NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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The Decision and Reasons for Decision

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The Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Abaqulusi Local Municipality

THE DECISION

At its meeting held in 27 May 2026, the Regulator Executive Committee (REC) considered Abaqulusi Local Municipality's 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 7 of the tariff analysis on page 22 of the RFD.

Based on the available information and the analysis performed thus far, the REC decided:

a) to approve the tariffs that are based on the Cost of Supply (COS) Report as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
b) to note the COS Report submitted by the municipality;
c) that the municipality must submit a report accounting for all the costs that have

been noted in its COS study, to enable NERSA to perform its independent verification/audit process from 31 January 2027; and

d) that the municipality must submit a quarterly progress report on efficiency improvement measures taken to reduce high energy losses and deficit for NERSA to monitor the implementation thereof by 30 September 2026.

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ABBREVIATIONS

COS	Cost of Supply
D-form	Distribution form
ERTSA	Eskom Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
LM	Local Municipality
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications every year, 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.

1.2. Abaqulusi Local Municipality is a municipality situated within the Zululand District of the KwaZulu-Natal Province. The municipality has a total customer base of 18 551 as per the 2024/25 financial year D-form information. The customer profile for Abaqulusi Local Municipality is dominated by the domestic sector at 48.73%, with the industrial sector comprising the next largest segment at 35.28%. A total 3609 indigent households receive free basic electricity from the municipality.

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

CUSTOMER STATISTICS			
Consumer classification	**Sales (MWh)**	**%MWh**	**Number of consumers**
Domestic (Pre-paid)	34 397,00	33,77%	15 505
Domestic (Conventional)	15 241,00	14,96%	1 940
Commercial (Pre-paid)	3 220,00	3,16%	693
Commercial (Conventional)	11 688,00	11,48%	283
Manufacturing/Industrial	35 937,00	35,28%	130
Street Lighting and Own Use	1 365,00	1,34%	N/A
Totals	**101 848**	**100%**	18 551

Free Basic Electricity	**2 165**	**4,36%**	**3609**

1.3. NERSA received Abaqulusi Local Municipality's tariff application together with its COS Study on 31 March 2026.

1.4. In accordance with NERSA requirements, all tariff applications must include confirmation that the proposed tariffs have been approved by the Municipal Council and have undergone customer consultation with the affected stakeholders regarding the tariff application.

1.5. For this application, the municipality submitted its Council resolution and proof of having conducted customer consultation together with its tariff application on 31 March 2026.

1.6. NERSA followed the notice and comment consultation process as well as oral presentations. Abaqulusi Local Municipality's tariff application was published on the NERSA website on 31 March 2026, on social media platforms and national and local newspapers to solicit written comments from affected parties.

1.7. NERSA's decision was made on 27 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of municipal electricity tariffs constitutes a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legislative framework, national policy directives and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator Act, 2004 (Act No. 40 of 2004) ("NERA"), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ("ERA"), the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) ("PAJA"), and the Electricity Pricing Policy for the South African Electricity Supply Industry, 2008 ("EPP").

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and the Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ("MFMA").

2.1.3. 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.

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

2.2. NERSA's Statutory Mandate

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of the NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator 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.

2.2.2. In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue them subject to conditions;
b) section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs; and
c) section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

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

2.3. Tariff Determination Principles under the ERA

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

2.3.2. 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.

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

2.4. Administrative Law Requirements

2.4.1. 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 the PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

2.4.2. 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.

2.5. **Policy Framework: Electricity Pricing Policy (2008)**

2.5.1. In addition to the statutory framework, the Energy Regulator must have regard to the Electricity Pricing Policy (EPP). The EPP establishes national policy principles for electricity tariff setting, including cost reflectivity, transparency, economic efficiency and equity.

2.5.2. 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.

2.5.3. 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.

2.6. **Cost of Supply Studies**

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

2.6.2. Paragraph 8.1 of the EPP notes that COS methodologies have historically not been consistently applied across the electricity distribution industry.

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

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

2.7. **Judicial Oversight of the Tariff Approval Process**

2.7.1. 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.

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to the 2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of the PAJA and was therefore unlawful.

2.7.3. However, recognising 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.

2.7.4. 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 it relates to 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.

2.8. **Court-Directed Timelines**

2.8.1. 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.

2.8.2. 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; and
c) municipal tariff approvals and the tariff reasons for decision document be approved and published by 5 May of each year.

2.9. **Conclusion**

2.9.1. 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).

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

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Abaqulusi 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.

3.2. Table 3 below reflects Abaqulusi Local Municipality's performance indicators. Abaqulusi Local Municipality's electricity business operated at a percentage deficit of 35,59% in the 2024/25 financial year from a deficit of 41,85% in the 2023/24 financial year. The budget deficit is mainly attributable to the following factors: high

expenditure on repairs and maintenance (R&M) contractors, without commensurate improvement in outcomes; interest on Eskom debt of approximately R24 million for the 2024/25 financial year; NMD exceedance penalties and low revenue collection from customers.

3.3. The municipality's energy losses decreased to 25,91% in the 2024/25 financial year from 26,13% in the 2023/24 financial year.

Table 2: Performance Indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/24**	**2024/25**
Percentage surplus (deficit)	-41,85%	-35,59%
Percentage energy losses	26,13%	25,91%

3.4. Table 3 below reflects the revenue impact analysis under three energy loss scenarios, namely: the actual losses of 25.91%, representing the current operating position; a reduced loss level of 12%, reflecting an efficient and regulatory-aligned scenario, and a reduced loss level of 6% for assessment purposes

Table 3: **Revenue Losses Analysis**

	D-form Input	Energy Losses @ 12%	Energy Losses @ 6%
Average Selling Price	276,13		
Sales kWh	101 850 946,00	120 975 705,84	129 224 049,42
Purchases kWh	137 472 393,00	137 472 393,00	137 472 393,00
Losses kWh	35 621 447,00	16 496 687,16	8 248 343,58
Losses Percentage	**25,91%**	**12,00%**	**6,00%**
Additional (kWh)		19 124 759,84	27 373 103,42
	D-form Input	**Energy Losses @ 12%**	**Energy Losses @ 6%**
Total Revenue(Rands)	R313 488 186,00	R366 297 385,35	R389 073 536,47
Total Expenses (Rands)	R425 051 354,00	R425 051 354,00	R425 051 354,00
Net Profit (Loss)	R111 563 168,00	R58 753 968,65	R35977817,53
Percentage Surplus/Deficit (%)	**-35,59%**	**-16,04%**	**-9,25%**

3.5. Table 3 demonstrates that the municipality's current energy loss level of 25.91% places significant pressure on revenue recovery and undermines overall financial sustainability. The capping of losses at 12% represents a material improvement from the current position and provides a more efficient, regulatory-aligned operating scenario that would meaningfully reduce the revenue shortfall and strengthen the municipality's financial position. By contrast, a further reduction in losses to 6% would materially improve performance even more, shifting the municipality from a deficit of 35.59% to a deficit of -9.25% and increasing total revenue to approximately R389.07 million. The analysis therefore highlights the critical importance of loss-reduction measures, including the capping of losses at 12%, in restoring the financial viability of the electricity business.

3.6. Based on the information provided above, the municipality's performance is unsatisfactory. Follow-up is required to determine strategies for raising these outcomes of high deficit and energy losses to an acceptable level.

4. DETERMINATION OF ABAQULUSI LOCAL MUNICIPALITY'S TARIFFS BASED ON THE COS STUDY

4.1 The process followed in considering and approving Abaqulusi Local Municipality's tariff application was supported by a revised COS study.

4.2 Abaqulusi Local Municipality utilised the revised 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 fairly and equitably. The study follows the NERSA COS framework and uses the latest available audited data, which is based on the 2024/25 financial year.

4.3

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

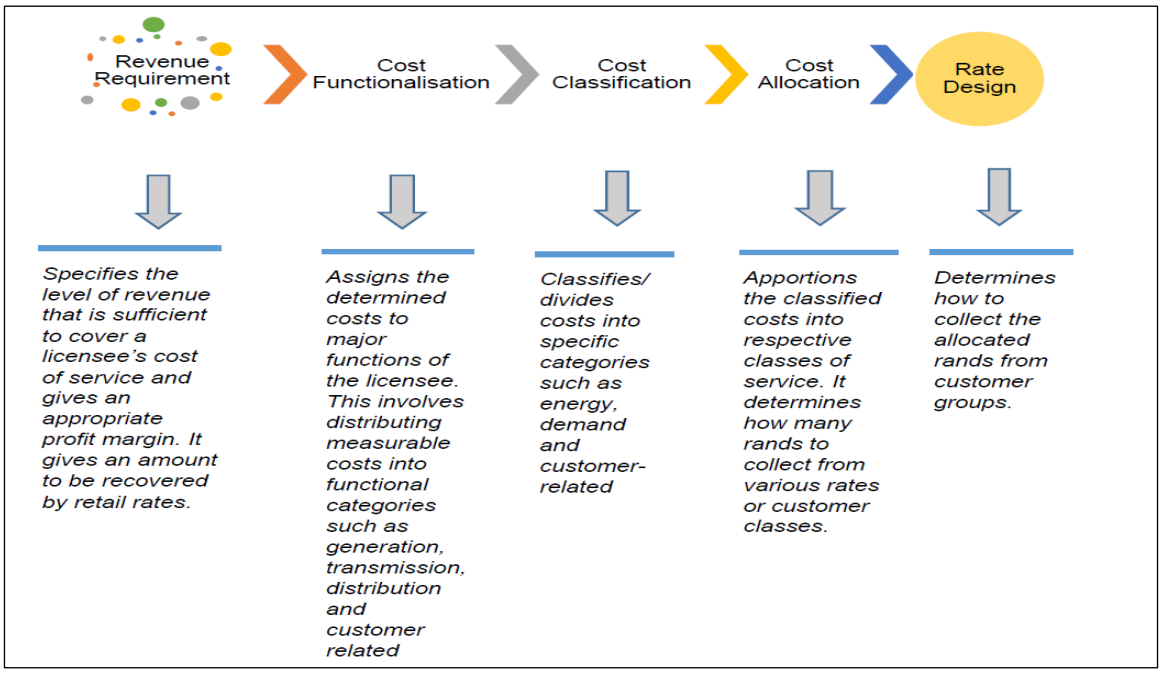


Figure 1: Five Steps of COS

4.5 The following steps are undertaken to analyse the COS study.

4.5.1 Revenue Requirement

4.5.1.1 The municipality initially requested R590.42 million for the 2026/27 financial year before adjustment of inefficiencies. NERSA's cost-plus methodology determined that a lower revenue requirement of R491.29 million (after adjustment of inefficiencies is sufficient to achieve full cost reflectivity.

Table 4*:* Revenue Requirement Components

Revenue Requirement components	Total cost (R) Wires	Retail	Total	NERSA Adjustment(s)	NERSA's Decision	% Total
Allowable costs	244 036 466	426 629 622	518 778 248	27 491 164	491 287 084	100%
Energy purchases from Eskom - net of cost of losses	-	332 427 929	332 427 929		332 427 929	68%
Energy purchases from Eskom - cost of losses	-	55 100 028	55 100 028		55 100 028	11%
Other energy purchases	-	-	-		-	0%
Capital expenditure	-	-	-		-	0%
Operational expenditure (incl. Depreciation)	117 220 779	34 667 061	151 887 840	27 491 164	124 396 676	25%
Other revenues	**- 1 933 790**	**- 30 635 603**	**- 32 569 393**		- 32 569 393	-7%
Surplus	11 528 699	403 146	11 931 845		11 931 845	2%
Not allowable costs	-	71 638 941	71 638 941		71 638 941	
Cost of losses disallowed	-	71 638 941	71 638 941		71 638 941	
TOTAL COSTS	244 036 466	498 268 563	590 417 189		590 417 189	

4.5.1.2 The efficiency of costs for the 2024/25 financial year (base 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.

4.5.1.3 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

4.5.1.4 From the submitted COS, Abaqulusi Local Municipality applied for bulk purchase expenditure amounting to R387.53 million (including energy losses allowance), representing 75.00% of the revenue requirement of the municipality. The bulk purchase expenditure was verified against Eskom invoices for the 2024/25 financial year. This cost structure indicates that bulk supply costs remain the primary driver of the revenue requirement of the municipality.

4.5.1.5 To derive the 2026/27 financial year bulk purchase estimate, the 2025/26 financial year COS amount was escalated by 9,01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

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

Operational Expenditure (OPEX)

4.5.1.7 The operational expenditure applied for by Abaqulusi Local Municipality was adjusted downward from R179.38 million to R151.89 million. This reduction reflects efficiency adjustments related to Eskom's Free Basic Electricity (FBE) payments (R1.11 million), Eskom debt interest (R25.98 million), and Notified Maximum Demand (NMD) exceedance penalties (R0.38 million). The operational accounts for 29% of the revenue requirement of the municipality.

Table 5: Operational Expenditure (OPEX)

Cost drivers	2024/25 Actuals	2025/26 Budget	2026/27 Applied For	Adjustment	2026/27 Recommended
General & Other	R 114 025 749	R 170 375 815	R 176 986 222	-R 26 355 204	R 150 631 018
Salaries and allowances	R -	R -	R -	R -	R -
Materials and supplies	R 33 534 287	R 27 269 996	R 28 278 986		R 28 278 986
Contracted Services	R 20 739 391	R 33 282 174	R 34 513 614		R 34 513 614
Salaries, wages and allowances (exclu. Repairs a	R 29 217 975	R 29 190 591	R 30 577 144		R 30 577 144
Payments to consultants (operational work)	R 868 535	R 6 676 000	R 6 923 012		R 6 923 012
Eskom debts' interests	R 24 086 951	R 25 050 429	R 25 977 295	-R 25 977 295	
Other creditors interests	R -	R -	R -	R -	R -
Current year depreciation	R 5 228 201	R 48 542 200	R 50 338 261		R 50 338 261
NMD exceedance penalties	R 350 409	R 364 425	R 377 909	-R 377 909	
	R -	R -	R -	R -	R -
Shared OPEX	R 3 974 177	R 2 307 408	R 2 392 782	-R 1 135 960	R 1 256 822
Bad debts written-off	R -	R -	R -	R -	R -
FBE paid to Eskom	R 1 053 297	R 1 095 429	R 1 135 960	-R 1 135 960	
Charges from other Municipal Departments	R 1 029 297	R 1 070 469	R 1 110 076		R 1 110 076
General Expenses	R 1 891 583	R 141 510	R 146 746		R 146 746
Total	**R 117 999 926**	**R 172 683 223**	**R 179 379 004**	**-R 27 491 164**	**R 151 887 840**

4.5.1.8 For the 2024/25 financial year, depreciation was R50.34 million on a R255.79 million asset base. Depreciation was calculated on a straight-line basis and has been audited against audited financial statements.

4.5.1.9 The total expenditure of R151.89 million includes a depreciation of R50.34 million as per audited annual financial statements.

4.5.1.10 The approach adopted by Abaqulusi Local Municipality in forecasting operational expenditure is considered reasonable, and the amount has therefore been approved as requested. However, inefficient cost components, such as NMD exceedance penalties (R377 909.00), interest incurred on Eskom-related debt (R25.98 million) and FBE paid to Eskom (R1,14 million),

have been excluded from the total, as these items fall within the control of the municipality.

Surplus

4.5.1.11 Abaqulusi Local Municipality revenue requirements were determined via a cost-plus methodology. The allowable revenue comprises efficient and prudent operating expenditure (OPEX), depreciation for asset consumption and replacement, and an appropriate surplus margin.

4.5.1.12 Abaqulusi Local Municipality achieved an adjusted surplus of R11,93 million, which incorporates corrections for operational inefficiencies. This final figure was determined by applying a 2% surplus factor directly to the municipality's total operating expenditure.

4.5.1.13 The municipality applied for a surplus of 2%. The surplus (2%) proposed by Abaqulusi Local Municipality is considered reasonable, as it falls within the established target range of 10-20%. Consequently, the requested amount has been approved as applied for.

4.5.1.14 The decision to approve the revenue requirement as submitted will be applied in the subsequent stages, namely Cost Functionalisation, 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.

4.5.2 Cost Functionalisation

4.5.2.1 Abaqulusi Local Municipality has categorised its revenue requirement of R518.78 million into two primary functional components (retails and wires), in accordance with the NERSA COS framework, as illustrated in Figure 2 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

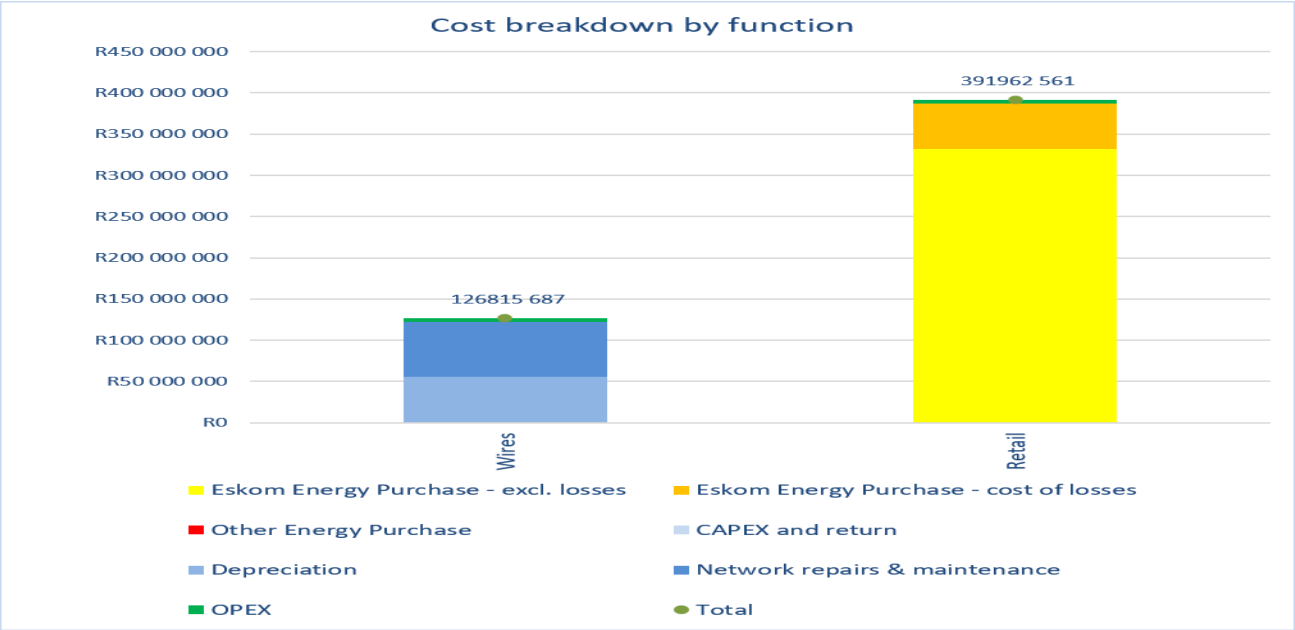


Figure 2*: Cost Breakdown by Functions*

4.5.2.2 These costs, upon verification, are consistent with the approved revenue requirement of Abaqulusi Local Municipality. Network repairs and maintenance constitute the predominant cost drivers within the wires business, while energy purchases represent the primary cost driver within the retail business.

4.5.3 Cost Classification

4.5.3.1 Abaqulusi Local Municipality 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 classification upon verification.

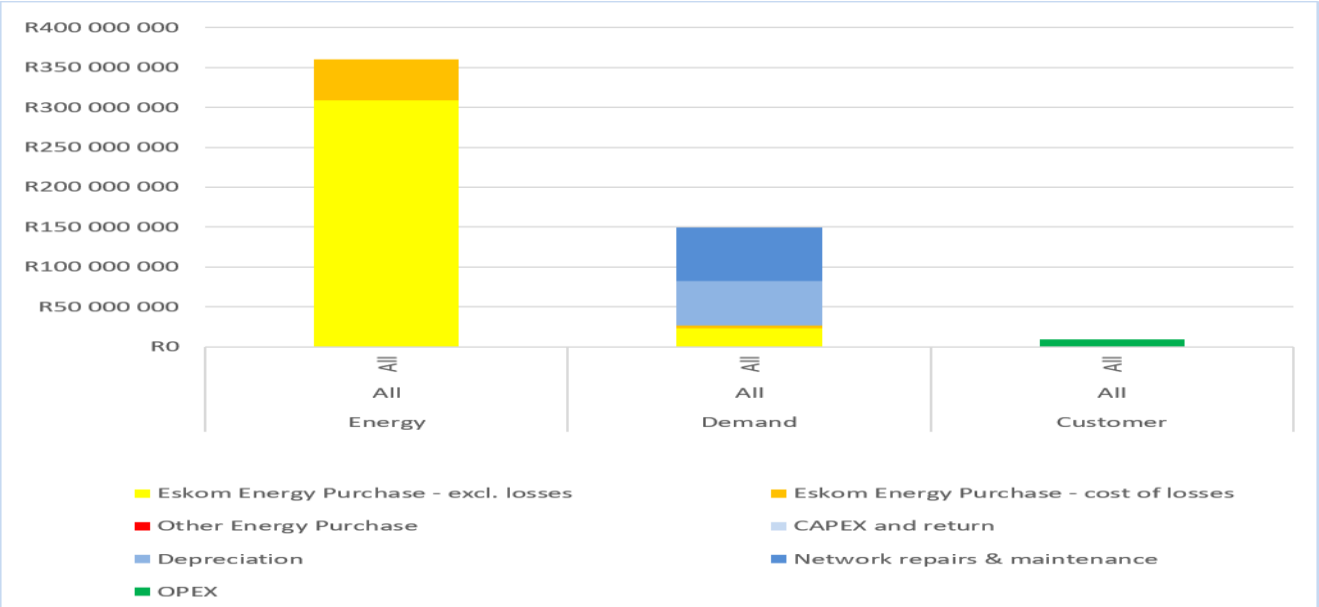


Figure 3: Costs breakdown by cost structure (Classification)

4.5.3.2 Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season. Demand-driven costs are similarly concentrated in the summer period. Customer-driven costs are primarily associated with “Other OPEX,” which includes expenses related to the provision of electricity distribution services to customers.

4.5.4 Cost Allocation

4.5.4.1 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 found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation. Domestic customers bear most of the cost at the municipality at 67%, followed by commercial customers (21%) and industrial customers (12%).

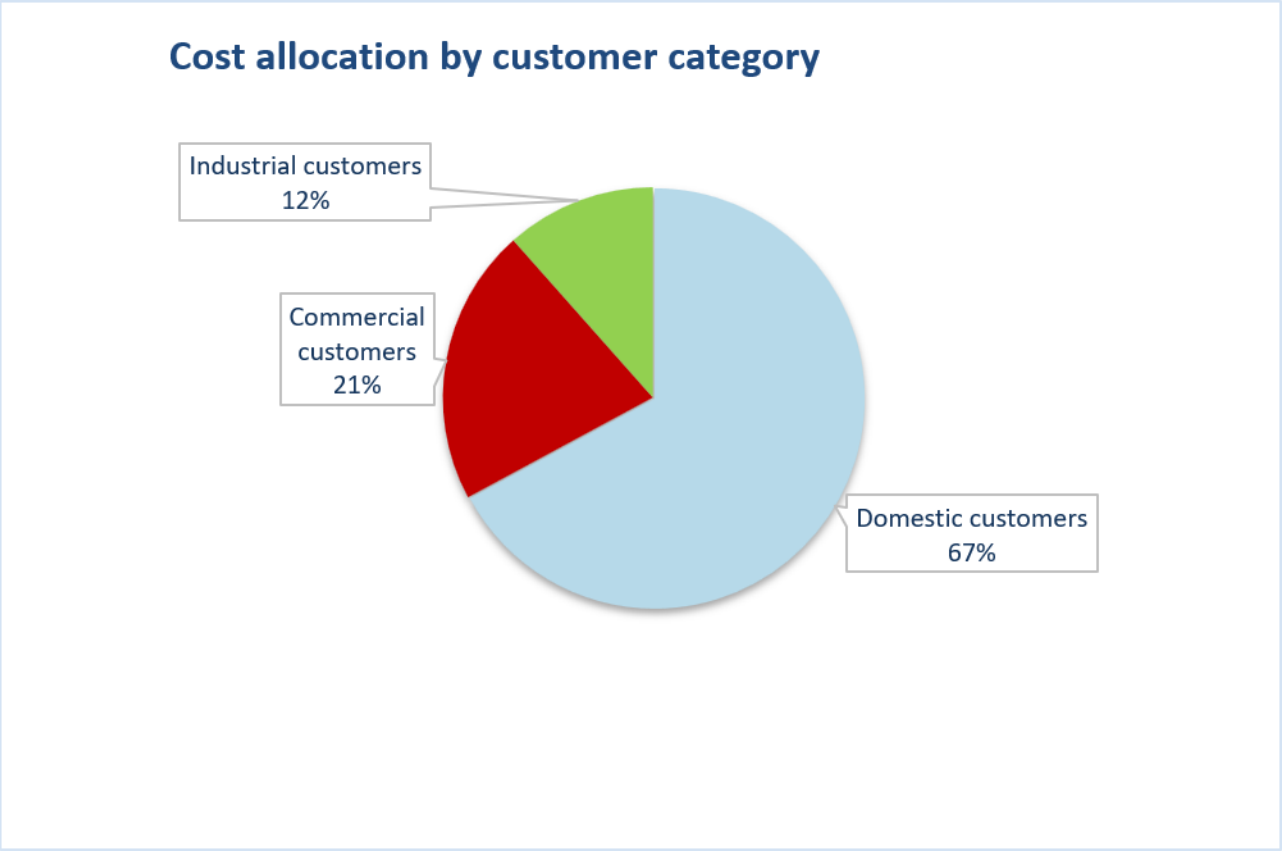


Figure 4: Costs Allocated

4.5.5 Rate Design

4.5.5.1 Figure 5 below reflects the outcome of the COS study, indicating that domestic, other municipal departments, and industrial customer categories require upward adjustments, while the rest, including commercial customers, decreased. A comparison between the cost of supply and the revenue generated per tariff category highlights the extent of over- or under-recovery

within each category, as illustrated in Figure 5 below. This means that there is cross-subsidisation at the municipality.

4.5.5.2 To achieve full cost reflectivity, the municipality would be required to implement differentiated tariff adjustments across customer categories mentioned in section 4.4.5.1.

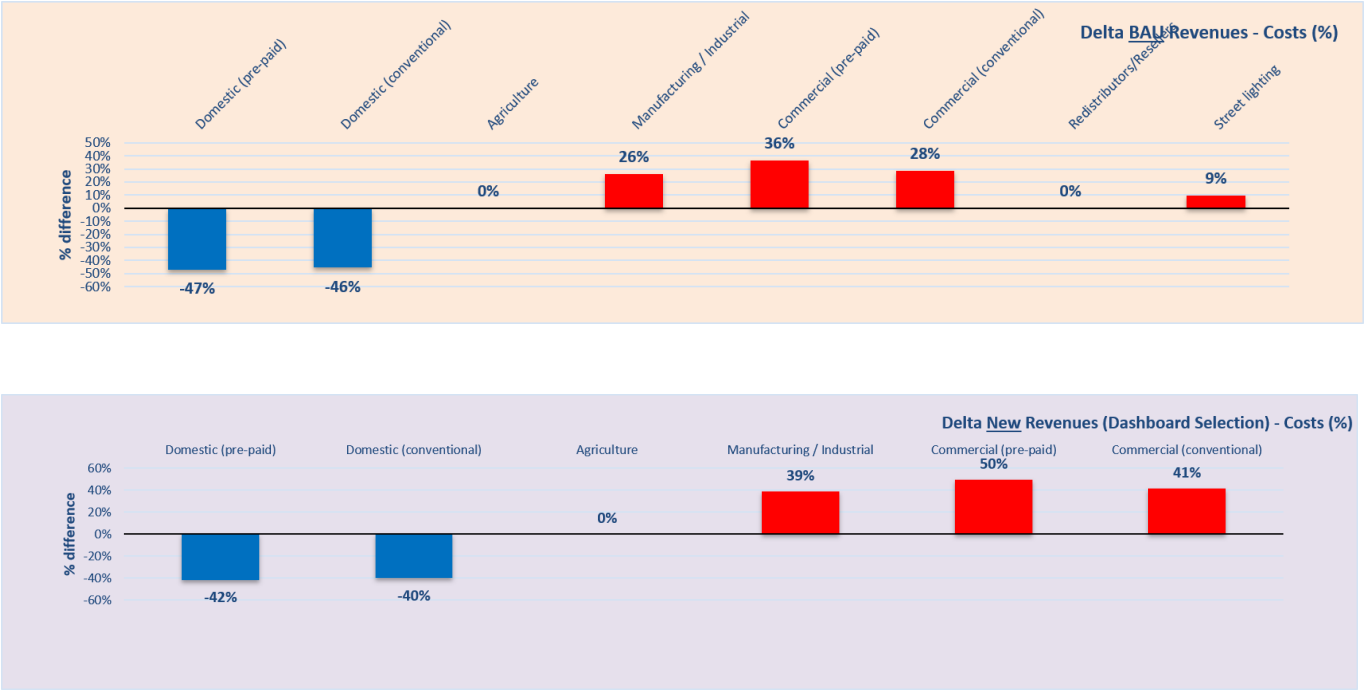


Figure 5: Cross-subsidies

4.5.6 Conclusion on the COS Study

4.5.6.1 The licensee may consider its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability constraints faced by customers, in determining the appropriate trajectory for tariff adjustments.

4.5.6.2 This approach is intended and will ensure safeguarding the municipality's revenue base and supporting its financial sustainability, in line with applicable legislative requirements.

4.5.6.3 The COS study is based on forecast assumptions and, as such, does not guarantee that the projected outcomes will materialise. 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.

4.5.6.4 The COS study results indicate a required increase of 37.20% to reach cost reflectivity, as illustrated in Figure 5 below. However, to mitigate the impact on customers' affordability, the licensee has proposed a lower increase by

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https://www.nersa.org.za/file/9228/AbaqulusiLocalmunicipality2026-27FY.pdf

Block 1 (0 - 50kWh)	255.00	*4.31%*	266.00	266.00	*4.31%*
Block 2 (351 - 600kWh)	272.00	*9.90%*	298.93	298.93	*9.90%*
Basic Charge (R/month)	25.00	*9.92%*	27.48	27.48	*9.92%*

2.2. Domestic Prepaid – - High Season (June to August	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Block 1 (0 - 350kWh)	*374.00*	*-28.88%*	*266.00*	*266.00*	*-28.88%*
Block 2 (351 - 600kWh)	*416.00*	*9.90%*	*457.19*	*457.19*	*9.90%*
Basic Charge (R/month)	*25.00*	*9.92%*	*27.48*	*27.48*	*9.92%*

2.3. Domestic Prepaid – Indigent (20 Amp single phase) Blocks	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	*25.00*	*9.92%*	*27.48*	*27.48*	*9.92%*
Block 1 (0 - 50kWh)	*255.00*	*0%*	*225.00*	*225.00*	*0%*
Block 2 (51 - 150kWh)	*255.00*	*1.96%*	*260.00*	*260.00*	*1.96%*

Block 3 (151 - 350 kWh)	*381.0*	*9.97%*	*419.00*	*419.00*	*9.97%*

3. Commercial Prepaid Low Season	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	220.00	*9.90%*	241.78	241.78	*9.90%*
Energy Charge c/kWh (0 - 350kWh)	387.00	*9.82%*	425.00	425.00	*9.81%*
Energy Charge c/kWh (>351kWh)	476.00	*3.36%*	492.00	492.00	*3.36%*

4. Commercial Prepaid High Season	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	220.00	*9.90%*	241.78	241.78	*9.90%*
Energy Charge c/kWh (0 - 50kWh)	580.00	*-15.69%*	489.00	551.00	*-5.00%*
Energy Charge c/kWh (0 - 351kWh)	714.00	*-28.81%*	508.00	678.30	*-5.00%*

5. Commercial Conventional Business Low	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	1300.00	*9.90%*	1428.70	1428.70	*9.90%*
Energy Charge c/kWh (0 - 350kWh)	351.00	*6.55%*	374.00	374.00	*6.55%*
Energy Charge c/kWh >351kWh)	431.00	*-10.21%*	387.00	402.00	*-6.73%*

6. Commercial Conventional Business High	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	1 300.00	*9.90%*	1 428.70	1 428.70	*9.90%*
Energy Charge c/kWh (0 - 350kWh)	526.00	*-25.29%*	393.00	499.70	*-5.00%*
Energy Charge c/kWh (>351kWh)	646.00	*-36.22%*	412.00	613.70	*-5.00%*

7. Agricultural Conventional Domestic	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	224.00	*9.90%*	246.18	246.18	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	222.00	*9.90%*	244.00	244.00	*9.91%*
Energy Charge low c/kWh (> 351kWh)	399.00	*9.90%*	438.50	438.50	*9.90%*
Energy Charge high c/kWh (0 - 350kWh)	*227.00*	*9.90%*	*249.47*	*249.47*	*9.90%*
Energy Charge high c/kWh (> 351kWh)	*419.00*	*9.90%*	*460.48*	*460.48*	*9.90%*

8. Agricultural Commercial (Prepaid)	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	220.00	*9.90%*	241.78	241.78	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	387.00	*-46.25%*	208.00	367.65	*-5.00%*
Energy Charge low c/kWh (> 350kWh)	476.00	*-27.31%*	*346.00*	452.20	*-5.00%*
Energy Charge high c/kWh (< 350kWh)	*580.00*	*-15.69%*	*489.00*	*556.20*	*-4.10%*
Energy Charge high c/kWh (> 350kWh)	*714.00*	*-28.85%*			*-5.70%*

			508.00	*673.30*	

9. Agricultural Domestic (Prepaid)/	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	220.00	*9.90%*	241.78	241.78	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	387.00	*9.90%*	425.31	425.31	*9.90%*
Energy Charge low c/kWh (> 351kWh)	476.00	*3.36%*	*492.00*	*492.00*	*3.36%*
Energy Charge high c/kWh (0 - 350kWh)	*580.00*	*-15.69%*	*489.00*	*551.00*	*-5.00%*
Energy Charge high c/kWh (> 351kWh)	*714.00*	*-28.85%*	*508.00*	*673.30*	*-5.70%*

10. Agriculture Conventional Business Low	***2025/26 Approved*** *c/kWh*	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***

Basic Charge (R/month)	1300.00	*9.90%*	1428.70	1428.70	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	351.00	*6.55%*	374.00	374.00	*6.55%*
Energy Charge low c/kWh >351kWh)	431.00	*-10.21%*	387.00	409.45	*-5,26%*
Energy Charge high c/kWh (0 - 350kWh)	358.00	*9.78%*	393,00	393,00	*9.78%*
Energy Charge high c/kWh >351kWh)	375.00	*9.87%*	412,00	412,00	*9.87%*

11. Small business – Conventional (less than 600kWh)	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	650.00	*9.90%*	714.35	*714.35*	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	340.00	*10.00%*	374.00	374.00	*10.00%*

Energy Charge low c/kWh (> 350kWh)	352.00	*9.94%*	*387.00*	*387.00*	*9.94%*
Energy Charge high c/kWh (< 350kWh)	*358.00*	*9.78%*	*393.00*	*393.00*	*9.78%*
Energy Charge high c/kWh (> 351kWh)	*375.00*	*9.87%*	*412.00*	*412.00*	*9.87%*

12. Small business – Prepaid (less than 600kWh)	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	110.00	*9.90%*	120.89	120.89	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	387.00	*9.82%*	425.00	425.00	*9.82%*
Energy Charge low c/kWh (> 350kWh)	447.00	*9.84%*	*491.00*	*491.00*	*9.84%*
Energy Charge high c/kWh (< 350kWh)	*445.00*	*9.89*	*489.00*	*489.00*	*9.89%*
Energy Charge high c/kWh (> 351kWh) *9.90%*	*462.00*	*9.96%*	*508.00*	*508.00*	*9.96%*

13. Schools - Conventional	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	1300	*9.90%*	1 428.70	1 428.70	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	351.00	*9.97%*	386.00	386.00	*9.97%*
Energy Charge low c/kWh (> 350kWh)	431.00	*9.98%*	*474.00*	*474.00*	*9.98%*

14. Public Benefit Organisations - Conventional	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	224.37	*9.90%*	246.58	246.58	*9.90%*
Energy Charge low c/kWh (0 - 350kWh)	222.00	*9.90%*	244.00	244.00	*9.90%*
Energy Charge low c/kWh (> 350kWh)	399.00	*10.03%*	*439.00*	*439.00*	*10.03%*

15. Industrial (KVA) - Conventional	***2025/26 Approved c/kWh***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***
Basic Charge (R/month)	1975.00	*9.90%*	2 170.53	2 170.53	*9.90%*
Energy Charge low c/kWh (<350kWh)	312.00	*-26.92%*	228.00	228.00	*-26.92%*
Demand Charge	358.42	*9.65%*	393.00	*393.00*	*9.65%*

8. CONFIDENTIALITY

8.1 None.

9. CONCLUSION

9.1 From a conspectus of the facts and evidence presented to the REC, it is appropriate to approve Abaqulusi Local Municipality's tariff application for the 2026/27 financial year.

End.