NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Swartland Municipality

THE DECISION

At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Swartland Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) as set out on the tariff analysis section 7 on page 20 of the RFD.

Based on the information submitted and the analysis conducted, the REC decided:

a) to approve the tariffs that are 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; and
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 by 31 January 2027.

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The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9191/SwartlandMunicipality-ReasonsforDecisionontariffFY2026-27.pd

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ABBREVIATIONS

A	Amp
AFS	Annual Financial Statements
CAPEX	Capital Expenditure
COS	Cost of Supply
CPI	Consumer Price Index
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
NMD	Notified Maximum Demand
OPEX	Operating Expenditure
POD	Point of Delivery
REC	Regulator Executive Committee
ROR	Rate of Return
TOU	Time-of-Use

1. INTRODUCTION

1.1. 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.

1.2. Swartland is situated in the Western Cape. The municipality is made up mostly of manufacturing customers, which consume 52.66% of the total electricity sales. 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 – 2024/25FY)

Customer categories	MWh	% MWh	Customer numbers
Domestic Prepaid	40 499	21.31	12 629
Domestic Conventional	26 093	13.73	4 917
Manufacturing	100 091	52.66	128
Commercial Prepaid	4 865	2.56	907
Commercial Conventional	10 577	5.56	616
Other Consumers	327	0.17	51
Street lighting	1 972	1.04	0
Sold to other departments	5 655	2.98	69
TOTAL	**190 079**	**100**	**19 317**
[1]FBE	4 843	7[2]	6 011

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

1.4. Swartland implemented a 12.72% average price increase in 2025/26FY and is applying for an average price increase of 11.44% for the 2026/27FY.

1.5. 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. Swartland's tariff application was published on 31 March 2026 on the NERSA website, on social media platforms and in national and local newspapers to solicit written comments from affected parties.

1.7. NERSA's decision was made on 9 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

[1] This information is already included in the customer statistics table above under domestic prepaid/conventional category.
[2] Percentage of Domestic MWh.

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 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 Eskom Retail Tariff and Structural Adjustments (ERTSA) decision and is undertaken annually in order to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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 Energy Regulator

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

2.2.2. In particular:

a) section 4(a)(i) of ERA provides that the Energy Regulator must consider applications for licensees and may issue licenses subject to conditions;
b) section 4(a)(ii) of ERA provides that the Energy Regulator must regulate prices and tariffs; and
c) section 14(1)(d) of ERA authorises the Energy Regulator to impose license 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 licenses issued by the Energy Regulator and are therefore subject to the tariff approval framework established under ERA.

2.3. Tariff Determination Principles under ERA

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

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 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. 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 2025/26FY municipal tariff approvals did not comply with the procedural requirements of section 4 of 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 the NERSA's compliance with the court order. Having heard NERSA's application, the Court granted the variation application in respect of the fixed deadlines for the 2026/27FY municipal tariff approvals.

2.8. **Court-Directed Timelines**

2.8.1. The timelines below are applicable in respect of the 2026/27FY 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 2027/28FY 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 reasons for decision 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 NERA, ERA, PAJA, the 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 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Swartland, the assessment relied on the distribution forms (D-forms) for the 2024/25FY 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 (AFS). As a result, the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

3.2. Table 2 below indicates that Swartland's electricity business recorded a slight decline in percentage surplus from 20.53% in the 2023/24FY to 19.33% in the 2024/25FY.

3.3. The energy losses declined from 5.62% in the 2023/24FY to 3.20% in the 2024/25FY as highlighted in table 2 below. The municipality is encouraged to keep energy losses at low levels.

Table 2: Performance indicators

Performance indicators	***Municipality 2024/25 D-forms information***	***Municipality 2023/24 D-forms information***
*Percentage surplus **(%)**:*	19.33	20.53[3]
*Energy Losses **(%)**:*	3.20	5.62

3.4. Based on the above information, the municipality's electricity department demonstrates satisfactory financial and operational performance, as evidenced by

[3] Total Electricity Purchases divided by Total Expenditure.

the recorded surplus and relatively low energy losses. The surplus indicates prudent financial management and cost recovery, while the low level of energy losses suggests effective network maintenance and operational efficiency. Collectively, these factors point to a stable and sustainable electricity service function.

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

4.1. The municipality submitted its existing COS study which supports the tariffs application to be approved in the 2026/27FY. The municipality's COS study was inclusive of all requirements of NERSA's approved COS framework (i.e., Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

4.2. Policy Position 23 states:

Electricity distributors shall undertake COS studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA standard to reflect changing costs and customer behaviour. The cost-of-service methodology used to derive tariffs must accompany applications to the regulator for changes to tariff structures.

4.3. Swartland Municipality's 2026/27FY tariff application is based on an existing COS study. The study is valid for five years and has been adjusted to reflect key cost drivers for the 2026/27FY in line with section 18.7 of the COS Framework.

4.4. The municipality applied a cost-plus methodology, and not a rate of return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows*:*

4.4.1. efficient and prudent operating expenditure (OPEX);
4.4.2. plus depreciation (as a proxy for asset consumption and future replacement);
4.4.3. plus a reasonable surplus margin.

4.5. Section 18.7 of the October 2023 NERSA-approved COS Framework states:

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."

4.6. In line with section 18.7 mentioned above, Table 3 below was developed, and the definition of the columns is as follows:

i) Column 1 is the actual 2024/25FY licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii) Column 2 is for the 2025/26FY revenues and electricity volume that are the base for 2026/27FY tariffs. The figures were tested for reasonableness (since at the time of approval, the figures were estimates) when the Regulator considered and approved the 2026/27FY cost of supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

iii) Column 3 is for the licensee's submitted 2026/27FY budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.
iv) Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.
v) Column 5 is for NERSA's recommended amounts that total up to the allowable revenues the licensee must recover in 2026/27FY.

4.7. The total allowable revenue of R699 million is for the 2025/26FY tariff review and is based on the COS revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in Table 3 below.

4.8. The COS study is applicable for five years; however, municipalities need to reflect the adjustments on their cost drivers for the 2026/27FY. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirement to ensure that municipalities do not over- or under-recover during the 2026/27FY tariff review process.

4.9. To determine an increase applicable for the 2026/27FY, the licensee submitted its 2026/27FY cost (budgeted cost plus surplus) as requested by NERSA, and total budgeted required revenue that amounted to R771 million for the 2026/27FY tariff review process.

Table 3: Municipality's Revenue Requirement

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	190 079 522	192 125 444	194 745 401	-	194 745 401
Eskom bulk purchases	kWh	195 759 123	202 821 271	205 659 331	-	205 596 585
Independent Power Producers Conventional	kWh	-	-	-	-	-
Independent Power Producers Renewable Energy	kWh	600 289	2 660 487	2 634 146	-	2 634 146
Total Energy Requirements	**kWh**	**196 359 412**	**205 481 758**	**208 293 477**		**208 230 731**
Total Losses	kWh	6 279 890	13 356 314	13 548 076		13 485 330
Technical losses	kWh	6 279 890	13 356 314	13 548 076	-	13 485 330
Non-technical losses	kWh	0	0	0	-	0
Allowed losses	%	**3,20%**	**6,50%**	**6,50%**		**6,48%**
Total Energy losses	%	3,20%	6,50%	6,50%		6,48%
Cost drivers						
Energy purchases from Eskom	Rand	409 823 313	488 288 236	532 802 473	-	532 802 473
Other energy purchases		771 326	4 104 890	4 474 740	-	4 474 740
Total energy purchases		**410 594 639**	**492 393 126**	**537 277 213**	**0**	**537 277 213**
Cost of technical losses	Rand	13 131 477	32 005 553	34 946 234	0	34 946 234
Capital expenditure	Rand	37 917 857	33 983 000	55 676 000	-	55 676 000
Operational expenditures (incl. Depreciation)	**Rand**	**106 770 078**	**147 641 587**	**224 961 974**	**-3 153 465**	**221 808 509**
General & Other	0	76 861 997	112 559 079	148 418 893	0	148 418 893
Salaries and allowances	Rand	52 456 522	57 753 668	58 062 814	0	58 062 814
Materials and supplies	Rand	3 307 775	4 815 048	4 884 571	0	4 884 571
Contracted Services	Rand	1 136 930	23 830 872	3 275 592	0	3 275 592
Radio Networks	Rand	29 281	82 897	85 289	0	85 289
Streetlights	Rand	540 878	810 017	844 217	0	844 217
Fleet/Vehicle Expenditure	Rand	1 256 435	1 516 052	1 395 815	0	1 395 815
Other Creditors interest/loan interest	Rand	388 809	215 888	0	0	0
Vending Commission Paid		2 087 004	2 400 000	2 592 000	0	2 592 000
132 kV Selfbuild Eskom Asset		0	0	57 088 400	0	57 088 400
Current year depreciation		15 658 363	21 134 637	20 190 195	0	20 190 195
Shared OPEX	Rand	20 664 766	24 173 911	64 667 017	-3 153 465	61 513 552
Bad debts (Allowance for Impairment)		521 257	701 596	779 959	0	779 959
Charges from other Municipal Departments	Rand	17 927 033	20 861 844	24 516 714	0	24 516 714
FBE paid to Eskom	Rand	2 216 476	2 610 471	3 153 465	-3 153 465	0
Yzerfontein/Darling NMD Upgrade Connection Charges	Rand	0	0	36 216 879	0	36 216 879
General expenses		9 243 315	10 908 597	11 876 064	0	11 876 064
Safety Equipment	Rand	197 529	397 040	464 490	0	464 490
Travel & Subsistance	Rand	44 392	30 815	31 431	0	31 431
Other		9 001 394	10 480 742	11 380 143	0	11 380 143
Total Expediture before surplus		**530 496 194**	**672 040 266**	**797 185 421**	**-3 153 465**	**794 031 956**
Surplus	Rand	56 060 790	50 134 204	51 429 295	0	51 429 295
Total Expenditure Including Surplus		586 556 984	722 174 469	848 614 716	-3 153 465	845 461 251
Other revenues	Rand	**-52 295 667**	**-52 296 381**	**-77 360 790**	**0**	**-77 360 790**
New connections	Rand	895 110	1 380 000	1 450 000	0	1 450 000
Free Basic Electricity (Equitable share)	Rand	10 655 524	11 513 667	13 014 076	0	13 014 076
Other Revenue - Government Grants and Subsidies	Rand	22 818 000	18 540 870	38 380 000	0	38 380 000
Internal income	Rand	17 927 033	20 861 844	24 516 714	0	24 516 714
Total Allowable Revenue	**Rand**	**534 261 317**	**669 878 088**	**771 253 926**	**-3 153 465**	**768 100 461**
increase required				***15,13%***	***14,66%***	

4.10. It is important to test the efficiency and prudency of the costs in the 2025/26FY, since this is the most recently considered revenues in support of the approved tariffs during this period. This forms the basis on which costs for the 2026/27FY will be projected using assumptions to calculate revenue requirements for that year.

4.11. Furthermore, NERSA has verified all expense items included in the revenue requirement to ensure that they relate only to the electricity function of the licensee. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly.

Bulk purchases

4.12. The licensee applied for a bulk purchase expenditure of R537 million, which accounts for 70% of total costs inclusive of the 6.48% energy loss allowance in line with the act that requires only the prudently and efficiently incurred cost to be passed through to customers.

4.13. To get to the 2026/27FY estimate, the licensee projected the year-to-date amount for 2025/26FY since complete financial year data is unavailable, then made an estimate that this cost item would increase by 9.01% in line with the approved ERTSA.

4.14. The Eskom bills were analysed and there are no NMD exceedance penalties charged. Furthermore, the municipality is up to date with its Eskom bulk account and therefore does not incur interest charges.

Operating expenditure (including depreciation)

4.15. The licensee applied for operational expenditure including depreciation of R224 million as highlighted in Table 3 above.

4.16. The Municipality adjusted the expenditure linked to the 2025/26FY tariffs, increasing it from R147 million to a budgeted amount of R224 million, reflecting a 52% increase in costs.

General Costs and Other

4.17. Salaries and allowances under the Electricity Department comprise employee-related costs incurred for staff involved in the operation, maintenance, administration and management of the electricity function. These costs typically include basic salaries, overtime, standby and travel allowances and other employee benefits for technical, operational, administrative and managerial personnel within the department. The applied for charges increased by 0.54% from R57 million in the 2025/26FY to R58 million in the 2026/27FY.

4.18. The Materials & Supplies line item includes cables, transformers, switchgear, meters, poles, streetlight components, protective equipment, maintenance materials, network repair items, electrical consumables and replacement parts for the network. These costs are necessary to ensure continuity and reliability of supply and therefore form

part of the prudent cost of service. The applied for charges increased by 1.44% from R4.81 million in the 2025/26FY to R4.88 million in the 2026/27FY.

4.19. Contracted services form part of the municipality's prudent operating costs and are necessary to support the operation, maintenance, repair and technical management of the electricity network. The municipality indicated that it contracted consultants for engineering services and construction contractors for electrification and network upgrades. The applied-for charges decreased by 86% from R23 million in the 2025/26FY to R3 million in the 2026/27FY.

4.20. Radio Networks expenditure relates to the operation, maintenance and support of communication infrastructure used for the management and operation of the electricity distribution network. These communication systems enable coordination between control centres, substations and field personnel, support fault response activities and facilitate the reliable operation of the electricity network. The applied for charges increased by 3% from R82 000 in the 2025/26FY to R85 000 in the 2026/27FY.

4.21. Streetlight expenditure relates to the operation, maintenance, repair and electricity consumption of public streetlighting infrastructure. These costs are necessary to ensure the continued functioning of streetlights, support public safety and maintain reliable lighting services within the municipal area. The applied for charges increased by 4% from R810 000 in the 2025/26FY to R844 000 in the 2026/27FY.

4.22. Fleet/Vehicle Expenditure costs under operating expenditure comprise expenses associated with the operation, management, maintenance and administration of the municipality's vehicle fleet used in the delivery of electricity services. These costs typically include fuel and oil, vehicle maintenance and repairs, tyres, licensing and registration fees, insurance, tracking services, lease payments, fleet management services and other transportation-related costs incurred in support of operational and technical activities. The applied for charges decreased by 8% from R1.5 million in the 2025/26FY to R1.3 million in the 2026/27FY.

4.23. Vending Commission Paid relates to commissions and transaction fees paid to third-party vendors, banks and service providers for facilitating the sale and distribution of prepaid electricity tokens. These costs support revenue collection activities and enable customers to conveniently purchase electricity through various vending channels. The applied for charges increased by 8% from R2.4 million in the 2025/26FY to R2.5 million in the 2026/27FY.

4.24. The municipality applied to Eskom for a new 132 kV infeed point to the south-west of Malmesbury to accommodate low-cost housing developments and enable anticipated expansion in the industrial area through the planned De Hoop substation. In evaluating the available options, the municipality elected to pursue the Self-Build approach, as it was considered more cost-effective and capable of being implemented within a shorter timeframe compared to Eskom-led delivery. While Swartland has successfully completed the 132/11 kV substation component under its

ownership, the remaining works—namely the 132 kV double-circuit line and associated switching station—will form part of Eskom's asset base. The municipality applied for the recovery of charges amounting to R57 million in the 2026/27FY. However, to mitigate the impact of significant tariff increases on customers, the municipality has elected to phase in these costs over a period of three financial years and will recover only R21 million during the 2026/27FY.

Depreciation

4.25. Depreciation is a key component of operational expenditure, as it enables the recovery of electricity infrastructure costs over the useful life of the assets. An adequate provision for depreciation is essential to ensure the long-term sustainability of the electricity undertaking and to facilitate the future refurbishment and replacement of aging network infrastructure.

4.26. The municipality reported an asset value of R806 353 293, as reflected in its submitted D-forms for the 2024/25FY. This amount was verified against the audited AFS, the trial balance and supporting financial information.

4.27. Depreciation amounted to R15 658 363 in the 2024/25FY calculated using the straight-line method over the useful lives of the respective assets. This amount was extracted from the submitted 2024/25FY D-form and verified against the audited 2024/25FY AFS. The projected depreciation for 2025/26FY is R21 134 637, increasing to R20 190 195 in the 2026/27FY budget, reflecting a decrease of approximately 4%.

Shared Operating Expenditure

4.28. Bad debts (Allowance for Impairment) comprise a provision made for amounts owed by customers that may not be recoverable. This operating expense is recognised to account for the risk of nonpayment of electricity revenue and is typically based on the municipality's historical collection trends, aging of debtor accounts, and expected credit losses. The applied amount of R779 000 represents 0.11% of the applied revenue requirement.

4.29. Charges from other municipal departments comprise costs allocated to the Electricity Department for support and shared services rendered by other departments within the municipality. These charges typically include services such as finance, human resources, information technology, legal services, fleet management, internal audit, facilities management and other corporate or administrative support functions provided to the electricity undertaking. The applied for charges increased by 18% from R20 million in the 2025/26FY to R24 million in the 2026/27FY.

4.30. FBE paid to Eskom refers to the cost associated with FBE units supplied to qualifying indigent households, where the municipality purchases the electricity from Eskom in bulk. Municipalities provide a certain amount of free electricity (e.g., 50 kWh per month) to registered indigent customers as part of government social support programmes. Even though customers receive the electricity for free, the municipality

still has to pay Eskom for that electricity purchased in bulk. The applied for charges increased by 21% from R2.6 million in the 2025/26FY to R3.1 million in the 2026/27FY. The FBE payments to Eskom have been disallowed, as these costs are considered to be funded through the FBE allocation under the Equitable Share, thereby ensuring that customers are not burdened with avoidable costs.

4.31. The municipality is upgrading the NMD at the Yzerfontein and the Darling Point of Deliveries (PODs). This includes increasing the contracted electricity supply capacity to these supply points in order to accommodate growing demand and ensure network reliability and security of supply. Such an upgrade typically involves strengthening and expanding the associated electrical infrastructure, which may include the upgrading of transformers, switchgear, protection equipment, feeders and related network components to safely accommodate the higher load capacity. The upgrade may also include technical studies, protection coordination and compliance assessments to ensure that the infrastructure operates efficiently and within the applicable technical and safety standards. The purpose of the upgrade is to prevent overloading of the existing infrastructure, reduce the risk of supply interruptions and support current and future electricity demand growth within the affected areas. The municipality applied for the recovery of charges amounting to R36 million in the 2026/27FY. However, to mitigate the impact of significant tariff increases on customers, the municipality has elected to phase in these costs over a period of three financial years and will recover only R9 million during the 2026/27FY.

4.32. Safety Equipment expenditure relates to the procurement, maintenance, inspection, and replacement of personal protective equipment and other safety-related equipment required for the safe operation and maintenance of the electricity distribution network. These costs support compliance with occupational health and safety requirements and help protect employees, contractors and the public from electrical and workplace hazards. The applied for charges increased by 17% from R397 000 in the 2025/26FY to R464 000 in the 2026/27FY.

4.33. Travel and Subsistence expenditure relates to the costs incurred by electricity department personnel when travelling for official business purposes, including site inspections, technical training, stakeholder engagements, regulatory meetings and operational activities. The expenditure typically includes transport, accommodation, meals and other approved travel-related costs necessary for the effective operation and management of the electricity business. The applied for charges increased by 2% from R30 000 in the 2025/26FY to R31 000 in the 2026/27FY.

4.34. Other expenses comprise miscellaneous operating costs incurred in the provision and administration of the electricity service that are not specifically classified under other expenditure categories. These expenses may include insurance, bank charges, communication costs, office and administrative expenses, staff training, licensing fees, security services, minor consumables and other general operational support costs necessary for the functioning of the electricity undertaking. The applied-for charges increased by 9% from R10.4 million in the 2025/26FY to R11.3 million in the 2026/27FY.

Surplus

4.35. The municipality applied for a surplus of R51 million which is based on a 7% return on OPEX including bulk purchases. The applied surplus was assessed against the municipality's financial performance, operational requirements, cost-reflectivity principles and the affordability impact on consumers.

4.36. The Energy Regulator notes that maintaining an appropriate level of surplus is necessary to mitigate financial and operational risks associated with the electricity business. An inadequate surplus may expose the municipality to risks such as:

4.36.1. insufficient cash flow to fund operations and maintenance activities;

4.36.2. deterioration of network infrastructure due to underinvestment;

4.36.3. increased reliance on borrowing or cross-subsidisation from other municipal functions;

4.36.4. inability to respond effectively to network failures and emergency repairs;

4.36.5. and weakening of the long-term financial sustainability of the electricity undertaking.

4.37. To ensure that the surplus is not excessive or detrimental to consumers, NERSA relied on section 15(1)(a) of 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 is required to ensure that recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.38. NERSA is satisfied that the surplus applied for by Swartland is reasonable and supports the financial sustainability of the electricity business, notwithstanding that it falls below the established target range of 10% to 20%, in line with the approved NERSA COS framework.

4.39. The applied surplus is considered proportionate to the risks associated with an inadequate surplus, particularly within the context of a municipal distributor that is not profit-maximising but is required to remain financially sustainable. Accordingly, NERSA has decided to approve the revenue requirement as applied for.

Conclusion on Costs to Serve

4.40. While the COS study outcome reflected an average tariff increase of 20% for the licensee to achieve full cost reflectivity, the municipality adopted a three-year phase-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.

4.41. Significantly higher tariffs could negatively impact on the licensee by reducing customer demand and sales. The licensee also considered the broader affordability impact on customers in determining the pace of its tariff adjustments.

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existence of pending litigation, including proceedings instituted by Swartland, the Energy Regulator remains statutorily empowered and obliged to determine municipal electricity tariffs on an annual basis in accordance with its mandate under ERA.

7.9. The determination of tariffs for the 2026/27FY is therefore undertaken as part of the Energy Regulator's ongoing regulatory function, informed by the applicable legislative, policy and judicial framework, and based on the most recent approved tariff determinations as a lawful and operative baseline.

7.10. The municipality is proposing an average tariff increase of 11.44% for the 2026/27FY, based on the Council-approved tariffs currently being implemented for the 2025/26FY. However, it is noted that the municipality implemented tariffs for the 2025/26FY that were not approved by NERSA. Accordingly, when the NERSA-approved 2025/26FY tariffs are used as the appropriate regulatory base, the effective proposed increase for the 2026/27FY is approximately 14.72%.

7.11. For purposes of the assessment and determination of the 2026/27FY tariffs, the NERSA-approved 2025/26FY tariffs were used as the base tariffs and escalated by the municipality's proposed average increase of 11.44% to derive the recommended 2026/27FY tariffs.

7.12. The reasons that follow in this RfD demonstrate how the Energy Regulator exercised its statutory powers and complied with the applicable legal, policy and procedural requirements in determining municipal electricity tariffs for the 2026/27FY.

DETAILS OF TARIFFS APPLIED FOR							
1. INCLINING BLOCK TARIFFS (IBTs)							
Prepaid households, nonindigent	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0-350) kWh	371.33	382.27	426.00	14.72%	413.81	11.44%	The COS study indicates that this tariff is over-recovering by approximately 3%, suggesting that existing tariffs are already above the cost-reflective level. The actual proposed increase when NERSA approved rates are used as a base, is 14.72%. Accordingly, the NERSA-approved block rates for 2025/26FY the municipality is applying for are escalated by 11.44%. Maintaining a moderate increase for the lower blocks is important to preserve affordability and the integrity of the IBT structure, which is designed to protect low-consumption households.
Block 2 (351 – 600) kWh	404.34	416.24	463.86		450.60		

DETAILS OF TARIFFS APPLIED FOR							
2. INCLINING BLOCK TARIFFS (IBTs)							
Households and farming, nonindigent	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 50) kWh	197.93	203.75	227.06	14.72%	220.57	11.44%	The COS study indicates that this tariff is over-recovering by approximately 21%, suggesting that existing tariffs are already above the cost-reflective level. The actual proposed increase when NERSA approved rates are used as a base, is 14.72%. Accordingly, the NERSA approved block rates for 2025/26FY the municipality is applying for are escalated by 11.44%. Maintaining a moderate increase for the lower blocks is important to preserve affordability and the integrity of the IBT structure, which is designed to protect low-consumption households.
Block 2 (51 – 350) kWh	254.50	261.99	291.96		283.61		
Block 3 (351 – 600) kWh	358.16	368.71	410.89		399.13		
Block 4 (>600) kWh	421.79	434.21	483.88		470.04		
Basic Charge (R/month)	392.42	403.96	450.18		437.31		

DETAILS OF TARIFFS APPLIED FOR							
3. INCLINING BLOCK TARIFFS (IBTs)							
Prepaid households, indigent	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 50) (c/kWh)	181.46	186.80	208.16	14.72%	202.22	11.44%	The COS study indicates that this tariff is under recovery, by approximately 48%, reflecting that current tariffs are materially below the cost of service. This under-recovery is expected within the context of pro-poor tariff structures, which are designed to enhance affordability for low-income households. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. Accordingly, the NERSA approved block rates for 2025/26FY are escalated by 11.44% the municipality is applying for. Maintaining a moderate increase for the lower blocks is important to preserve affordability and the integrity of the IBT structure, which is designed to protect low-consumption households
Block 2 (51 – 350) (c/kWh)	238.12	245.00	273.03		265.36		
Block 3 (351 – 600) (c/kWh)	339.31	349.30	389.26		378.13		
Block 4 (>600) (c/kWh)	407.78	419.79	467.82		454.43		

DETAILS OF TARIFFS APPLIED FOR							
4. INCLINING BLOCK TARIFFS (IBTs)							
Households, alternative < 20 A	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 50) (c/kWh)	181.46	186.80	208.16	14.72%	202.22	11.44%	The COS study indicates that this tariff is under-recovering by approximately 15%, reflecting that current tariffs are materially below the cost of service. This under-recovery is expected within the context of pro-poor tariff structures, which are designed to enhance affordability for low-income households. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. Accordingly, the NERSA approved block rates for 2025/26FY the municipality is applying for are escalated by 11.44%. Maintaining a moderate increase for the lower blocks is important to preserve affordability and the integrity of the IBT structure, which is designed to protect low-consumption households.
Block 2 (51 – 350) (c/kWh)	238.12	245.00	273.03		265.36		
Block 3 (351 – 600) (c/kWh)	339.31	349.30	389.26		378.13		
Block 4 (>600) (c/kWh)	407.78	419.79	467.82		454.43		

5. Commerce/Nonstandard	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/Amp)	18.44	18.96	21.13	14.72%	20.55	11.44%	The COS study indicates that this tariff is slightly under-recovering by approximately 1%**,** suggesting that current charges are broadly cost-reflective with only a marginal shortfall. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. Accordingly, the NERSA approved rates for 2025/26FY are escalated by 11.44% the municipality is applying for. This approach ensures that the tariff moves toward full cost recovery in a measured manner, while avoiding unnecessary tariff pressure on commercial customers.
Energy charge (c/kWh)	330.21	339.94	378.82		367.99		

6. Commerce < 20 kVA	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	998.09	1 027.49	1 145.45	14.72%	1 112.27	11.44%	The COS study indicates that this tariff is significantly over-recovering by approximately 68%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rates for 2025/26FY the municipality is applying for are escalated by 11.44%. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.
Energy charge (c/kWh)	330.21	339.94	378.82		367.99		

7. Commerce 20 to 40 kVA	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	1 312.85	1 351.51	1 506.12	14.72%	1 463.04	11.44%	The COS study indicates that this tariff is significantly over-recovering by approximately 23%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rates for 2025/26FY the municipality is applying for are escalated by 11.44%. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.
Energy charge (c/kWh)	330.21	339.94	378.82		367.99		

8. Commerce > 40 kVA	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	2 396.06	2 466.62	2 748.81	14.72%	2 670.17	11.44%	The COS study indicates that this tariff is significantly over-recovering by approximately 28%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rates for 2025/26FY the municipality is applying for are escalated by 11.44%. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.
Energy charge (c/kWh)	330.21	339.94	378.82		367.99		

9. Commercial prepaid: single- & three-phase	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	440.65	453.63	505.52	14.72%	491.06	11.44%	The COS study indicates that this tariff is significantly over-recovering by approximately 17%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rate for 2025/26FY the municipality is applying for is escalated by 11.44%. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.

10. Commercial alternative (< 15 A)	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	440.65	453.63	505.52	14.72%	491.06	11.44%	The COS study indicates that this tariff is significantly over-recovering by approximately 9%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rates for 2025/26FY the municipality is applying for are escalated by 11.44%. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.

11. Street lighting (municipal)	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	208.88	215.03	239.63	14.72%	232.78	11.44%	The COS study indicates that the street lighting tariff is revenue neutral, meaning that current charges are appropriately aligned with the cost of service. The actual proposed increase when the NERSA approved rate is used as a base, is 14.72%. Accordingly, the NERSA approved rates for 2025/26FY the municipality is applying for are escalated by 11.44%. This approach maintains cost reflectivity while ensuring consistency with the overall tariff adjustment framework and avoiding unnecessary increases in municipal operating costs.

12. Sportsgrounds floodlighting	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	653.30	672.55	749.49	14.72%	728.04	11.44%	The COS study indicates that this tariff is under-recovering by approximately 98%, suggesting that current charges are broadly cost-reflective with only a marginal shortfall. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. Accordingly, the NERSA approved rate for 2025/26FY is escalated by the 11.44% the municipality is applying for. This approach ensures that the tariff moves toward full cost recovery in a measured manner, while avoiding unnecessary tariff pressure on customers.

13. Normal bulk	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	2 712.70	2 792.58	3 112.06	14.72%	3 023.03	11.44%	The COS study indicates that this tariff is under-recovering by approximately 9%, suggesting that current charges are broadly cost-reflective with only a marginal shortfall. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. Accordingly, the NERSA approved rate for 2025/26FY is escalated by the 11.44% the municipality is applying for. This approach ensures that the tariff moves toward full cost recovery in a measured manner, while avoiding unnecessary tariff pressure on customers.
Energy charge (c/kWh)	129.58	132.75	147.94		144.40		
Demand charge (R/kVA)	521.87	537.25	598.71		581.57		

14. TOU tariff for bulk consumers	***2025/26 approved***	***2025/26 municipal implemented***	***2026/27 proposed***	***% increase***	***Recommended tariffs***	***Recommended % increase***	***Analysis and Key Findings***
Basic Monthly: R/month	2 712.70	2 792.58	3 112.06		3 023.03		The COS study indicates that this tariff is significantly over-recovering by approximately 6%, implying that current charges are materially above the cost of service. While a stronger downward adjustment could be justified to address the high level of over-recovery, a moderated approach is proposed to maintain revenue stability and avoid tariff volatility. Accordingly, the NERSA approved rates for 2025/26FY are escalated by the 11.44% the municipality is applying for. The recommended tariffs therefore represent a phased correction toward cost reflectivity, while balancing the need for predictability and financial sustainability.
Demand charge (R/kVA)	350.02	360.32	401.55		390.06		
Low season energy charges:							
Peak(c/kWh)	223.60	230.17	256.50		249.18		
Standard (c/kWh)	153.86	158.40	176.52		171.46	11.44%	
Off-peak(c/kWh)	97.58	100.47	111.96		108.74		
High season energy charges:							
Peak (c/kWh)	658.46	705.65	786.38		763.88		
Standard (c/kWh)	207.64	213.76	238.22	14.72%	231.39		
Off-peak (c/kWh)	112.73	116.06	129.22		125.63		

15. Net metering tariff: Domestic	***2025/26 approved***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	38.15	41.29	8.23%	41.29	8.23%	The COS study indicates that the net metering tariff is revenue neutral, reflecting an appropriate balance between costs recovered from imports and credits provided for exports. With respect to the export energy tariff, the municipality has proposed an increase of 9.12%, which is below the overall guideline increase. Given that export tariffs are designed to compensate customers for energy supplied to the grid—typically at a rate lower than import tariffs to account for network costs—this lower increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Households nonindigent basic charge (R/month)	403.96	437.29	8.25%	437.29	8.25%	
Import Energy kWh (supplied by municipality) 1 < 600 kWh	308.49	333.94		333.94		
Import Energy kWh (supplied by municipality) 2 > 600 kWh	434.21	470.03		470.03		
Export Energy kWh (supplied to municipality-max/month ≤ import kWh	(98.10)	(107.05)	10.58%	(107.05)	10.58%	

16. Net metering tariff: Industrial	***2025/26 approved***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	38.15	41.29	8.23%	41.29	8.23%	The COS study indicates that the net metering tariff is revenue neutral, reflecting an appropriate balance between costs recovered from imports and credits provided for exports. With respect to the export energy tariff, the municipality has proposed an increase of 9.12%, which is below the overall guideline increase. Given that export tariffs are designed to compensate customers for energy supplied to the grid—typically at a rate lower than import tariffs to account for network costs—this lower increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic charge (R/month)	2 792.58	3 023.03	8.25%	3 023.03	8.25%	
Demand Charge (R/kVA/month)	537.25	582.57	8.44%	581.57	8.44%	
Import Energy (c/kWh; supplied by municipality)	132.75	144.40	8.78%	144.40	8.78%	
Export Energy kWh (supplied to municipality-max/month ≤ import kWh	(96.81)	(107.05)	10.58%	(107.05)	10.58%	

17. Net metering tariff: Commercial	***2025/26 approved***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month); applicable to all Categories)	38.15	41.29	8.23%	41.29	8.23%	The COS study indicates that the net metering tariff is revenue neutral, reflecting an appropriate balance between costs recovered from imports and credits provided for exports. With respect to the export energy tariff, the municipality has proposed an increase of 9.12%, which is below the overall guideline increase. Given that export tariffs are designed to compensate customers for energy supplied to the grid—typically at a rate lower than import tariffs to account for network costs—this lower increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic charge ≤ 20 kVA (R/month)	1 027.49	1 112.27	8.25%	1 112.27	8.25%	
Basic charge 21-40 kVA (R/month)	1 351.51	1 463.04		1 463.04		
Basic charge 41-50 kVA (R/month)	2 466.62	2 670.17		2 670.17		
Import Energy (c/kWh; supplied by municipality)	339.94	367.99		367.99		
Export Energy kWh (supplied to municipality: max/month ≤ import kWh	(96.81)	(107.05)	10.58%	(107.05)	9.12%	

18. Net metering tariff: TOU	***2025/26 approved***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	38.15	41.29	8.23%	41.29	8.23%	The COS study indicates that the net metering tariff is revenue neutral, reflecting an appropriate balance between costs recovered from imports and credits provided for exports. With respect to the export energy tariff, the municipality has proposed an increase of 9.12%, which is below the overall guideline increase. Given that export tariffs are designed to compensate customers for energy supplied to the grid—typically at a rate lower than import tariffs to account for network costs—this lower increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Fixed charge (R/month)	2 792.58	3 023.03	8.25%	3 023.03	8.25%	
Demand Charge (R/kVA/month)	360.32	390.06		390.06		
Low season energy charges:					11.44%	
Peak (c/kWh)	223.60	249.18		249.18		
Standard (c/kWh)	153.86	171.46		171.46		
Off-peak (c/kWh)	97.58	108.74		108.74		
High season energy charges:						
Peak (c/kWh)	658.46	763.88		763.88		
Standard (c/kWh)	207.64	231.39		231.39		
Off-peak (c/kWh)	112.73	125.63		125.63		
Export Energy kWh (Supplied to Municipality: max/month ≤ import kWh)	(96.81)	(107.05)	10.58%	(107.05)	10.58%	

19. Wheeling charges: Generator with a wheeling agreement with an off-taker (both the generator and off-taker in the municipal network and generator feeding in at 11 kV on TOU only)	***2025/26 approved***	***2026/27 proposed***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Admin Charge (to Off-Taker): (R/month)	635.80	708.53	11.44%	708.53	11.44%	The COS study indicates that the wheeling tariff is revenue neutral, suggesting that the current charges are appropriately aligned with the cost of providing the wheeling service. The municipality has proposed increases of 11.44% across the administrative and network-related charges, which are in line with the recommended guideline increase. Given the revenue-neutral position of this tariff, the proposed increase is appropriate and does not raise cost-reflectivity concerns. The administrative charge to the off-taker, as well as the network charges applicable to generators (including both existing MV customers and IPPs connecting for wheeling purposes), are therefore supported at the proposed levels. These charges appropriately reflect the cost of network usage and administration associated with wheeling arrangements.
Network Charge (to Generator) if Generator is an existing MV Customer (R/month)	2 792.58	3 112.06		3 112.06		
Network Capacity/Use of System Charge per Notified KVA per month (to Generator) if Generator is an IPP connecting for wheeling purposes (R/month)	56.73	63.22		63.22		

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 Swartland's tariff application as set out in this Reasons for Decision for the 2026/27FY.

End.