municipalities pay their current debt over and above the agreement amount to service outstanding debt. .

3. Eskom is still engaging and finalising discussions with the municipalities on agreed payment terms and to date there is no municipality that has finalised and signed the payment agreement with Eskom. Compliance will only be monitored once agreements are reached between Eskom and the municipalities.

4. During the inter-ministerial negotiations; Eskom made a commitment to consider waving the interest for municipalities who adhere to their payment terms and to consider reviewing the payment period. However; the response received from Eskom in that regard is as follows:
"Considering the Eskom financial situation and in line with the PFMA and MFMA requirements as well as the Supply Agreements held with our customers, Eskom has decided to continue to apply the 15 days payment period as well as charging Prime plus 5% on overdue amounts."