

## Article By Moneyweb

### South Africa

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#### Prepaid electricity: Pay R100, get R90

Moneyweb has uncovered an apparent widespread practice where electricity resellers illegally overcharge domestic consumers for electricity. This typically affects end-users in sectional title flats and townhouses.

After an investigation Moneyweb can reveal that a Pretoria reseller, MeinRoux (Pty) Ltd., trading as Prepaid Electric, has been unlawfully inflating electricity tariffs and pocketing R10 for every R100 voucher sold, in contravention of the Electricity Act and municipal by-laws.

Prepaid Electric chose not to respond to Moneyweb when offered an opportunity to respond to these allegations.

City of Tshwane spokesperson Selby Bokaba says the practice is widespread among resellers and is why Nersa and organised local government through Salga are proposing a regulatory framework to regulate the industry. "Many customers are not aware of their consumer rights", he says.

Moneyweb earlier reported on the practices ([How middle men pad your municipal electricity bill – expert](#)) and Nersa's public hearings on the subject ([Rogue electricity resellers should be regulated – Sapoa](#)).

Bokaba says electricity by-laws stipulate the customer buying electricity from a reseller should not be worse off than when buying directly from the municipality.

Applying unapproved tariffs is also a contravention of the Electricity Act. The national energy regulator (Nersa) is the only body authorised to approve electricity tariffs.

Following numerous complaints on social media about the cost of domestic prepaid electricity on social media Moneyweb investigated.

We submitted Prepaid Electric's tariffs as stated on its website to the City of Tshwane. See the [tariffs applied from July 1 2013 to June 30 2014 here](#). The new tariffs for 2014/15 are not on the website.

The reseller applied a sliding scale, also known as an inclining block tariff, to all its Tshwane prepaid customers. This means that end-users consuming more than 650kWh were charged R1.642 per unit. (1 Unit = 1kWh).

It says on the website: "Eskom implemented the sliding scale pricing system on 01 July 2011, to encourage a lower usage of electricity - in other words, the more electricity you use, the more expensive it becomes."

According to Bokaba: "The (domestic) resellers tariffs for both prepaid and post-paid in Tshwane licensed area is fixed at 137.78 c/kWh and there is no inclining block (IBT) tariffs applicable to all the customers being supplied by or through resellers."

Bokaba quoted the current tariffs, applicable from July 1 this year to June 30 2015. Moneyweb has established that the same principles applied in the previous financial year and end-users were all supposed to pay R1.2835 per kWh.

All end-users, except those consuming 100kWh or less were however subjected to higher tariffs by Prepaid Electric.

To add insult to injury Prepaid Electric states that in the case of sub-meters it needs extra revenue: "Take note, because the municipal system does not cater for prepaid solutions in sub-letting situations, the service is provided by private institutions - therefore the use of private software. The access to this software is made available at a reimbursement of 10% of electricity purchases and has been approved by Eskom (eg. R100 voucher will provide electricity to the value of R90)."

This, Bokaba says, is a widespread but unlawful practice among resellers. He says provision has already been made for the reseller's costs in the approved tariffs (2014/15=120c/kWh). "The tariffs that the City submitted to the regulator (NERSA) for approval included all reasonable costs that the reseller would incur to service the customer".

The situation varies from one municipality to another and to be able to verify whether they are being over-charged, consumers will have to establish what the local by-laws and tariff permit. The principle is that consumers should not be worse off than when buying directly from the municipality, however applies countrywide.

Advocate Werner Zybrands, municipal consultant, says end-users who have been over-charged should lay complaints at the municipality and Nersa.

He says Nersa should act and order the reseller to credit clients who have been over-charged. If the reseller doesn't comply, Nersa could get a court order preventing the reseller from selling electricity at all.

Zybrands says a wider investigation is needed into the activities of resellers. They typically also manage other municipal services on behalf of body corporates of sectional title complexes and add a layer of fat that from the face of it may be substantial.

Municipal customers are increasingly battling to pay their municipal bills. Anger about this is frequently directed at municipalities without taking into account the role of private companies, he says.

Moneyweb invited Wayne Dennison, director of Meinroux last week to respond to the municipality's statements. He initially set up an appointment with Moneyweb through his personal assistant for Monday morning, but on Sunday night she informed Moneyweb that Dennison decided against the interview. He did not respond to further invitations by Moneyweb to respond.

*Resellers are middlemen that typically manage the electricity metering and billing of residential, commercial and industrial on behalf of landlords and body corporates. The licensed electricity distributor, be it the municipality, Eskom or in a few cases private distributors, bring the supply to one point on the property and issues one bill. From that point the developer distributes the electricity to individual units that have to be billed according to their consumption. The reseller is usually responsible for meter reading, billing, collections and paying the bulk bill. There is hardly any transparency for end-users to ensure that this is done in an equitable way.*

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