NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Applications for the 2026/27 Financial Year

By

Phokwane Local Municipality

THE DECISION

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1. At its meeting on 8 May 2026, the Regulator Executive Committee (REC) considered Phokwane Local Municipality (PLM) tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for FY2026/27 as set out on the tariff analysis section 7 below.

2. Based on the available information and the analysis conducted, the REC decided:

   a) to approve the tariffs based on the Cost of Supply (COS) study, as recommended in the tariff analysis section, for implementation by the Municipality with effect from 1 July 2026;
   b) to note the COS study submitted by the Municipality;
   c) that the municipality must submit a report accounting for all costs noted in its COS study, to enable the National Regulator of South Africa (NERSA) to perform its independent verification audit commencing on 31 January 2027; and
   d) that the municipality must submit quarterly progress reports on the efficiency improvement measures taken to reduce high energy losses and deficits to

enable NERSA to monitor the implementation thereof commencing on 30 September 2026.

TABLE OF CONTENTS

THE DECISION 1
ABBREVIATIONS 5
1. INTRODUCTION 6
2. AND REGULATORY FRAMEWORK 7
3. FINANCIAL AND TECHNICAL PERFORMANCE 11
4. DETERMINATION OF PLM'S TARIFFS BASED ON THE EXISTING COS STUDY 13
5. PUBLIC PARTICIPATION 18
6. OBJECTORS AND OTHER INTERVENING PARTIES 19
7. TARIFF ANALYSIS 23
8. CONFIDENTIALITY 26
9. CONCLUSION 26

LIST OF TABLES

Table 1: Customer Statistics (Data obtained from the latest D-forms – FY2024/25) 6
Table 2: Performance Indicators 11
Table 3: Assessment of Energy Losses and Revenue Impact – FY2024/25 12
Table 4: Revenue Requirement components 14
Table 5: Operating Expenditure 15
Table 6: Summary and Analysis of Stakeholder Comments 19

ABBREVIATIONS

COS	Cost of Supply
D-form	Distribution form
ERTSA	Eskom Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IPP	Independent Power Producer
PLM	Phokwane 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. NERSA, in accordance with its statutory mandate to regulate electricity prices and tariffs, assesses tariff applications submitted by Licensees on an annual basis. As part of this process, municipal electricity tariffs must be approved by the Energy Regulator prior to implementation, which typically takes effect on 1 July of each financial year.

1.1. PLM is located in the Northern Cape Province. The Municipality has a total of 5,848 customers, which 43.05% attributed to domestic customers. The Municipality applied for an increase of 11.5% in FY2026/27 and is proposing an increase of 9.00% for FY2026/27.

1.2. The Municipality provides its indigent customers with 50 kWh of Free Basic Electricity (FBE) per month. The Municipality further reports that it maintains an indigent register. The details regarding customer statistics are highlighted in Table 1 below.

Table 1: Customer Statistics (Data obtained from the latest D-forms – FY2024/25)

Customer categories	*MWh*	*% MWh*	*Customer numbers*
Domestic(Prepaid)	11 746	36,82%	4 698
Domestic(Conventional)	1 988	6,23%	358
Manufacturing	10 290	32,25%	35
Commercial	7 777	24,38%	735
Own use	102	0,32%	22
TOTAL	**31 903**	**100,00%**	**5 848**
FBE	**63**	**0,46%**	**1767**

1.3. NERSA received PLM's tariff application together with its Cost of Supply (COS) on 31 March 2026.

1.4. NERSA followed public-consultation process. PLM's tariff application was published on the NERSA website on 31 March 2026 and on social media platforms, as well as in both national and local newspapers to solicit written comments from affected parties.

1.5. NERSA's decision was taken on 8 May 2026, following consideration of the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. 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 FY2026/2027.

2.2. Statutory Mandate of the Energy Regulator

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 Energy Regulator's electricity regulatory mandate is therefore primarily governed by the ERA. Section 3 of the ERA specifically provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated in terms of 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 licences 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 in terms of 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 that guide the determination of electricity tariffs in 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 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 (RR) 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 of the EPP states that electricity tariffs must accurately reflect the efficient cost of providing electricity services and that the average tariff level must be set to recover the approved RR.

2.6. **COS 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 of the EPP 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 FY2025/26 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 that sought to amend the timelines set by the Court on 4 December 2025, in view of the practical difficulties encountered in complying with the Court order. The Court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for FY2026/27 municipal tariff approvals.

2.8. **Court-Directed Timelines**

2.8.1. The timelines below are applicable in respect of FY2026/27 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 FY2027/28 are to comply with the following timelines:

a) written notice of bulk electricity tariffs to be communicated by 31 January each year;
b) municipal tariff applications to be submitted to NERSA by 20 March each year; and
c) municipal tariff approvals and the tariff RfD document, to 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 RfD document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for FY2026/2027.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In assessing the financial and technical performance of PLM, the assessment was based on FY2024/25 Distribution forms (D-forms) submitted as part of the Licensee's the tariff application. The information contained in the D-forms was verified against supporting documents, including the Trial Balance and the Audited Annual Financial Statements (AFS) and is therefore considered reliable for tariff analysis.

Table 2: Performance Indicators

Performance indicators	***FY2024/25***	***FY2023/24***
*Percentage surplus/(Deficit): **(%)***	-6.46	-24.51
*Energy Losses: (**%**)*	24.42	17.34

Percentage Surplus

3.2. The Licensee's deficit improved from 24.51% in FY2023/24 to 6.46% in the FY2024/25. The Licensee attributed this improvement primarily to a 29% increase in total revenue, which contributed to enhanced cost recovery and a reduction in the funding gap within the electricity business. While the improvement in the deficit position is acknowledged, NERSA notes that the electricity undertaking remains in a deficit position and that continued efforts are required to strengthen financial sustainability and improve operational efficiency.

Energy Losses

3.3. PLM's energy losses have increased from 17.34% in the FY2023/24 to 24.42% in FY2024/25. The Municipality indicated that the high energy losses are due to illegal connections, faulty meters and aged infrastructure. The municipality is not putting more effort into reducing the high energy losses as it is not yielding any results. The Municipality must continue to monitor high energy losses in line with the plan set to improve its financial and technical performance.

Table 3: Assessment of Energy Losses and Revenue Impact – FY2024/25)

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	356,59		
Sales kWh	31 902 888,30	40 445 418,46	43 203 060,63
Purchases kWh	45 960 702,80	45 960 702,80	45 960 702,80
Losses kWh	14 057 814,50	5 515 284,34	2 757 642,17
Losses percentage	**30,59%**	**12,00%**	**6,00%**
Additional Energy (kWh)		8 542 530,16	11 300 172,33
Additional Revenue (Rands)		30 462 064,59	40 295 623,52
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 128 764 976,73	R 159 227 041,32	R 169 060 600,25
Total Expenses (Rands)	R 157 831 440,00	R 157 831 440,00	R 157 831 440,00
Net Profit (Loss)	R -29 066 463,27	R 1 395 601,32	R 11 229 160,25
Percentage Surplus/Deficit	**-22,57%**	**0,88%**	**6,64%**

3.4. NERSA assessed the financial impact of reducing energy losses to more efficient levels. The analysis indicates that if energy losses were reduced to 12.00%, sales volumes would increase from 31,902,888.30 kWh to 40,445,418.46 kWh, resulting in an additional 8,542,530.16 kWh available for sale. At the Municipality's average selling price of 356.59 c/kWh, this would generate approximately R30,462,064.59 in additional revenue, increasing total revenue from R128,764,976.73 to R159,227,041.32.

3.5. Furthermore, if energy losses were reduced to 6.00%, sales volumes would increase to 43,203,060.63 kWh, generating an additional 11,300,172.33 kWh for sale and approximately R40,295,623.52 in additional revenue. Total revenue would increase to R169,060,600.25, resulting in a surplus of R11,229,160.25, equivalent to a 6.64% surplus margin.

3.6. NERSA is therefore of the view that the municipality should prioritise the implementation of effective loss-reduction measures, including the replacement of faulty meters, refurbishment of ageing infrastructure, enhancement of revenue protection programmes and the eradication of illegal connections and improve its collection rate.

General Conclusion on the Financial and Technical Indicators

3.7. In conclusion, the Municipality has demonstrated an improvement in its financial performance. However, the Municipality remains in a deficit position, indicating that the revenue generated from electricity operations is still insufficient to fully recover the costs of rendering the electricity service. Although energy losses increased marginally, the Municipality should continue implementing measures to manage and reduce losses.

4. DETERMINATION OF PLM'S TARIFFS BASED ON THE EXISTING COS STUDY

4.1. The Licensee submitted its existing COS study which supports the tariffs application for FY2026/27. The Licensee's COS study was inclusive of all requirements of NERSA's approved COS Study Framework (i.e. Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

4.2. The RR for PLM was determined using a cost-plus methodology in accordance with the NERSA COS Study Framework. Aligned to the NERSA COS Study Framework: costs were built up from verified bulk purchases (Eskom invoices) and verified electricity-related operating costs (tested against D-Forms, Trial Balance and Audited Annual Financial Statement (AFS).

4.3. Section 18.7 of October 2023 NERSA-approved COS Study Framework states that:

"An adjustment index will be issued to licensees to allow them to submit the tariff applications, which will be used to determine the costs that must increase with CPI, purchase costs, and other OPEX. Where annual plans, such as repairs and maintenance, and CAPEX plans, have been assessed and approved by NERSA, these can be adjusted based on that."

4.4. In line with section 18.7 mentioned above, Table 4 below was developed and the definition of the columns is as follows:

i) Column 1 reflects the actual FY2024/25 Licensee performance and is sourced from the D-forms that are based on the audited AFS.
ii) Column 2 reflects FY2025/26 revenues and electricity volume that are the base for FY2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when the Energy Regulator considered and approved FY2026/27 cost of COS base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.
iii) Column 3 reflects the Licensee's submitted FY2026/27 budgeted figures to be tested for reasonableness in determining tariffs for the control period under review.
iv) Column 4 reflects NERSA's recommended adjustments after considering the reasons, facts and evidence the licensee provided to motivate/justify the budgeted figures.
v) Column 5 reflects NERSA's recommended amounts that sum up to allowable revenues the Licensee must recover in FY2026/27.

4.5. The Licensee applied for a total RR of R164 979.728 for FY2026/27. Following assessment of the COS study, D-forms and supporting financial information, the Energy Regulator made adjustments amounting to R1 492.120, resulting in an approved RR of R163 487.608 as shown in Table 4 below

4.6. The COS study is valid for five years; however, municipalities need to reflect the adjustments on their cost drivers for each financial year under the existing COS (i.e. FY2026/27). NERSA utilised the budgeted figures to verify efficiencies and to ensure that municipalities neither over-recover nor under-recover their operating overheads during the FY2026/27 tariff-review process.

Table 4*: Revenue Requirement Components*

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	31 902 888	33 498 032	35 172 934	-	35 172 934
Eskom bulk purchases	kWh	43 386 754	45 556 092	47 833 896	-	47 833 896
Total Energy Requirements	**kWh**	**43 386 754**	**45 556 092**	**47 833 896**		**47 833 896**
Total Losses	kWh	11 483 866	12 058 060	12 660 962		12 660 962
Technical losses	kWh	5 206 410	5 466 731	5 740 068	-	5 740 068
Non-technical losses	kWh	-6 277 456	-6 591 329	-6 920 894	-	-6 920 894
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	26,47%	26,47%	26,47%		26,47%
Cost drivers						
Energy purchases from Eskom	Rand	104 413 176	117 694 532	128 298 809	-	128 298 809
total energy purchases		**104 413 176**	**117 694 532**	**128 298 809**	**-**	**128 298 809**
Non-Technical Losses						
Operational expenditure (incl. Depreciation)	**Rand**	**56 709 108**	**59 215 589**	**65 020 853**	**(19 666 856,23)**	**45 353 996**
General & Other	0	33 589 234	35 170 291	39 461 532	(1 181 024,00)	38 280 508
Salaries and allowances	Rand	9 840 470	10 234 089	11 848 134		11 848 134
Materials and supplies	Rand	3 000 000	3 150 000	3 339 000	-	3 339 000
Eskom Interest	Rand			1 181 024	(1 181 024,00)	-
Current year depreciation	Rand	20 748 764	21 786 202	23 093 374	-	23 093 374
Shared OPEX	Rand	23 119 874	24 045 298	25 559 320	(311 096,00)	7 073 488
Bad debts (Allowance for Impairment)	Rand	23 045 284	23 967 095	25 165 450	-	6 990 714
FBE paid to Eskom	Rand	-	-	311 096	(311 096)	-
General expenses		**74 590**	**78 203**	**82 774**	**-**	**82 774**
1. protective clothing	Rand	62 940	66 087	70 052		70 052
2. Skills development	Rand	11 650	12 116	12 722	-	12 722
Total Expediture before surplus		**161 122 284**	**176 910 121**	**193 319 662**	**-**	**173 652 806**
Surplus	Rand	4 833 669	5 307 304	5 799 590		5 209 584
Total Expenditure Including Surplus		165 955 953	182 217 425	199 119 252	-	178 862 390
Other revenues	Rand	**-31 263 300**	**-32 513 832**	**-34 139 524**	**-**	**-34 139 524**
Reconnection fees	Rand	663 946	690 504	725 029	-	725 029
Availability charges	Rand	30 599 354	31 823 328	33 414 495	-	33 414 495
Total Allowable Revenus	**Rand**	**134 692 653**	**149 703 593**	**164 979 728**	**(1 492 120)**	**163 487 608**
increase required				***10,20%***	***9,21%***	

4.1. The actual figures were verified using Eskom invoices and verified electricity-related operating costs (tested against FY2024/25 D-forms, Trial Balance and Audited AFS. Only prudently incurred and efficiently verified costs, supplemented by a reasonable surplus margin, are recommended for approval. This forms the basis upon which costs for FY2026/27 will be projected using assumptions to calculate RR.

Bulk Purchases

4.7. For FY2026/27, the Licensee applied for bulk purchase costs of R128 298.809, representing 78% of total costs, inclusive of a 12% energy loss allowance. The bulk purchase costs used as a base were verified actual Eskom invoices for FY2024/25.

4.8. To get to FY2026/27 estimate, the Licensee made an estimate that this cost item would increase by 9,01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

Operating Expenditure (Including Depreciation)

4.9. The Licensee seeks an Operational Expenditure of R64 938.079 for FY2026/27. Following its assessment, NERSA reduced the applied-for OPEX by R1 492.120, resulting in an approved OPEX of R63 445.959.

Table 5: Operating Expenditure

Cost drivers	Units	2024/25FY Actuals	2025/26FY Budgeted	2026/27FY Applied	NERSA Adjustments	2026/27FY Recommended
General costs and other	**R**	**33 589 234**	**35 170 291**	**39 461 532**	**(1 181 024,00)**	**38 280 508**
Salaries and allowances	R	9 840 470	10 234 089	11 848 134	-	11 848 134
Materials and supplies	R	3 000 000	3 150 000	3 339 000	-	3 339 000
Eskom Interest	R	0	0	1 181 024	(1 181 024,00)	-
Current year depreciation	R	20 748 764	21 786 202	23 093 374	-	23 093 374
Shared OPEX	**R**	**23 045 284**	**23 967 095**	**25 476 546**	**(311 096,00)**	**25 165 450**
Bad debts (Allowance for Impairment)	**R**	23 045 284	23 967 095	25 165 450	-	25 165 450
FBE paid to Eskom	**R**	-	-	311 096	(311 096,00)	-
Total Opex	**R**	**56 634 518**	**59 137 386**	**64 938 079**	**(1 492 120,00)**	**63 445 959**

4.10. The Licensee utilised recent actual financial data as a basis for projecting FY2025/26 costs and escalated FY2026/27 costs based on assumed cost drivers and relevant inflationary factors. NERSA is satisfied that the approach applied to forecast operational expenditure is reasonable.

4.11. Notwithstanding the above, NERSA excluded the interest costs on Eskom debt from the total costs, as these fall within the Municipality's control and is therefore not recoverable through tariffs.

4.12. Furthermore, inefficient cost, including FBE paid to Eskom, were excluded from the total costs, as these are funded through equitable share.

4.13. NERSA finds that the adjustments to operating expenditure are necessary to ensure that only prudent and efficient costs are recovered through tariffs. The approved OPEX of R63 445,959 reflects the exclusion of Eskom interest charges and FBE-related costs, resulting in a reduction of R1 492,120 from the Licensee's applied-for operating expenditure.

Surplus

4.14. The Licensee applied for a surplus of R5,799,590, while NERSA approved a surplus of R5,209,584, representing approximately 3.0% of total costs.

4.15. NERSA further notes that the electricity business is exposed to several operational and financial risks, including revenue collection challenges, bad debts, escalating bulk electricity purchase costs, infrastructure deterioration and the impact of energy losses. In the absence of an adequate surplus, the Licensee may have limited capacity to absorb unforeseen expenditure, respond to operational emergencies, or fund minor network refurbishment and maintenance.

4.16. The approved surplus will therefore assist the Licensee in strengthening its financial position, improving cash flow management and mitigating risks associated with operational uncertainties. NERSA is of the view that the approved surplus strikes an appropriate balance between maintaining customer affordability and ensuring the long-term financial sustainability and reliability of the electricity business.

4.17. In recommending a surplus, NERSA relied on section 15(1)(a) of the ERA, 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 must ensure that PLM recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

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COMMERCIAL TARIFFS

3. Commercial <200 Amps)	FY2025/26 Approved Tariffs	FY2026/27 Proposed % increase	FY2026/27 Proposed tariffs	FY2026/27 Recommended Tariffs	FY2026/27 recommended % increase	Tariff Impact Analysis.
Basic Charge: R/month	1,076.38	9.00%	1,173.25	1,173.25	9.00%	The increase will result in a moderate increase in both fixed and energy charges, leading to higher operating costs for small and medium businesses. The impact is manageable, with businesses likely to absorb part of the increase and partially pass through costs, while overall electricity demand is expected to remain relatively stable, with only minor efficiency adjustments.
Energy charge: c/kWh	351.36	9.00%	382.98	382.98	9.00%	

4. Commercial/domestic Prepaid (>60 Amps)	FY2025/26 Approved Tariffs	FY2026/27 Proposed % increase	FY2026/27 Proposed tariffs	FY2026/27 Recommended Tariffs	FY2026/27 recommended % increase	Tariff Impact Analysis.
Energy charge: c/kWh	410.66	9.00%	447.62	447.62	9.00%	Due to the prepaid structure, customers are likely to adjust consumption incrementally, but overall demand is expected to remain stable. For the Licensee, the increase ensures full recovery of bulk costs, although it provides no additional margin to cover non-bulk operational costs, thereby limiting financial flexibility.

5. Commercial (Government/ Schools/Municipal & Sports Club)	FY2025/26 Approved Tariffs	FY2026/27 Proposed % increase	FY2026/27 Proposed tariffs	FY2026/27 Recommended Tariffs	FY2026/27 recommended % increase	Tariff Impact Analysis.
Basic Charge: R/month	285.2	9.00%	310.87	310.87	9.00%	The increase will result in a moderate increase in both fixed and energy charges, leading to higher operating costs for public institutions and community facilities. As these entities provide essential and largely non-discretionary services, electricity demand is expected to remain stable, with limited scope for reduction, although some efficiency measures may be implemented.
Energy charge: c/kWh	302.35	9.00%	329.56	329.56	9.00%	

6. Churches/NGOs	FY2025/26 Approved Tariffs	FY2026/27 Proposed % increase	FY2026/27 Proposed tariffs	FY2026/27 Recommended Tariffs	FY2026/27 Recommended % increase	Tariff Impact Analysis.
Basic Charge (R/month)	277.14	9.00%	302.08	302.08	9.00%	Given the nature of these organisations, electricity demand is expected to remain relatively stable, with limited scope for reduction, although some energy efficiency measures may be adopted. For the Licensee, the increase ensures near full recovery of Eskom bulk costs, maintaining cost alignment; however, it provides no additional margin to cover non-bulk operational costs, thereby limiting financial flexibility.
Energy Charge c/kWh	303.82	9.00%	331.16	331.16	9.00%	

Industrial tariff

7. Industrial (>200 Amps)	FY2025/26 Approved Tariffs	FY2026/27 Proposed % increase	FY2026/27 Proposed tariffs	FY2026/27 Recommended Tariffs	FY2026/27 Recommended % increase	Tariff Impact Analysis.
Basic Charge (R/month)	7,302.70	9.00%	7,959.94	7,959.94	9.00%	The 9.00% increase provides a balanced, cost-reflective outcome, supporting industrial stability and demand continuity while ensuring bulk cost recovery, with limited financial headroom for the Licensee and moderate cost pressure on industrial users. Industrial customers are likely to implement efficiency measures and demand optimisation, but overall electricity consumption is expected to remain relatively stable, given the operational nature of industrial processes.
Energy Charge c/kWh	239.32	9.00%	260.86	260.86	9.00%	
Demand Charge (R/kVA)	380.39	9.00%	414.62	414.62	9.00%	

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. From a conspectus of the facts and evidence presented to the REC, supporting information, stakeholder inputs and applicable legal framework, it is appropriate to consider and approve PLM's tariff application as set out in this RfD FY2026/27.

End.