JOHANNESBURG MATTERS

FIXING SOUTH AFRICA'S GROWTH ENGINE

4

Powering Joburg's Turnaround

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About CDE

The Centre for Development and Enterprise (CDE) is an independent policy research and advocacy organisation. It is South Africa's leading development think tank, focusing on critical development issues and their relationship to economic growth and democratic consolidation. Through examining South African realities and international experience, coupled with high-level forums, workshops and roundtables, CDE formulates practical policy proposals outlining ways in which South Africa can tackle major social and economic challenges. CDE has a special focus on the role of business and markets in development.

Johannesburg Matters: Fixing South Africa's Growth Engine

Series editor: Ann Bernstein

Reports in the **Johannesburg Matters** series are based on commissioned research, intensive internal research and wide-ranging consultations with experts and stakeholders. This document and the other reports in the series are available from CDE and can be downloaded from **www.cde.org.za**.

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The report draws extensively on a specially commissioned report *Fix City Power Johannesburg*, by Chris Yelland and Linsey Dyer.

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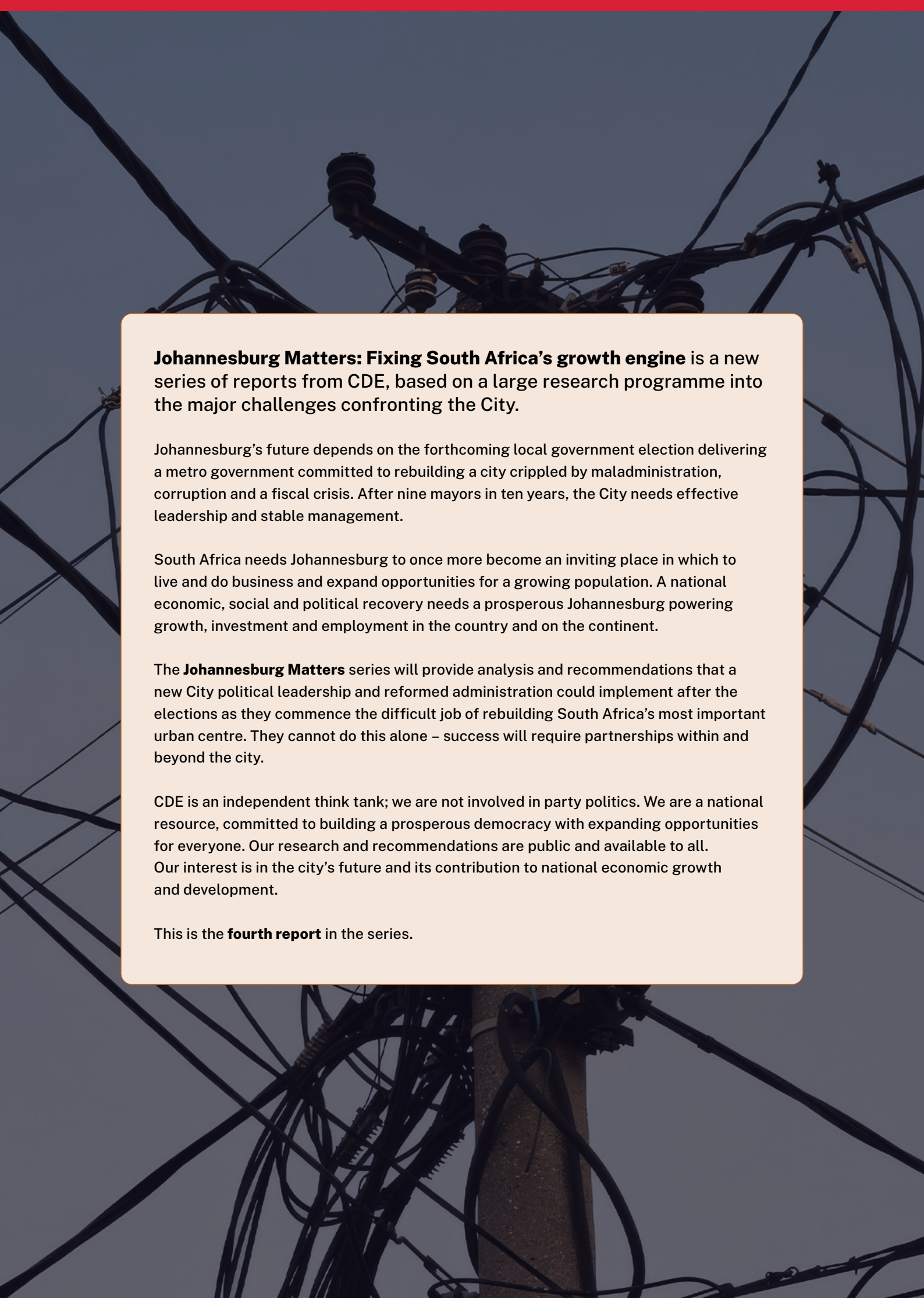

Johannesburg Matters: Fixing South Africa's growth engine is a new series of reports from CDE, based on a large research programme into the major challenges confronting the City.

Johannesburg's future depends on the forthcoming local government election delivering a metro government committed to rebuilding a city crippled by maladministration, corruption and a fiscal crisis. After nine mayors in ten years, the City needs effective leadership and stable management.

South Africa needs Johannesburg to once more become an inviting place in which to live and do business and expand opportunities for a growing population. A national economic, social and political recovery needs a prosperous Johannesburg powering growth, investment and employment in the country and on the continent.

The **Johannesburg Matters** series will provide analysis and recommendations that a new City political leadership and reformed administration could implement after the elections as they commence the difficult job of rebuilding South Africa's most important urban centre. They cannot do this alone – success will require partnerships within and beyond the city.

CDE is an independent think tank; we are not involved in party politics. We are a national resource, committed to building a prosperous democracy with expanding opportunities for everyone. Our research and recommendations are public and available to all. Our interest is in the city's future and its contribution to national economic growth and development.

This is the **fourth report** in the series.

Powering Joburg's Turnaround

Introduction

The City of Johannesburg operates 13 municipal entities to manage public infrastructure and deliver municipal services. They are a product of the iGoli 2002 reforms, introduced more than two decades ago as the new post-apartheid City confronted severe financial and administrative crises. Of the 13 entities, three utilities – City Power, Joburg Water and Pikitup – sit at the heart of Johannesburg's service delivery crisis.

Residents experience the failures of these three entities through power outages, dry taps, sewage spills and streets filled with uncollected refuse. Behind these failures are utilities under severe financial pressure, years of inadequate maintenance, weak management, enormous infrastructure backlogs and procurement failures.

When the entities were created, the division of responsibility was meant to be relatively clear. The City, as the service authority, would set policy, tariffs, service standards and hold the entities accountable for their performance. The entities would run the services, maintain their infrastructure, and manage the resources needed to do so. They were also intended to provide some separation between the political leadership of the City and the day-to-day management of technically complex services.

That arrangement has gradually broken down. The entities have remained responsible for delivering services but, over time, responsibility for some of the functions on which their performance depends have become shared with the City. Under Project Phakama (2009), customer services, billing, cash collection and debtors' administration were moved from City Power and Joburg Water into central City structures. Important human resource functions were managed through Group Human Capital Management, while parts of procurement, including some major fleet contracts, were handled through City-wide structures. Political interference did not disappear. Instead, the entities have become sites of political patronage and corruption. (See forthcoming CDE report.) The result is an incoherent system in which responsibility is divided, control is blurred and accountability is weak.

Some candidates for Johannesburg's next mayor argue for the collapse of some or all of the entities back into the City administration. In CDE's view, holding the entities responsible for the service delivery failures that plague Johannesburg is fair. But concluding that collapsing them back into the City is the wrong approach at this time. Reintegration now would not address the underlying problems; it could even make things worse.

There is little reason to believe that the City administration in its present state could absorb these large, technically demanding operations and run them better. Johannesburg's core administration is struggling with weak finances, declining administrative capacity and serious governance problems. A major institutional restructuring would consume scarce management time and capacity while electricity, water and waste services need urgent repair.

The immediate task is to get the entities responsible for basic services working again. City Power, Joburg Water and Pikitup cannot wait for another wholesale restructuring before their operational problems are addressed. As can be seen from the table below,

almost 30 per cent of the City's 35 000 employees work in these three entities[1] (50 per cent if you include all thirteen entities).

The scale of the infrastructure backlogs and the loss of technical and management capacity mean that Johannesburg will need private capital, specialist skills and probably outside management capacity. Bringing in the private sector should therefore form a cornerstone of the utilities' recovery. This does not mean that private participation should substitute for functioning public institutions. Johannesburg needs organisations capable of ensuring universal service and equity obligations, specifying what must be done, managing contracts, protecting public assets and holding private providers accountable for results.

This report uses City Power as a case study of the depth and complexity of the challenges the major Johannesburg utilities confront. It draws on a specially commissioned CDE report on City Power by EE Business Intelligence.

The first part of the report examines City Power's challenges. The second sets out recommendations that would help to turn the utility around. The final section returns to the broader challenge of fixing Johannesburg's service delivery entities. The objective should be to restore institutions capable of delivering reliable services and then, in time, determine their institutional future from a position of strength rather than crisis.

Joburg's thirteen entities[2]

Entity	Expenditure (R 000)	Revenue (R 000)	Direct revenue (R 000)	Employee costs (R 000)	Contracted services (R 000)	Total Staff
	Excluding capital transfers					
City Power	26 650 882	22 280 854	21 952 397	2 068 680	1 658 438	2 496
Joburg Water	18 155 954	19 383 412	18 553 345	1 814 981	1 019 437	2 822
Pikitup	4 969 528	4 731 593	3 292 430	1 829 865	141 549	4 568
Johannesburg Roads Agency	1 643 421	1 573 701	136 336	1 071 979	300 739	1 478
Johannesburg City Parks & Zoo	1 424 592	1 345 137	78 994	793 471	356 682	1 229
Johannesburg Social Housing Company	991 936	431 994	282 134	238 845	217 589	1 335
Johannesburg Property Company	991 290	1 152 385	3 945	573 780	14 959	1 476
Metrobus	827 581	753 521	93 861	418 196	40 893	774
Metro Tech Company	631 322	512 046	287 190	55 094	-	52
Joburg Market	587 590	755 005	713 980	252 446	149 821	472
Joburg City Theatres	323 159	327 387	107 806	154 370	2 698	264
Johannesburg Development Agency	143 108	143 108	77 393	98 481	11 654	119
Joburg Tourism Company	82 334	103 836	6 185	39 387	9 746	28

CDE, 2026

City Power: A case study

City Power is the City's highest revenue-generating entity and provides one of the clearest examples of the difficulties facing Johannesburg's utilities: deteriorating infrastructure, severe financial pressure, large electricity losses, weak revenue collection, divided institutional responsibilities and shortages of technical and management capacity. City Power faces particularly acute difficulties, but they illustrate the wider challenge facing the City's basic service entities.

Increasing delivery failures

As load shedding has receded as a major national issue, Johannesburg has continued to struggle to keep the lights on. Between July 2025 and March 2026, City Power reported 2.1 million forced interruptions. It took City Power 11 hours on average to restore each forced interruption. Many customers experienced multiple interruptions, which means that customers experienced, on average, 20.6 hours without electricity during this period. In some cases, customers went for weeks without power.[3]

City Power purchases electricity from Eskom and distributes it to residents and businesses across most of Johannesburg, through ageing and deteriorating networks.[4] The utility oversees nearly 19 000 km of underground cables and overhead lines, and thousands of load centres. Of the total power outages in Johannesburg, 60 per cent were caused by deteriorating and outdated networks.[5]

Large parts of the network need to be replaced, while substantial maintenance is required simply to keep the existing system working. City Power estimates that its infrastructure backlog stands at R44.25 billion.[6] Planned maintenance has repeatedly fallen below target, while the network is also under pressure from illegal connections, overloading, theft and vandalism. These criminal actions damage infrastructure and place further strain on already-stretched maintenance teams.

In effect, the system is no longer managing its assets – it is managing their decline.[7]

Precarious financial position

City Power's deteriorating infrastructure cannot be separated from its financial position. The entity needs substantial resources to maintain and renew the network, but it is struggling to generate enough cash to meet its existing operating costs. From 2019 onward, a persistent and widening gap has opened up between expenditure and revenue. By 2025, the deficit amounted to R4.3 billion, excluding capital grants and contributions. These grants reduce the reported overall deficit, but they do not change the underlying problem: that revenue is not sufficient to finance current operational costs, and even less adequate to invest in infrastructure, never mind help cross-subsidise other operations of the municipality – an alternative source of funding that the City has long relied upon.

> **City Power needs substantial resources to maintain and renew the network, but it is struggling to generate enough cash to meet its existing operating costs.**

According to the entities' annual reports, City Power's net internal overdraft with the City – representing the current account balance between the two parties – had reached approximately R19.1 billion by 31 March 2026. In effect, City Power had drawn substantially

more funding through the City's central cash system than was available to it, leaving the City to carry the shortfall.

Throughout its annual and quarterly reports, City Power repeatedly identifies shortages of cash as a constraint on contractor payments, capital projects, outage restoration and the purchase of bulk electricity.

At the same time, City Power carries a substantial internal overdraft with the City, while revenue from electricity sales is not ring-fenced for City Power. Instead of exercising control over the revenue it generates, these funds are regularly 'swept' into the City's consolidated revenue pool. Some of this money is used to meet obligations elsewhere in the municipality, with funds then transferred back to City Power to meet "their financial requirements and operations". This creates an opaque and potentially arbitrary financial relationship between the City and City Power. City Power owes money to the City through its internal account, yet the City controls the cash generated by City Power's electricity sales and determines how much is returned to fund its operations. There is therefore no clear link between the revenue City Power generates, the costs it incurs and the cash available to operate, maintain and invest in the electricity network. This undermines a coherent utility business model and makes it harder to establish where responsibility for City Power's financial position lies.[8]

The City made a commitment to ring-fence revenue for City Power and Joburg Water in November 2025, with 70 per cent to be retained by the utilities and 30 per cent transferred to the City. That may look like a step forward, but it is not clear what objective factors the 70:30 split is based on. City Power is already struggling to generate enough cash to cover its operating costs, before even considering the scale of its infrastructure backlog. The real question, then, is whether 70 per cent is enough. Without the arrangement being clearly linked to the utility's actual operating, maintenance and investment needs, the split risks becoming an arbitrary rule rather than a credible funding arrangement.[9]

> **There is no clear link between the revenue City Power generates, the costs it incurs and the cash available to operate, maintain and invest in the electricity network.**

R5.25 billion of City Power's historic Eskom arrears were reportedly settled in August 2026, but the utility continues to face substantial current obligations to Eskom, including a further R2.3 billion in historic debt and a R1.86 billion account that was due at the end of August 2026.[10] Two questions arise from this settlement: where did the R5.25 billion come from in the City and City Power's budgets and has the R1.86 billion account actually been paid in full? There has been no official statement on where the money came from, but speculation is that it came from the City's equitable share after the Minister of Finance released the funds in July. If so, that is money that can no longer be spent elsewhere in the City and could leave the City short of funds later in the year.[11]

City Power does not generate enough cash to maintain and renew its infrastructure adequately. As a result, maintenance is deferred and infrastructure deteriorates, contributing to further losses and service failures. Financial weakness and operational decline reinforce one another. This is the doom loop the City's service utilities have become trapped in, as identified and described in CDE's report, **Joburg's Broken Budget**.

Revenue collection challenges

City Power's basic business model is relatively simple. It buys bulk electricity from Eskom and sells it to residents, businesses and provincial government departments across Johannesburg. A central part of City Power's financial crisis is that much of the electricity it buys never becomes revenue.[12]

Electricity Minister Kgosientsho Ramokgopa described the problem starkly in 2026:

> ***"For every R100 of bulk purchases they can only reticulate about R70. They've already lost R30, even before they can collect. So, you can see that's a race to the bottom."***[13]

For electricity to become revenue, a long chain has to work at each node. City Power needs to know who the customer is, whether their meter works and how much electricity has been consumed. The meter must be read monthly and accurately, the correct bill sent, disputes resolved and the money collected. Where customers do not pay, arrears have to be managed and, where appropriate, the supply disconnected.[14]

Johannesburg has long used a consolidated municipal account covering rates, water, refuse and electricity, which avoids running separate billing systems and allows electricity disconnections to be used to enforce payment across the municipal account. Dividing the responsibility for billing has created problems, when there is an issue with a bill. City Power controlled some parts of the revenue chain, while the City controlled others, and it has frequently been unclear who should be responsible.

Previous reform attempts have been unsuccessful. One attempt, Project Phakama, was launched in 2009 at a cost of R580 million to bring Johannesburg's fragmented billing systems onto a single SAP platform covering around 1.3 million account holders. This required the databases held by the different entities to be consolidated into a single system, even though they did not always contain the same information or data points, creating numerous errors. By 2011, only two years later, 60 000 billing queries had been logged and only 35 535 had received responses.[15] In 2025, there was an agreement to return some of the responsibilities for billing to City Power, but there is a widespread view that billing remains an unresolved crisis that requires urgent attention.[16]

Errors in this chain can cost both customers and the City dearly. In one case, Absa approached the City in 2018 after suspecting that the electricity bill for one of its Randburg properties was too low. The City found that, after an upgrade to the property's electricity supply in 2010, it had continued billing Absa against an old domestic meter that was actually supplying nearby residential customers. The case eventually resulted in the recovery of R100 million from Absa in previously unbilled electricity revenue.[17]

The answer is not necessarily to move every part of the revenue chain back into City Power. What matters is that City Power becomes accountable for electricity revenue, with the authority and information needed to take on that responsibility. Where functions remain with Group Finance or other shared City structures, responsibilities must be clear. For residents and businesses confronted with broken meters, incorrectly registered meters, incorrect tariffs or incorrect bills, getting the problem fixed can become a Kafkaesque process involving both the City and City Power. In some cases, residents are handed bills amounting to tens of thousands, despite installing solar panels. City Power has aggressively pursued debt collection,

disconnecting electricity even for disputed accounts or accounts subject to court orders.[18] These problems have damaged the relationship between City Power and its customers.[19]

Some customers are not billed at all, while others are correctly billed but do not pay. City Power's third quarter report in 2025/26 put overall meter-reading performance at approximately 72 per cent against a target of 98 per cent, with more than 36 000 customer registers generating no bills during a billing cycle.[20]

At the end of June 2026, City Power was owed around R13.3 billion by its customers. This includes R273.1 million owed by government departments and parastatals. The Department of Health alone owed R112.5 million, followed by the Department of Housing at R31.1 million and the Department of Infrastructure Development at R20.1 million.[21]

City Power's current financial crisis cannot be explained simply by its relationship with the City. The entity has failed to generate enough revenue to cover its costs for several years, pointing to a deeper problem with its business model.

At the same time, unreliable supply and the growing availability of alternatives such as rooftop solar are changing City Power's customer base. Electricity's share of total City revenue fell from 34 per cent in 2014/15 to 28 per cent in 2024/25. Several factors have contributed to this decline, but, as we showed in **Joburg's Broken Budget**, the City risks losing precisely the customers it most needs: those able to pay for large and predictable volumes of electricity. This is happening while the cost of bulk electricity from Eskom has risen and City Power continues to lose substantial revenue through illegal connections, electricity theft, non-payment and other non-technical losses.[22]

City Power's current financial crisis cannot be explained simply by its relationship with the City. The entity has failed to generate enough revenue to cover its costs for several years, pointing to a deeper problem with its business model.

Taken together, these pressures raise a much bigger question about whether City Power's current business model remains financially sustainable. This requires serious consideration, but it is beyond the scope of this report. Our recommendations are aimed first at restoring City Power's operational and financial functionality. This is a necessary foundation for its leadership to undertake the deeper rethink of its business model that will be required.

Leadership and capacity constraints

City Power has serious capacity issues, from its senior leadership to the technical staff needed to run the electricity network.

Leadership has been unstable for years. Since 2017, City Power has experienced continuous inference turnover at board level and across executive positions. Between 2017 and 2019, there were multiple chief executive officer (CEO) changes and extended chief financial officer (CFO) vacancies. Between 2020 and 2022, the entity suffered extended periods without a permanent CEO and experienced repeated CFO vacancies. More recently, City Power has operated with an acting CEO and acting CFO for extended periods. During the 2026 recruitment of a new CEO, City Power extended the closing date and revised the requirements for the post. The original advert required, among other things, an NQF Level 8 engineering degree, more than ten years' senior leadership experience in electricity and energy trading, and registration as a Professional Engineer. The revised advert made the engineering degree an added advantage, broadened the experience requirement and required candidates only to be eligible for professional

registration.[23] Two rounds of negotiations over its Eskom debt took place without settled executive leadership.[24] City Power today operates with an acting CEO.

High staff turnover makes a sustained recovery harder. The CEO has to set direction and hold managers accountable. The chief operating officer (COO) has to run a large and deteriorating electricity network. The CFO sits at the centre of revenue management, cash flow, creditor management and financial controls. These functions require continuity, particularly when the organisation is trying to recover from a financial and operational crisis. On top of that, holding leaders to account for unauthorised, irregular, fruitless and wasteful expenditure is severely undermined by high staff churn. By the time such expenditure is uncovered, those responsible have often moved on.

Staff shortages extend well beyond the executive team. In 2024/25, of City Power's 278 professionally qualified posts, 122 (or 44 per cent) were vacant. Among senior technicians, 36 (72 per cent) of 50 posts were vacant.[25] City Power's latest annual report lists critical posts that have remained vacant for hundreds of days, with some unfilled for over two and a half years.[26]

Without stable leadership and the right technical and managerial capacity, City Power will struggle to recover even if its financial position improves. Restoring the utility therefore means rebuilding its ability to execute, not simply finding more money.

CDE recommendations: Joburg's entities and some bigger questions

As we move into the elections in November, the major service delivery utilities in Johannesburg continue to exist as 'semi-independent' entities. That is the reality, and CDE believes that the next administration needs to accept this as a fait accompli.

Primarily, this is for practical reasons. Collapsing them now will create far more challenges than any possible benefits that may eventually materialise. In addition, collapsing or not collapsing the entities will not deal with the major City-level challenges that have to be overcome if any real progress is to materialise in the city in the future. These are, primarily, a broken budget, a lack of leadership and capacity, deeply entrenched corruption and the absence of accountability and consequence management. These challenges must be tackled whatever the precise relationship between the utilities and the city administration. Our recommendations for City Power and the other entities are therefore based on what we think is the best way to restore service delivery within the current structure.

We do not, however, regard independence from the City for the entities as an easy solution that will solve all problems. This applies to ring-fencing, decentralised billing and even procurement. At the same time, there are costs and inefficiencies that could easily emerge by replicating the same functions across a number of entities, and in some cases in the city as well. In the context of uncertainty concerning inadequate management and leadership, corruption and criminality, it is not possible to know for certain what city services actually cost and what savings might be possible in a reformed administration and entities. We are, in fact, not wholly convinced that in the long run the utilities should even continue as 'entities'. That needs to be assessed over time, and all factors need to be taken into account. Our recommendations need to be understood in that context.

CDE Recommendations

The recommendations that follow are designed specifically to restore City Power to operational and financial stability, but several of the underlying principles could also guide reform of Johannesburg Water and Pikitup, which also suffer from ageing and deteriorating infrastructure, strained finances, a slew of corruption charges, limited financial and operational autonomy, fragmented responsibilities and weak governance.

1. Leadership matters

The next administration should start by putting capable people in charge of City Power as set out in CDE's report, **Kickstarting Delivery – Joburg's Mission Critical Jobs**. The City's political leadership must make this a priority and use the powers available to the City as shareholder to rebuild the board around leadership, skills and experience rather than political considerations.

Once an appropriate chairperson is in place and the board (or at least a core of it) has been strengthened, they need to:

- **Establish a clear reform mandate.** Set out what City Power is expected to achieve, who is responsible for delivery and how progress will be measured.
- **Assess their executive team and identify the management and technical positions** that are vacant, filled by acting appointments or lack the skills required.
- **Prioritise the promotion and/or recruitment** of experienced executives, engineers, financial managers, procurement specialists and other staff into these mission-critical positions.
- **Look beyond the public sector when recruiting for these roles.** Running a utility of this scale requires skills that already have been cultivated in the private sector in electricity, engineering, finance and other industries.
- **Use fixed-term secondments from private companies and other organisations where critical skills cannot be recruited quickly.** These should fill clearly identified gaps, have defined responsibilities and timeframes, and include the transfer of skills to permanent staff.
- **Set clear performance targets for the CEO and executive management and hold them accountable** for meeting them. Performance measures should be tied to the operational and financial outcomes required from each utility.

2. Implement ring-fencing

To stabilise City Power, the City needs to establish a clear and predictable financial arrangement with the utility. City Power needs greater control over its revenues and much more certainty about the funds it will have available, particularly for maintenance and investment in infrastructure. The arrangement should also create stronger incentives for City Power's leadership to improve collections: if the entity collects more of the revenue it is owed, it should retain a meaningful share of those gains and be in a stronger financial position as a result.

This does not mean giving City Power complete financial independence. Electricity revenues currently help support the wider City, and some cross-subsidisation will remain necessary for the foreseeable future. Full ring-fencing is therefore neither realistic nor a solution to Johannesburg's wider financial problems. But the current arrangement, in which City Power carries responsibility for delivering electricity without sufficient certainty over the revenues available to do so, is also unsustainable.

The City should therefore proceed with a practical form of ring-fencing that gives City Power greater control and certainty over its revenues while preserving an agreed contribution to the wider municipal budget. This approach, already supported in principle by the City, National Treasury and a number of experts, offers the most credible way to restore the link between City Power's financial performance, the resources available to it and the services it is expected to deliver.[27]

A new administration should therefore:

- **Fully implement the National Treasury's Metro Trading Services Reform (MTSR).** This requires the City to establish ring-fenced trading services, create a single point of management accountability for each service, complete cost-of-supply studies and increase investment in infrastructure. The MTSR will draw from a funding pool of R54 billion, and the amount available to each metro will depend on both the size of the metros as well as their performance outcomes.
- **Give the utilities more certainty about the cash they control.** Ring-fencing must mean more than separating revenues on paper. City Power needs more certainty over its cash flow to plan operations, maintenance and investment, while remaining subject to clear financial rules and oversight.
- **Make all transfers from the utilities to the City explicit, predictable and affordable.** Ring-fencing cannot mean ending cross-subsidisation. The City will still need to use some trading-service revenue to fund legitimate social obligations and other municipal services. But these transfers should be agreed through the City's overall budget, clearly reported and governed by transparent rules.
- **End ad hoc withdrawals from utility accounts.** The City should not be able to remove cash in ways that leave City Power or Joburg Water unable to meet their operating, maintenance and investment needs.[28]

None of these guiding principles will be simple to implement and will in no way solve the overall financial crisis the City faces. Nor will they overcome the ongoing challenges created by the fact that City Power, like Eskom, faces a declining revenue stream as its customers increasingly move off grid.

3. Improve revenue collection

To improve revenue collection, City Power needs to rebuild its relationship with its customers. This requires more than stronger credit control. Customers need to trust that their bills are correct, that disputes will be resolved quickly, and that the same rules apply to everyone. To improve revenue collection, City Power needs clear accountability for collecting electricity revenue, the mandate and authority to initiate a better collection system and, if necessary, to cut customers off who do not pay, irrespective of who they are.

A new administration should:

- **Launch a targeted, customer-facing programme within 100 days:** Establish a professionally supported customer service and crisis communication centre to resolve historical billing disputes, manage outage communications, and rebuild public trust with verified results. This will need to be an incremental and sustained process. It might be useful to start in a part of the City with particularly significant levels of non-payment as a first step.
- **Fix the process before digitising it.** The City and its entities should reconcile customer and property records, improve meter reading and establish clear rules for billing, payments and

disputes before moving to a fully integrated digital revenue system. New technology will not solve a billing system built on inaccurate data and broken processes.

- **Make disconnection the final step in a clear and credible credit control process.** Customers should receive an accurate bill, reasonable notice and a genuine opportunity to resolve a dispute before their electricity is disconnected. Once these safeguards have been followed, City Power must be able to enforce payment consistently.
- **Take action against** contractors that accept bribes to reconnect consumers.
- **Apply the same rules to everyone.** Political intervention and administrative discretion should not determine who pays, whose debt is pursued or whose electricity is disconnected. Clear rules should govern credit control and be applied consistently across customers.
- **Distinguish inability to pay from unwillingness to pay.** Ensure that the indigent register is accurate, regularly updated, easy for eligible households to register for, and that those who qualify actually receive free basic electricity and other support to which they are entitled. This should allow City Power to protect households that genuinely cannot afford electricity, while taking firmer action against customers who can pay but do not. Social obligations should be explicit and funded, rather than absorbed through non-payment and losses on City Power's network. At the same time, develop a clear approach to informal settlements, including regularising connections and extending safe, legal access where possible, while taking appropriate and measured action against illegal connections and electricity theft.
- **Connect customer service to back-office accountability.** City Power should be able to trace billing and customer problems to the part of the system responsible for them and require that they are fixed. Service delivery agreements with municipal shared services and other providers should set measurable standards, allocate responsibility and allow City Power to act when those standards are not met.
- **Rebuild a culture of payment alongside a culture of service.** City Power cannot expect customers to pay reliably if bills are wrong, queries remain unresolved and services are poor. But reliable service must also come with a clear expectation that customers who can pay do pay. City Power requires clearly allocated decision-making authority, complete and timely access to customer, property, meter-billing and collection data, and measurable service standards for any functions that remain shared with the City. These should be set out in enforceable service delivery agreements that allow failures to be traced to the responsible unit and provide effective remedies when agreed standards are not met.
- **Make it worthwhile for solar customers to stay on the grid.** City Power should make its existing feed-in system work at scale, allowing households and businesses to sell surplus solar electricity back into the grid. Solar customers should continue to pay a fair network charge towards maintaining the grid they still rely on. This could reduce some of City Power's exposure to rising Eskom costs, while giving customers with solar a reason to remain connected rather than leaving the grid altogether.

Bring in the private sector: a two-speed approach

Restoring the utilities' operational capacity, under capable leadership, is a top priority for the new administration. But given the state of these institutions, the scale of their infrastructure backlogs and the importance of the services they provide, they will also need private sector expertise, operating capacity and investment. Private sector participation should not simply mean more routine outsourcing. The utilities already contract private firms to perform many individual tasks. The approach proposed here is to use private partners where they can bring

capabilities the utility lacks and, where appropriate, take responsibility and risk for delivering clearly defined results.

Bringing in the private sector presents two challenges that a new administration will need to address.

The first is corruption and weak contract management. Johannesburg's utilities already make extensive use of private contractors. More contracting will not improve services if contracts are manipulated, poorly specified or providers are paid without delivering. As is routinely seen, weak oversight once a tender has been awarded results in moving deadlines, continued payment for poor performance, and (often dramatically) rising costs.

A new administration therefore needs stronger controls over who receives contracts and what they deliver. Providers should disclose their beneficial owners, politically exposed persons, intermediaries and subcontractors. The City should establish the specific failure that the private partner is being brought in to solve, define a clear number of measurable results, and then link payment to those outcomes through independently verified performance.

The safeguards need to extend through the life of the contract. Contract amendments and increases in scope or cost should face strict controls, with open-book cost verification where appropriate. Approvals and payments should be traceable so that responsibility for decisions can be established. Full transparency is essential.

> **More contracting will not improve services if contracts are manipulated, poorly specified or providers are paid without delivering.**

Contracts with private firms should set out the consequences of failure from the start. These should include withholding payment, recovering losses, requiring corrective action, replacing the provider on the procurement blacklist and, where necessary, terminating the agreement. This gives the utility a clear basis on which to hold its private contractors to account while also ultimately holding the utility accountable for delivery.

The second challenge is the legal framework. There is no single legal route for bringing in the private sector. It depends on what the City is asking a private provider to do. Buying specialist expertise or contracting a company to perform a tightly defined function can generally be done through ordinary municipal procurement rules.

Legal requirements become more demanding when greater responsibility and risk are transferred to a private provider. For example, where responsibility for providing a municipal service is transferred to an external provider, the Municipal Systems Act can require an assessment of the proposed service delivery mechanism. Long-term financial commitments and municipal public-private partnerships (PPPs) bring additional requirements under the Municipal Finance Management Act (MFMA). Large PPPs and concessions can therefore require undertaking feasibility work, public and government consultation, assessments of affordability and value for money, and detailed decisions about risk, assets and long-term financial commitments.

The existing framework can be slow and duplicative. National Treasury has recognised this problem and is working to simplify the municipal PPP framework, including reducing overlap between processes under the Municipal Systems Act and MFMA.

However, City Power cannot wait for these reforms before bringing in outside capacity. It should therefore adopt a two-speed approach. In the near term, City Power should identify specific operational failures where private expertise and capacity can make a measurable

difference and use the simplest, lawful mechanism capable of addressing them. At the same time, it should begin preparing the larger projects that require private investment and more complex management arrangements.

Examples of such an approach could include

- **Using specialist support where the immediate problem is a shortage of skills or capacity.** This could include bringing in engineers, financial specialists, project preparation experts and experienced utility professionals to diagnose problems, design interventions or strengthen internal capacity. They would advise and support the utility rather than take responsibility for delivering a municipal service. These arrangements can be put in place through ordinary procurement and should be time bound, tightly defined and include skills transfer. A new administration could begin this process within its first 100 days.
- **Using service and performance-based contracts for clearly defined operational failures.** These could cover metering, revenue protection, maintenance, loss reduction or customer service. The private provider would be responsible for carrying out the work or achieving an agreed result. These contracts can move relatively quickly where the City is buying a defined function rather than transferring responsibility for providing the municipal service. For example, a specialist service contract could be established to deal with the challenge of incorrect customer, property and meter records, which contribute to billing failures and disputes. A specialist provider could reconcile databases, identify errors and clearly defined categories of historical billing problems.
- **Using management or operations and maintenance contracts where the problem extends across a larger function.** This would allow City Power to bring in an experienced private operator to run a defined part of a utility for a fixed period. The provider needs enough control over the staff, systems, information and resources to be held responsible for the results. Because this can involve handing over responsibility for part of a municipal service, it can require a longer process under the Municipal Systems Act, including an assessment of the case for external provision, consultation and a feasibility study.
- **Develop privately financed infrastructure projects where the main constraints are capital and technical capacity.** These could involve private parties financing, building, operating or maintaining defined infrastructure. They will take longer to prepare because the City needs to establish how the investment will be repaid, whether the project is affordable and which risks will sit with the City and the investor. A new administration should begin identifying and preparing suitable projects immediately, even though they will take longer to reach implementation.

It may be worth considering if concessions are appropriate for any of the entities in the City. This will require detailed feasibility work, decisions about tariffs and risk allocation, consultation, procurement and long-term contractual arrangements. They can take years to prepare and conclude, and they demand strong contract management capacity from the City once they are in place.

A turnaround strategy for City Power

In summary then, turning City Power around so that Johannesburg residents receive a more reliable and cost-effective electricity service, while ensuring that households eligible for free basic electricity are protected and receive the support to which they are entitled, will be a major challenge. There are no easy or quick fixes. The strategy will need to be decisive, realistic and

carefully planned. As we have set out in this report, its core elements must include:

Fix the leadership, by starting with the board and the CEO, and then by getting the right people into mission-critical positions. In this respect the focus should be on areas such as managing finances, technical expertise and fixing procurement processes. Without merit appointments in senior positions, City Power will not be fixed.

Implementing ring-fencing in a clear and consistent way, giving City Power more control and certainty over the revenue they generate, while also permitting a non-arbitrary process through which some of that revenue can be allocated to urgent, budgeted needs that the City needs to fund, like repairing roads and water infrastructure.

Radically improving revenue collection, by giving City Power the mandate to sort out customer and property records, improve meter reading, resolve billing disputes, and implement strategies to rebuild trust with customers while also implementing a firm but fair strategy to cut off customers who fail to pay their bills. Over time these efforts can be enhanced via the implementation of a fully integrated digital revenue system.

Bringing in the private sector, with an emphasis on practical, accountable and transparent service and performance-based contracts that will bring in private sector technical and managerial expertise in a quick and effective way, ensuring that they contribute quickly and positively to turning the entity around. It may also be worth exploring relatively focussed and short- to medium-term arrangements in which private sector actors are enabled to finance, build, operate and or maintain clearly defined sections of the power grid.

As a way to think through how to sequence and kick off this turnaround approach, we offer, in the table below, a strategy for the first 100 days as set out by a senior businessman with experience in electricity utility turnaround and management.

City Power: An experienced business leader's first 100 days turnaround strategy

It is imperative to do a few decisive things in the right order: stabilise leadership, secure the cash, stop the bleeding, keep the lights on. Sequence ruthlessly, and crucially, say where the people and money will come from.

Phase 1, Days 1–30: "Take control of the cockpit"

The mayor should appoint an empowered, time-bound crisis executive with a small war room, reporting directly to the mayor. The crisis executive should be a credible, interim leader with strong electricity distribution and turnaround experience, appointed to stabilise City Power while the City runs a rigorous process to recruit the right permanent CEO. The mayor should give the team a clear mandate, defined decision-making authority and a limited set of measurable outcomes it must achieve. The crisis executive should not become a substitute for permanent management.

- If Eskom debt is out of control again, negotiate an Eskom enforcement standstill in exchange for full, on-time current account payment from Day 1. Any Eskom debt relief should be conditional on verified current-account payment, monthly disclosure, loss reduction milestones and no unfunded extraction of City Power cash.
- Publish the job descriptions and appointment criteria for the CEO and CFO, covering utility or electricity distribution experience, turnaround capability, integrity, procurement discipline, and the ability to deal with Eskom, regulators and lenders.

Launch recruitment against these criteria and, in parallel, reconstitute the board using clear, published criteria.

- Review and monitor high-risk contracts and variations, require verification before any payment.
- Mobilise specialist teams (draw from the retired-engineer pool of former Eskom engineers); define the five highest-loss geographic target zones.
- Set up a Year 1 scorecard, backed by the Crisis Executive Team. Set out a clear scorecard of around 12 measurable indicators, each with a baseline, Year 1 target, reporting frequency and named accountable executive. The scorecard should track cash collection, payment of the Eskom current account, total and non-technical electricity losses, meter-reading and billing accuracy, unbilled accounts, outage restoration times, planned maintenance, the priority-asset backlog, capital expenditure execution, mission-critical vacancies and irregular expenditure. Publish progress against these measures regularly so that the City, Council and residents can assess whether the turnaround is delivering results.
- Convene an advisory board made up of experienced ex-executives to pressure test the plan.

Phase 2, Days 31–60: "Stop the bleeding"

- Launch a staged smart-prepayment programme, starting in five high-loss areas. In the first 100 days, City Power should identify suitable areas, reconcile customer, property and meter data, determine the required metering and communications technology, begin procurement and secure installation capacity, with the aim of launching a tightly bounded pilot. The meters should provide the interval data, exception reporting and remote functionality needed to improve revenue collection and reduce reliance on manual meter reading. Revenue-protection teams should work alongside the programme to identify illegal connections, meter tampering and other sources of non-technical losses. If the pilot works, City Power should expand the programme in phases, recognising that city-wide implementation will take several years.
- Open the "grand bargain": host town-hall meetings in the three most-affected service delivery centres. Present a clear plan, give tough messages, make an arrears normalisation offer, record commitments.
- Initiate a priority maintenance backlog process; establish a project management office.
- Commission a three-year financial recovery plan and develop a debt-resolution menu with National Treasury.
- Audit and correctly identify recipients for free basic electricity delivery, update and maintain the indigent registry.
- Shortlist permanent CEO and CFO candidates against the published specifications.

Phase 3, Days 61–100: "Lock it in and show progress"

- Appoint a permanent CEO and CFO, which should then lead to other appointments.
- Show the first measurable loss-reduction and collection improvement in target zones; extend prepayment to the next tier.
- Return to the same town halls to report progress against Phase 2 commitments.
- Sign a performance-linked debt-relief arrangement with Treasury.
- Set a Year 1 target of at least 70 per cent execution of City Power's approved capital expenditure and maintenance budgets measured against a clearly established baseline. The executive team should be accountable for delivery. Publish the first quarterly progress report, being honest about what hasn't worked.

Concluding thoughts on the entities and service delivery

Johannesburg has enormous potential to expand opportunities for all its residents, but the next administration will first need to get the basics right. People and businesses need reliable water and electricity, and they need their refuse collected. That means getting the utilities responsible for these services working again.

Collapsing them back into an already weak City administration will not fix them. It would change where the functions sit without addressing the problems that have left the utilities unable to deliver. And it would bog down the entire city administration in a very big restructuring process when what is required is the urgent restoration of reliable service delivery.

The utilities do not have enough control over their finances and operations, leadership has been unstable, technical capacity has been lost, and responsibility between the City and the utilities has become blurred.

A new administration needs to fix these problems. The utilities need capable people in charge, control over the revenue and resources they need to do their jobs, and clear authority over the functions for which they are held responsible. They must then be held accountable for whether they deliver. They also need to bring in private funding, expertise and operating capacity in practical, transparent ways that add value.

Johannesburg's voters have an important opportunity on 4 November 2026. The state of the City's utilities, and what should be done to fix them, should be part of the debate about Johannesburg's future. Parties and candidates seeking to govern the City should be pressed to explain how they will restore reliable electricity, water and refuse collection, and how they will rebuild the institutions responsible for delivering them.

Once the election is over, the task becomes one of implementation. The new administration will inherit utilities in deep trouble and will need to move quickly. The reforms set out in this report provide the basis on which a practical programme for stabilising City Power can be built. Similar principles could inform the turnaround strategy for Johannesburg Water and Pikitup.

APPENDIX 1: Examples of private investment options to help City Power

Intervention	Problem it solves and what the private sector would do	Possible model	Complexity/ timing
Smart/prepaid meter rollout	City Power has large non-technical losses and many customers are not being billed correctly. A private provider could install, replace and maintain smart/ prepaid meters in targeted high-loss areas, with payment linked to working meters and verified results.	Performance-based service contract	**Low**. Could begin in targeted areas within the first 100 days.
Meter reading	Meter-reading performance is about 72 per cent against a 98 per cent target, contributing to estimated bills and lost revenue. A provider could take responsibility for achieving defined reading coverage and accuracy targets in specified areas.	Performance-based service contract	**Low**. Relatively quick to procure and implement.
Revenue protection	Theft, illegal connections and meter tampering contribute to City Power's non-technical losses. Specialist teams could identify tampering and bypasses, regularise connections and help recover lost revenue, with payment linked to verified results.	Performance-based service contract	**Low**. Could be targeted first at the highest-loss areas.
Billing and customer-data clean-up	Incorrect customer, property and meter records contribute to billing failures and disputes. A specialist provider could reconcile databases, identify errors and clearly defined categories of historical billing problems.	Specialist service contract	**Low**. A bounded project could start within the first 100 days.
Targeted network maintenance	City Power has become increasingly reactive, repairing equipment after it fails while planned maintenance falls behind. Private contractors could take responsibility for maintaining defined assets or geographic areas against reliability and response-time targets.	Performance-based maintenance contract	**Low–medium**. Could be introduced relatively quickly for clearly defined assets.
High-loss-area turnaround	Some parts of the network combine high electricity losses, illegal connections, poor metering, infrastructure failures and weak collections. A private operator could take responsibility for improving performance across a defined area, with payment linked to reductions in losses and outages and improved collections.	Performance-based Operations and Maintenance contract/ management contract	**Medium**. More complex because the provider needs control over several operational functions.

Battery storage at critical substations	Network constraints and interruptions place pressure on City Power's system. Private investors could finance, install, operate and maintain battery storage, with City Power paying for agreed capacity or network services. This requires system studies to establish the constraints and reliability.	Long-term service agreement / privately financed project	**Medium–high**. Requires project preparation and a credible payment mechanism.
Priority substation rehabilitation	City Power cannot finance its R44.25 billion infrastructure backlog from its existing resources. Private investors could finance and refurbish packages of high-risk substations and maintain them against long-term performance standards. This requires system studies to establish the constraints and reliability.	Design Build Finance Maintain -type PPPs/ privately financed infrastructure projects	**High**. Requires substantial preparation, procurement and financing.
Distribution-network renewal	Large parts of the ageing network need replacement. Private investors could finance and replace defined packages of cables, transformers and other assets and maintain them over an agreed period.	Design Build Finance Maintain /Design Build Finance Operate Maintain type PPPs[29]	**High**. Multi-year preparation and implementation.

APPENDIX 2: Composition of the City Power Board in 2025

Board member	Position	Qualifications	Skills/expertise identified by City Power
M Kharodi	Non-executive director, Chairperson	BEcon; Certificate in Construction Management	Strategy and leadership; financial management; transformation; project implementation; stakeholder relations; governance oversight
M Kekana	Non-executive director	PGDip Management (NQF 8); Certificate in Governance	Governance; leadership; conflict resolution; ethics and compliance; public administration
N Kgope	Non-executive director	BSc (Hons) Metallurgy; MSc (COSI); BTech Metallurgical Engineering; NHD Metallurgical Engineering	Engineering and asset management; strategy implementation; risk and technical governance; corporate leadership
W Mathamela	Non-executive director	BCom (Business Management and Industrial Psychology)	Finance and capital markets; risk management; corporate governance; debt and treasury management

S Mlauzi	Non-executive director	MBA; Certificate in ICT Management; MDP; ITIL Foundation; Certificate in Business and Systems Analysis; Certificate in Finance for Non-Finance; MCP; NDip IT	ICT governance; risk and compliance; business continuity; strategic leadership; corporate governance
P Mokhele	Non-executive director	BTech Human Resources	Human resources governance; ethics and transformation; leadership; conflict management
N Mtembu	Non-executive director	Advanced Marketing Segmentation Programme; BA Communication Science	Marketing and brand governance; stakeholder engagement; corporate social investment; communications strategy
S Nkwanyana	Non-executive director	Further Diploma in Education; Diploma in Education; National Certificate in Public Management; Certificate in Conflict/Negotiation/Mediation	Education and public-sector governance; leadership; conflict resolution; strategic planning; financial oversight
M Seopela	Non-executive director	LLB; PGDip Corporate Law; LLM Development and Management; LLM Contract Law; LLM International Law	Legal and contract management; corporate governance; risk and compliance; project management; strategy implementation
M Qhomane	Non-executive director	MEd; BA Hons; PGDip Information Management; BA; SED; Emerging Leader programme	Leadership; strategic direction; learning and development; governance; AI in education
T Mashava	CEO, Executive Director	BCom Accounting; Certificate in Practical Labour Law; Certificate in HR Management	Strategic leadership; governance; risk and compliance; performance management; labour relations; organisational culture; financial oversight
R Sadiki	CFO, Executive Director	CA(SA); APT Certificate; PGDip Applied Accounting; BCompt Hons; Diploma in Accountancy; BCom Accounting	Financial strategy; audit and assurance; risk management; treasury and tax compliance; governance; performance reporting; strategic leadership

City Power, Integrated Annual Report FY2024/25 (2026)

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The City acknowledged the problems created by divided responsibility when it returned billing to City Power in July 2025. City Power inherited more than 4 000 unresolved historical billing queries in the process.
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27 According to Chris Yelland and Linsey Dyer (private communication), one way to structure ring-fencing is to first, meet bulk-purchase, operating, maintenance and debt-service requirements; second, provide for prudent network renewal and investment; third, fund explicit and properly budgeted social obligations; and only then permit a transparent and affordable distribution to the City from genuine net surplus.
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DBFOM = Design, Build, Finance, Operate, Maintain. The same arrangement, but the private partner also operates the infrastructure.

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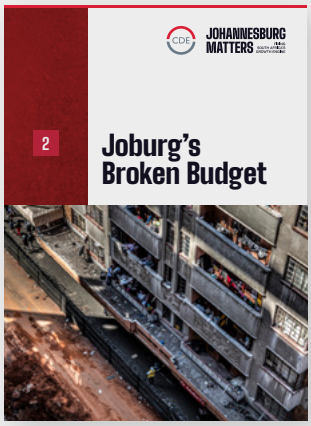
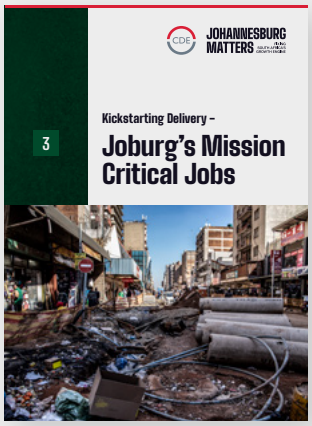
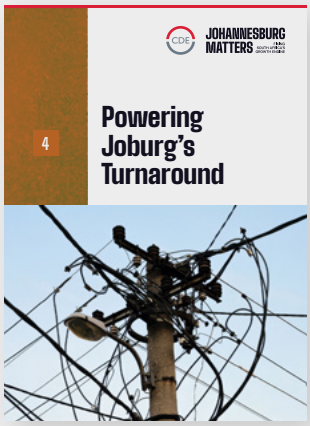
JOHANNESBURG MATTERS

FIXING SOUTH AFRICA'S GROWTH ENGINE







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