NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

The Decision and Draft Reasons for Decision

In the matter regarding the

Municipal Tariff Applications for the 2026/27 Financial Year

By

Emalahleni Local Municipality

THE DECISION

1. At its meeting held on 27 May 2026, the Regulator Executive Committee (REC) considered the Emalahleni Local Municipality tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in section 9 (Page 26) below.

2. Based on the available information and the analysis performed thus far. the Regulator Executive Committee decided to:

    2.1. approve the tariffs that are based on the Cost of Supply (COS) Study as recommended in the tariff analysis section for
    2.2. implementation by the municipality with effect from 1 July 2026;
    2.3. note the COS study submitted by the municipality;
    2.4. The municipality must submit a report accounting for all the costs that have been noted in its COS study. to enable the Regulator to perform its independent verification/audit process by 31 January 2027; and
    2.5. The municipality must submit a quarterly smart efficiency plan with improvements measures identified in reducing all losses and submit by 30 September 2026

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ABBREVIATIONS

COS	Cost of Supply
D-form	Distribution Form
ERTSA	Eskom's Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IPP	Independent Power Producer
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

3. INTRODUCTION

3.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis. in accordance with the mandate of the Energy Regulator to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator to be implemented on 1 July of each financial year.

3.2. Emalahleni Local Municipality is a small municipality situated in Mpumalanga province with a total population of 90. 831 with a domestic customer base accounting for 46.43% total electricity sales kWh. as indicated in the table below. The Municipality applied for an average increase of 10% in the 2025/26 financial year and is applying a tariff increase of 10% for the 2026-27 financial year. The Municipality indicated that there were no registered indigent customer details as they did not conclude on a verification system to enable vetting of applicants in time leading to a delay of the subsidy for the Financial Year 2024/25 regarding customer statistics are highlighted in table1 below.

Table 1: ***Customer Statistics (Data obtained from 2024/25 D-forms)***

Customers categories	kWh	(%) kWh	Customer numbers
Domestic (Prepaid)	135. 462 .458	19.74	65 019
Domestic (Conventional)	183 .196. 650	26.69	22 868
Mining & Quarrying	117. 205 .832	17.08	9
Commercial (Conventional)	124. 351. 639	18.12	1 302
Manufacturing/Industrial	60. 176 .482	8.77	1 481
Sold to other Municipal Departments	65 .865. 425	9.60	152
Total	**686 258 486**	**100**	**90 831**

NERSA received Emalahleni Local Municipality's tariff application. together with its revised Cost of Supply (COS). on 31 March 2026. The municipality is using the cost-plus methodology.

3.3. For this application. Municipality indicated that its Council meeting was scheduled for 31 March 2026 and that Public Participation meetings were held from 3 March to 1 April 2026. It also stated that the Council resolution and proof of customer consultation was submitted to NERSA on 31 April 2026.

3.4. The Municipality's asset value is estimated at R1.22 billion. based on the audited AFS note. with depreciation of R58 million. based on the final audited figure after adjustments. Depreciation is calculated on a straight-line basis over a useful life of 3 to 80 years.

3.5. The Municipality had a profit margin of -59.6%.

3.6. The revenue collection rate for the current quarter is 52%.

3.7. Emalahleni Local Municipality entered the Circular 124 Eskom debt relief programme to reduce its Eskom debt and avoiding interest charges. Under the programme. the Municipality must pay its current account in full for 12 consecutive months without interrupting the monthly payment arrangement. after which Eskom will write off 25% of the debt.

3.8. The municipality is in the third year of the Agreement. However. it is struggling to meet the terms of the payment arrangement and has therefore not yet qualified for the 25% debt write-off. To address this. the municipality has implemented revenue enhancement strategies and appointed a panel of service providers. These initiatives include debt collection on arrears accounts and support for the purchase and installation of smart electricity meters in unmetered areas to improve revenue collection. The municipality is also engaging with Treasury to remain in the programme. As a result. it has not yet complied with the programme requirements.

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4.1.3. In addition. the municipal tariff approval process has recently been the subject of judicial scrutiny in the High Court of South Africa (Gauteng Division. Pretoria) in AfriForum NPC v National Energy Regulator of South Africa and Others (Case No. 2025/137620). which resulted in structural directives governing the timing and conduct of NERSA's tariff approval process.

4.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/2027 municipal financial year.

4.2. Statutory Mandate of the Energy Regulator

4.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA. the Energy Regulator. as the decision-making body. must regulate the electricity industry and perform the functions set out in the ERA. The Energy Regulator's regulatory mandate is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

4.2.2. In particular:

a) Section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licenses and may issue licenses subject to conditions.

b) Section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs.

c) Section 14(1)(d) of the ERA authorizes the Energy Regulator to impose license conditions relating to the setting or approval of prices. charges. rates and tariffs charged by licensees.

4.2.3. Municipalities distributing electricity do so under electricity distribution licenses issued by the Energy Regulator and are therefore subject to the tariff approval framework established under the ERA.

4.3. Tariff Determination Principles under the ERA

4.3.1. When determining or approving electricity tariffs. The Energy Regulator must apply the principles contained in section 15(1) of the ERA.

4.3.2. Section 15(1) provides that the Energy Regulator:

a) must enable an efficient licensee to recover the full cost of the licensed activity;
b) must allow for a reasonable return commensurate with the risk of the licensed activity;
c) may provide incentives for continued improvement of technical and economic efficiency;
d) must avoid undue discrimination between customer categories;
e) may permit cross-subsidies of tariffs to certain classes of customers; and
f) may have regard to the need to ensure security of supply. diversity of supply and the promotion of renewable energy.

4.3.3. These statutory requirements form the core legal principles guiding the determination of electricity tariffs within the South African electricity supply industry.

4.4. Administrative Law Requirements

4.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly. The Energy Regulator must ensure that its tariff determinations are lawful. reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

4.4.2. Public participation processes conducted by the Energy Regulator therefore form an essential component of the municipal tariff approval process and are intended to ensure transparency. accountability and fairness in regulatory decision-making.

4.5. Policy Framework: Electricity Pricing Policy (2008)

4.5.1. In addition to the statutory framework. The Energy Regulator must have regard to the EPP. The EPP establishes national policy principles for electricity tariff setting. including cost reflectivity. transparency. economic efficiency and equity.

4.5.2. Policy Position 1 of the EPP provides that the revenue requirement for a regulated licensee must be set at a level that covers the full cost of production. including a reasonable risk-adjusted margin or return on appropriate asset values.

4.5.3. Policy Position 2 states that electricity tariffs must reflect the efficient cost of rendering electricity services accurately and that the average level of tariffs must be set to recover the approved revenue requirement.

4.6. Cost of Supply Studies

4.6.1. The EPP recognizes that cost reflective tariff structures require a sound understanding of the underlying cost drivers associated with electricity distribution.

4.6.2. Paragraph 8.1 of the EPP notes that cost of supply methodologies has historically not been consistently applied across the electricity distribution industry.

4.6.3. Policy Position 23 therefore requires electricity distributors to undertake cost-of-supply studies at least every five years. or when significant structural changes occur in the customer base or cost structure.

4.6.4. Such studies must be conducted in accordance with the methodology approved by NERSA and must accompany tariff structure applications submitted to the Energy Regulator.

4.7. Judicial Oversight of the Tariff Approval Process

4.7.1. The municipal tariff approval process administered by NERSA was the subject of litigation in AfriForum NPC v National Energy Regulator of South Africa and Others (Case No. 2025/137620) before the High Court of South Africa. Gauteng Division. Pretoria.

4.7.2. In its final judgment delivered on 4 December 2025. the Court held that NERSA's public participation process relating to the 2025/2026 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

4.7.3. However. recognizing the potentially disruptive consequences of setting aside tariff determinations already implemented by municipalities. the Court declined to invalidate the tariffs. Instead. to assist in the timeous and lawful approval of municipal tariffs. the Court issued a structural interdict regulating the municipal tariff approval process going forward.

4.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025. considering the practical difficulties which arose as ins relation to the NERSA's compliance with the court order. The court having heard NERSA's application. granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

4.8. Court-Directed Timelines

4.8.1. The timelines below are applicable in respect of the 2026/27 municipal tariff approvals

a) written notice of bulk tariffs by 6 March 2026;
b) municipal tariff applications to be submitted by 31 March 2026;
c) public participation processes to be concluded by 21 April 2026; and
d) the publication of NERSA decisions by 11 May 2026.

4.8.2. Municipal tariff approvals from 2027/28 are to comply with the following timelines:

a) written notice of bulk electricity tariffs be communicated by 31 January each year;
b) municipal tariff applications be submitted to NERSA by 20 March each year;
c) municipal tariff approvals and the Tariff Reasons for Decision document. be approved and published by 5 May of each year.

4.9. Conclusion

4.9.1. The determination of municipal electricity tariffs by the Energy Regulator must therefore be undertaken within a comprehensive regulatory framework consisting of the NERA. ERA. PAJA. EPP and the binding judicial directives issued by the High Court in AfriForum NPC v NERSA (Case No. 2025/137620).

4.9.2. The reasons that follow in this Reasons for Decision document demonstrate how the Energy Regulator complied with the legislation. policy and judicial framework in determining the municipal electricity tariff for the 2026/2027 municipal financial year.

5. FINANCIAL AND TECHNICAL PERFORMANCE

5.1 In evaluating the financial and technical performance of Emalahleni Local municipality. the assessment relied on the Distribution forms (D-Forms) for the 2024/25 financial year submitted as part of the licensee's tariff application. The information contained in the D-Forms was verified against the supporting source documents provided by the municipality. including the Trial Balance and Annual Financial Statements. As a result. the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

5.2 The Municipality's deficit increased from 47.26% in the 2023/24 financial year to a deficit of 59.61% in 2024/25 financial year. Due to a 16% increase in revenue from sale of electricity.

5.3 The energy losses have also decreased from 45.50% in the 2023/24 financial year to 29.79% in the 2024/25 financial year and are above the tolerable range (12%) of the COS frameworks.

Table 2: Performance indicators

Performance Indicators	Municipality 2023/24D-form	Municipality 2024/25 D-forms Information
Percentage Surplus (%):	-47.26%	-59.61%
Energy Losses: %	45.50	29.79

5.4 Based on the above information provided by the D-forms 2024/25.there has been an improvement in the performance indicators.

General conclusion on the financial and technical indicators:

Based on the above information. The technical and financial performance of the electricity department within the municipality is not satisfactory. the licensee's electricity department does not demonstrate satisfactory financial and technical performance. as reflected in the increased deficit and relatively high energy losses.
Energy losses are not the primary driver of the deficit. The municipality paid R266 million interest to Eskom. collection rate of 52% which is lower than the norms and standards of 95%.

5.5 The Municipality has high energy losses of 29.79%. which significantly undermines its financial sustainability seen in the sensitivity analysis table 3 below.

a) If losses were capped at 12%. the Municipality would:
   i. improve net loss by approximately R535 million; and
   ii. reduce the deficit from 59.61% to 25.77%.
b) If losses were capped at 6%. the Municipality would:
   i. improve net loss by approximately R418 million; and
   ii. reduce the deficit from 59.61% to 19.08%.

Table 3:SENSITIVITY ANALYSIS

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	236,17		
Sales kWh	686 258 486,00	872 772 654,46	922 174 880,19
Purchases kWh	977 505 373,00	977 505 373,00	977 505 373,00
Losses kWh	291 246 887,00	104 732 718,54	55 330 492,81
Losses percentage	29,79%	12,00%	6,00%
Additional Energy (kWh)		186 514 168,46	235 916 394,19
Additional Revenue (Rands)		440 490 511,66	557 163 748,16
	D-Form Input	Energy Loss@12%	Energy Loss@ 6%
Total Revenue (Rand	1 636 770 239,00	2 077 260 750,66	2 193 933 987,16
Total Expenses (Rand	2 612 504 355,00	2 612 504 355,00	2 612 504 355,00
Net Profit (Loss)	-975 734 116,00	-535 243 604,34	-418 570 367,84
Percentage Surplus/D	**-59,61%**	**-25,77%**	**-19,08%**

R440 million and R557 million. are the revenues forgone based on these scenarios

6. DETERMINATION OF EMALAHLENI LOCAL MUNICIPALITY'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

6.1. The process followed in considering and approving Emalahleni Local Municipality's tariff application was supported by a revised cost of supply study.

6.2. Emalahleni Local Municipality utilized the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer's class in a fair and equitable manner. The study follows the NERSA COS Framework and utilizes the latest available audited data which is based on the 2024/25 financial year.

6.3. below details the five steps considered in the determination of the COS study.

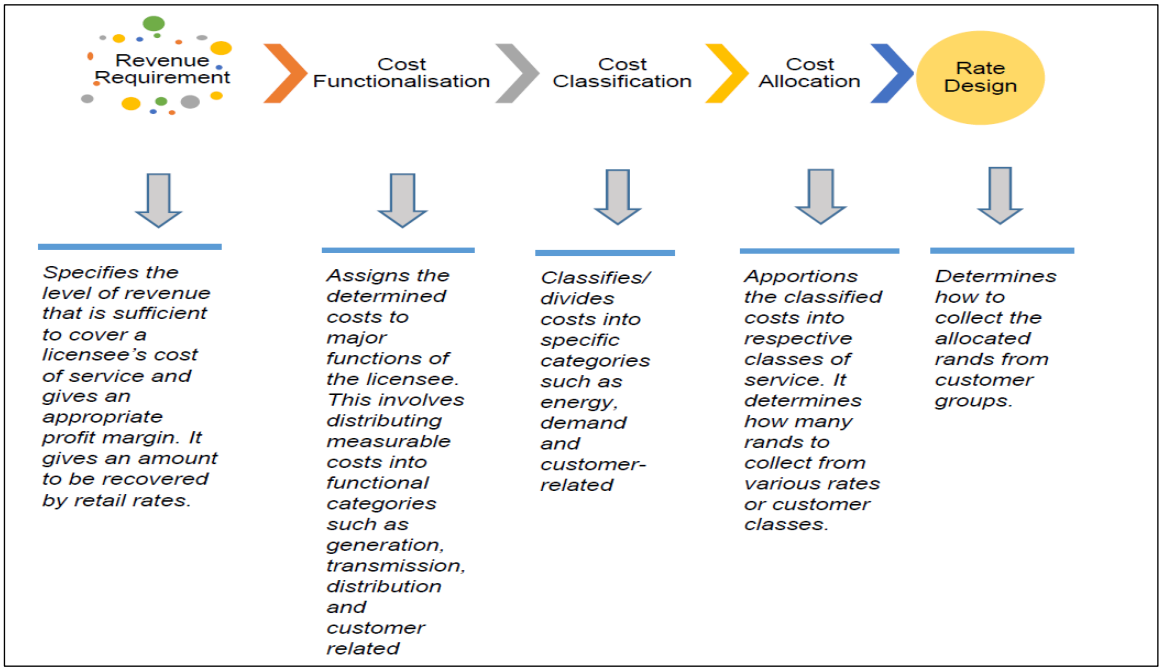


Figure 1: Five Steps of COS

6.4. The cost of supply study confirms the existence of cross-subsidisation, the industrial and commercial customers are subsidising the residential customers. This is also evident from the proposed increase by the municipality whereby the commercial and industrial customers' tariffs are increasing by 10% to its customers.

6.5. The following steps are undertaken to analyse the cost of supply study:

6.5.1. Revenue Requirement

6.5.1.1. To be fully cost reflective. the licensee's revenue requirement is R2. 8 billion for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases accounting for 62%. including energy losses allowance. Operational expenditure accounts for 13% of revenue requirement.

Table 4*:* Revenue Requirement Components

Total cost (R)					
Wires	**Retail**	**Total**	**NERSA Adjustment**	**NERSA Recommended**	**% of Total**
564 241 964	2 028 404 620	2 869 498 660	(294 191 422)	2 575 307 238	69%
	1 767 032 890	1 767 032 890		1 767 032 890	69%
357 846 194		357 846 194		357 846 194	14%
		-			0%
		-			0%
187 690 442	198 394 322	662 936 840	(276 852 076)	386 084 764	15%
	16 026 216	**16 026 216**	(16 026 216)		**0%**
18 705 328	46 951 192	65 656 520	(1 313 130)	64 343 390	2%
267 063 084	590 109 446	857 172 530			
267 063 084	590 109 446	857 172 530			
831 305 048	**2 618 514 065**	**3 726 671 190**			

6.5.1.2. The efficiency of costs for the 2024/25 financial year has been assessed. as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for the 2026/27 financial year. applying stated assumptions to determine the revenue requirement for that period.

6.5.1.3. The Municipality applied for R 2. 869. 498. 660 the total NERSA adjustments made amounted to R 294. 191. 422 that resulted in the NERSA recommended value of R2 .575. 307. 238.

6.5.1.4. In line with COS Framework requirement. shared municipal costs were ring-fenced and allocated strictly to the electricity business using the D-Form. Cost attribution was verified against the Trial Balance and Audited AFS. ensuring separation of electricity and non-electricity functions. Any costs not demonstrably related to electricity distribution were adjusted or excluded. This approach ensures compliance with the principle of cost causality and prevents cross-subsidisation between municipal functions.

6.5.1.5. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. Where any amounts were found to be inflated or insufficiently substantiated. adjustments have been affected accordingly. as detailed below.

Bulk Purchases

6.5.1.6. Emalahleni Local Municipality applied for bulk purchase expenditure amounting to R 1.76 billion (excluding energy losses). representing 62% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

6.5.1.7. To derive the 2026/27 financial year bulk purchase estimate. the 2025/26 Cost-of-Supply (COS) amount was escalated by 9.01%. consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

6.5.1.8. The methodology applied by Emalahleni Local Municipality in forecasting bulk purchase costs is deemed reasonable. Accordingly. The bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

6.5.1.9. The licensee utilized recent actual financial data as a basis to project the 2025/26 financial year costs and escalated the

6.5.1.10. The 2026/27 financial year costs based on assumed cost drivers and relevant inflationary factors. NERSA is satisfied that the approach applied to forecast operational expenditure is reasonable.

6.5.1.11. The licensee has applied for operational expenditure amounting to R 662. 936. 840. The removal of inefficiencies resulted in operating expenditures of R 386. 084. 764. which constitute 23% of total costs. as presented in Table 5 below.

6.5.1.12. FBE payments to Eskom amounting to R 10. 137. 297 identified as inefficiency. as these costs are funded through

6.5.1.13. Government allocations. Accordingly. The costs were disallowed during the analysis and excluded from the allowable cost.

6.5.1.14. Eskom debts interest of R266. 714. 779 was disallowed as it was deemed an inefficient cost

6.5.1.15. It is recommended that the Energy Regulator approve total operational expenditure of R 386. 084. 764 for the 2026/27 Financial Year. which excludes the cost of FBE paid to Eskom and Eskom debt interest. as such costs are funded through the equitable share and are not recoverable through tariffs.

Table 5:Operating Expenditure

General and other	**R**	**639 152 911**	**(266 714 779)**	**372 438 133**
Materials and supplies	R	29 412 970		29 412 970
Contracted Services	R	99 761 655		99 761 655
Salaries, wages and allowances	R	184 747 690		184 747 690
Eskom debts' interests	R	266 714 779	(266 714 779,00)	
Current year depreciation	R	58 515 818		58 515 818
Shared OPEX	R	**23 783 929**	(10 137 297,00)	**13 577 894**
Bad debts written-off	R			-
FBE paid to Eskom	R	10 137 297	(10 137 297,00)	
Consumables	R	68 738		
Insurance	R	8 041 144		8 041 144
Uniform	R	2 117 405		2 117 405
Transport	R	3 419 345		3 419 345
Total	R	**662 936 840**	**(276 852 076)**	**386 016 027**

Surplus

6.5.1.16. The licensee applied for a surplus of R2. 8 billion. in recommending a surplus of 2%. NERSA relied on section 15(1)(a) of the Electricity Regulation Act. which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities. including a reasonable margin or return. In applying this provision. together with the COS methodology. NERSA is required to ensure that the licensee recovers costs incurred efficiently and prudently. including a reasonable return. while preventing excessive compensation.

6.5.1.17. To ensure that the surplus is not excessive or to the detriment of consumers. The following verification steps were undertaken:

6.5.1.18. The applied surplus margin of 2% (as indicated in Table 4 of the RFD) was benchmarked against the established target range of 10–20% on the approved NERSA COS. EPP Policy Position 1. D-Form and Trial Balance. The licensee's margin. therefore. sits below the lower bound of the framework range.

6.5.1.19. In assessing whether the approved surplus is commensurate with the risk of the licensed activity (section 15(1)(a) of the ERA). NERSA considered both (i) the quantitative reasonableness of the surplus level and (ii) the municipality's risk profile. as evidenced by the information submitted.

6.5.1.20. However. inefficient cost components—such as Eskom debt interest (R 266 million) and FBE Paid to Eskom (10. 1million).

6.5.1.21. The total disallowed costs amounted to R 276 million.

6.5.1.22. These risks support the inclusion of a surplus to promote revenue sufficiency and continuity of supply. Consistent with the COS Framework principle that only efficient and prudently incurred costs may be recovered. These interventions demonstrate that the approved surplus level was moderated to financial sustainability

6.5.1.23. To ensure that profit margin is commensurate with the risk. risk considerations include the high energy losses. low revenue collection. historically low tariffs. and interest of R 266 million paid to Eskom.

6.5.1.24. The decision to approve the revenue requirement as submitted will be applied in the subsequent stages. namely Cost Functionalization. Cost Classification. Cost Allocation. and Rate Setting. These stages have been verified and confirmed to align with the approved revenue requirement. Further details on these stages are provided below.

6.5.2. Cost Functionalisation

6.5.2.1. The licensee has categorized its revenue requirement of R 2.8 billion into two primary functional components. namely the wires business (20%) and the retail business (80%). in accordance with the NERSA COS framework. as illustrated in Figure 2 below. Upon verification. The allocation of costs to these functional components is consistent with the stated revenue requirement.

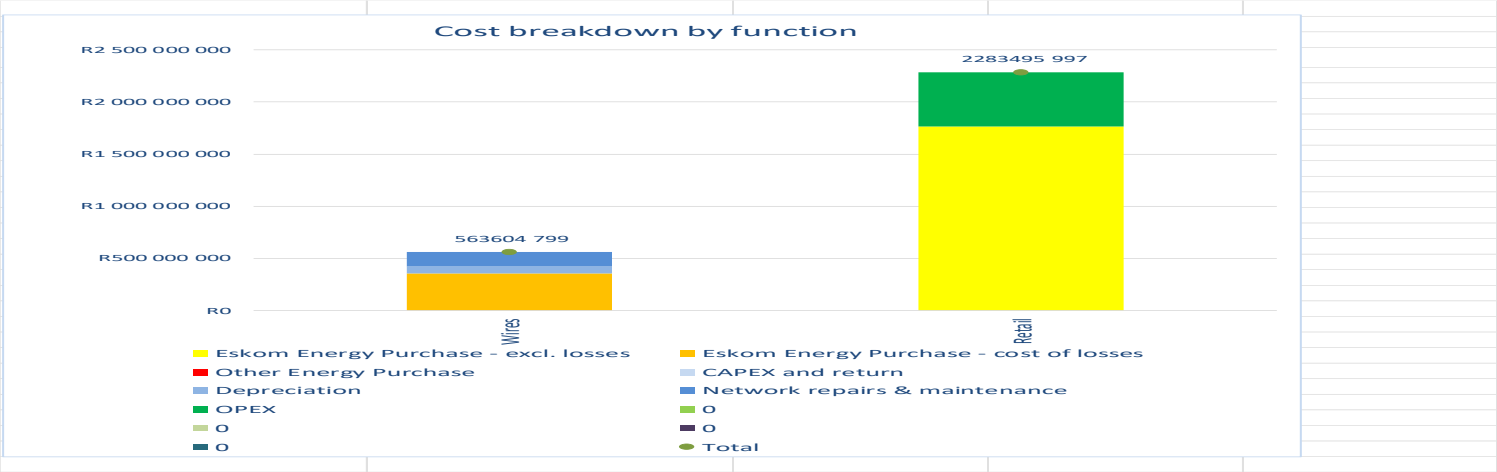


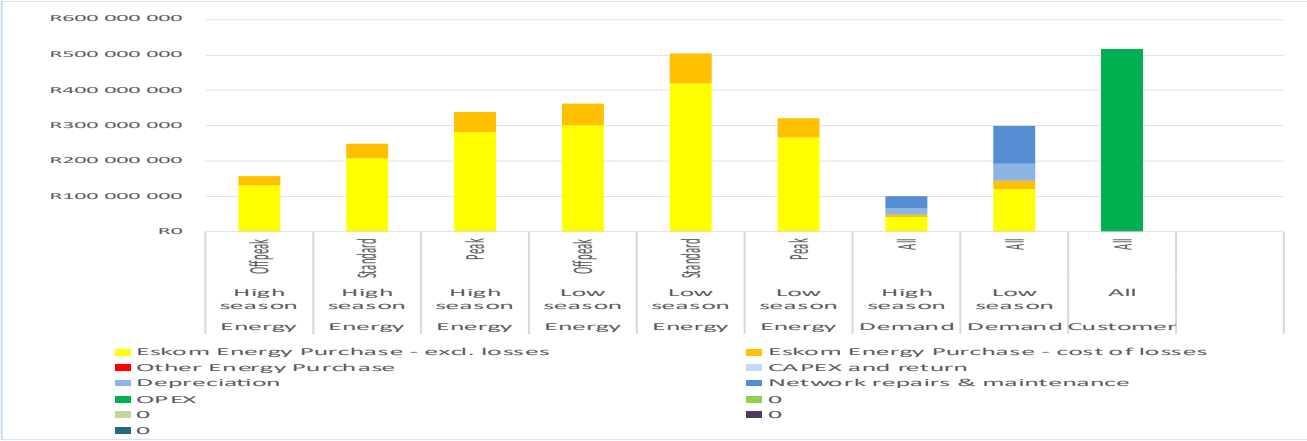
Figure 2*: Costs Breakdown by Functions*

6.5.2.2. These costs. upon verification. are consistent with the approved revenue requirements. Eskom energy purchase cost of losses constitutes the predominant cost drivers within the wires business. While energy purchases represent the primary cost driver within the retail business

6.5.3. Cost Classification

6.5.3.1. The licensee has classified its costs into energy. demand. and customer-related cost components. in accordance with the NERSA COS Framework. The costs align with revenue requirements and cost functionalization upon verification.

Figure 3*: Costs Breakdown By Cost Structure (Classification)*



6.5.3.2. The Eskom energy purchased cost of losses. network repairs. and maintenance contribute the highest energy costs all season for all time of use in the wires.

6.5.3.3. The Eskom energy purchases-cost of losses and OPEX function contribute to the highest costs in all season for all time of use for the retail business.

6.5.4. Cost Allocation

6.5.4.1. In this step. The licensee's revenue requirement is allocated across customer categories. in accordance with the NERSA COS Framework. Upon verification. The allocation is consistent with the stated revenue requirement and aligned with the principles of cost allocation.

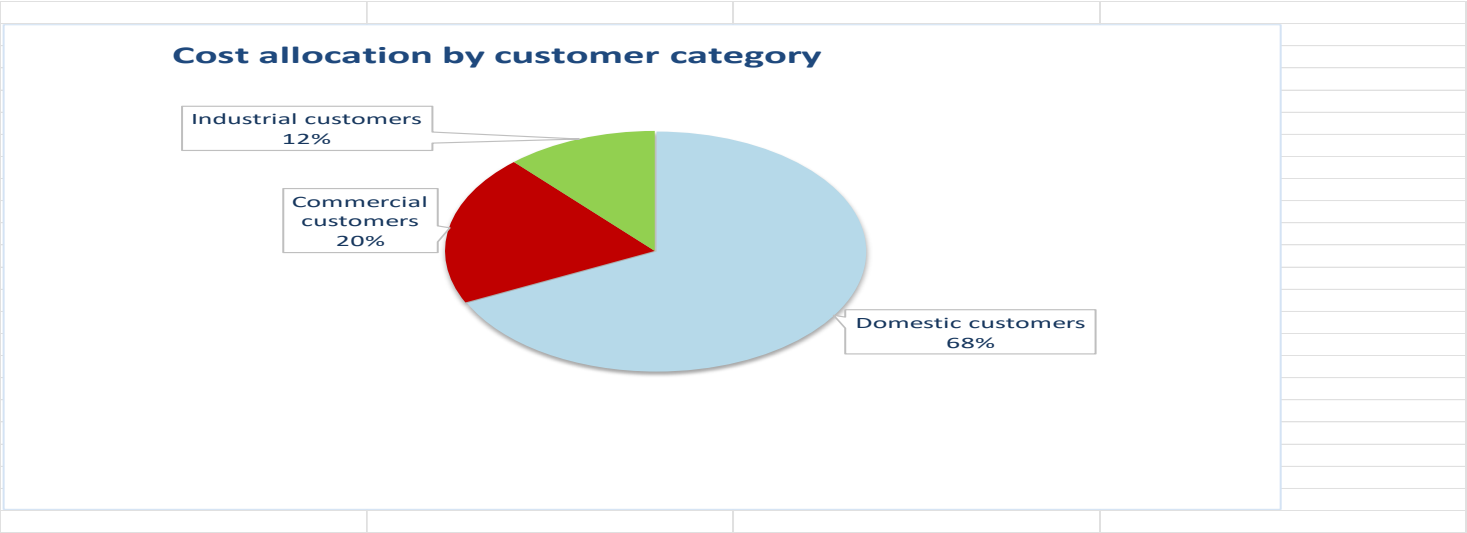


Figure 4: ***Costs Allocated***

6.5.5. Rate Design

6.5.5.1. The COS confirms the presence of tariff cross-subsidies for only the sold to other departments tariff (tariff appears high due to the tariff only being an energy charge with no basic charge). Introduction of such cross-subsidization is permitted and expected within tariff structures. particularly to protect vulnerable households. The Municipality's commitment to a phased transition to cost-reflective tariffs aligns with NERSA's approach of avoiding tariff shock while improving allocative efficiency over time.

6.5.5.2. To achieve full cost reflectivity. the municipality would be required to implement differentiated tariff adjustments across customer categories.



Figure 5:Revenue Recovery By Customer Categories

6.5.6. CONCLUSION ON THE COS

6.5.6.1. The COS study is based on forecast assumptions and. as such. does not guarantee that the projected outcomes will materialize. Accordingly. The licensee retains the discretion to review the results and determine its own revenue requirements to ensure financial sustainability. In this regard. The Municipality will be required to submit a report accounting for all costs that remain unverified.

Table 6: Rate Design Dashboard Year 2

Results BEFORE phasing			
	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	2 353 678 964	2 836 963 498	**2 589 046 860**
		Delta =	- 247 916 638
Average increase in rates	**10,0%**		
Average increase in rates to reach overall cost-reflectivity	20,5%		
Share of total cost recovered with the new rates	**91,3%**		
Share of total costs recovered (existing rates)	**83,0%**		

6.5.6.2. While the COS study outcome reflected an average tariff increase of 10%. for the licensee to achieve full cost reflectivity of 20.5%. The Municipality adopted a phased in approach to implement tariff increases below the COS outcomes. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive the demand for its electricity services. Significantly higher tariffs could negatively impact on the licensee by reducing customer demand and sales. The licensee also considered the ability to service its Eskom account and broader affordability impact on customers in determining the pace of its tariff adjustments

6.5.6.3. The Cost of Supply study submitted by Emalahleni Local Municipality for the 2026/27 financial year is compliant with the NERSA-approved COS Framework and is based on verified D-Form information and audited data. The study provides an appropriate basis for assessing cost reflectivity and informing future tariff rebalancing.

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The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9320/EmalahleniMunicipalityReasonsforDecisiononTariffsApplicationp

DETAILS OF TARIFFS APPLIED FOR

1.1 Indigents	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Block 1 (0 - 50 kWh)	0.00	0%	0.00	0.00	0%	
Block 2 (51 - 350 kWh)	254.59	10%	280.05	280.05	10%	
Block 3 (351- 600 kWh)	354.01	10%	389.41	389.41	10%	
Block 4 (> 600 kWh)	411.75	10%	452.93	452.93	10%	Overall increase of 10%

1.2 Normal Domestics (5 Blocks)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Block 1 (0 - 50 kWh)	198.76	10%	218.64	218. 64	10%	Uniform increase of 10%
Block 2 (51 - 350 kWh)	255.52	10%	281.07	281.07	10%	
Block 3 (351- 600 kWh)	355.67	10%	391.24	391.24	10%	
Block 4 (600 - 1 000kWh)	361.96	10%	398.16	398.16	10%	
Block 5 (>1 000 kWh)	365.34	10%	401.88	401.88	10%	
Basic charge >600-1000 (R/month)	508.25	10%	559.08	559.08	10%	
Basic charge>1000 (R/month)	951.42	10%	1 046.56	1 046.56	10%	

1.3 Normal Domestic Prepaid	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge: (c/kWh)	333.04	10%	366.34	366.34	10%	No increase in basic charge. and energy charge increased by 10%
Basic charge (R/month)	100.00	0%	100.00	100.00	0%	

2.COMMERCIAL

2.1 Low Voltage Supply (Commercial And Business)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic charge (R/month)	4, 351.33	10%	4, 786.47	4, 786.47	10%	
Energy charges (c/kWh)						
Low Season	216.72	10%	238.40	238.40	10%	
High Season	387.70	10%	426.46	426.46	10%	Uniform increase is of 10%

2.2Low Voltage Supply-Three Phase(240-340V) Without kVA	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic charge (R/month)	4, 363.97	10%	4, 800.37	4, 800.37	10%	
Energy Charge: (c/kWh)						
Low Season	220.47	10%	242.52	242.52	10%	
High Season	408.15	10%	448.97	448.97	10%	Uniform increase of 10%

2.3 Business prepaid tariff	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic charge (R/month)	1, 600.00	0%	1 600.00	1, 600.00	0%	No increase in basic charge. energy charges increased by 10%
Energy Charge: (c/kWh)						
Low Season	355.67	10%	391.23	391.23	10%	
High Season	464.61	10%	511.07	511.07	10%	

3.1Low Voltage Supply -Three Phase (240-380 With kVA)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Basic charge (R/month):	4, 292.91	10%	4, 722.20	4, 722.20	10%	Uniform increase of 10%
Demand charge (R/kVA):	430.73	10%	473.80	473.80	10%	
Energy charge (c/kWh):						
Low Season	182.71	10%	200.99	200.99	10%	
High Season	314.47	10%	345.92	345.92	10%	

3.2 Industrial Medium(66-11)KVA	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic charge: (R/month)	4, 431.55	10%	4 874.70	4, 874.70	10%	
Demand charge: (R/kVA)	278.48	10%	306.33	306.33	10%	
Network charge: (R/kVA)	124.50	10%	136.95	136.95	10%	
Energy charge: (c/kWh)						
Low Season	205.50	10%	226.04	226.04	10%	
High Season	329.95	10%	362.95	362.95	10%	Uniform increase is of 10%

3.3 Industrial Time of Use(Non-Standard)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic Charge Monthly **(R/month):**	15, 707.06	10%	17 277.76	17, 277.76	10%	
Low Season Energy Charges:						
Peak **(c/kWh):**	282.95	10%	311.24	311.24	10%	
Standard (**c/kWh):**	211.03	10%	232.14	232.14	10%	
Off-peak **(c/kWh):**	139.11	10%	153.02	153.02	10%	
High Season Energy Charges						
Peak **(c/kWh):**	822.23	10%	904.46	904.46	10%	
Standard (**c/kWh):**	270.95	10%	298.04	298.04	10%	
Off-peak **(c/kWh):**	155.81	10%	171.39	171.39	10%	
Demand charge **(R/kVA):**	172.17	10%	189.39	189.39	10%	Uniform increase of 10%

3.4 BULK CUSTOMERS CONNECTED MEDIUM VOLTAGE(TIME OF USE OPTIONAL)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Basic Charge **(R/month):**	8, 709.32	10%	9, 580.25	9, 580.25	10%	
Low season Energy charges:						
Peak **(c/kWh):**	361.36	10%	397.50	397.50	10%	
Standard (**c/kWh):**	223.76	10%	246.14	246.14	10%	
Off-peak **(c/kWh):**	182.49	10%	200.74	200.74	10%	
High Season Energy Charges:						
Peak **(c/kWh):**	720.78	10%	792.86	792.86	10%	
Standard (**c/kWh):**	369.16	10%	406.08	406.08	10%	
Off-peak **(c/kWh):**	200.31	10%	220.34	220.34	10%	
Demand charge **(R/kVA):**	403.20	10%	443.52	443.52	10%	Uniform increase of 10%

4.Municipality	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge (c/kWh)	205.73	10%	226.30	226.30	10%	Uniform increase of 10%

5.Schools And Welfares	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge (c/kWh)	290.89	10%	319.98	319.98	10%	Uniform increase of 10%

SSEG TARIFFS

ALL TARIFFS SAME AS ABOVE Tariffs 1.1 to Tariffs 5. EXCLUDING THE FOLLOWING:

Generation Capacity	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge (c/kWh)			29.77	29.77	0%	New tariff

Legacy Capacity Charge	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge (c/kWh)			29.77	29.77	0%	New tariff

8.CONFIDENTIALITY

8.1 None.

9.CONCLUSION

9.1 The Energy Regulator. having considered the EMALAHLENI application. supporting information. stakeholder inputs. and applicable legal framework. approve the tariff adjustments as set out in this Reasons for Decision.

End.