NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Emalahleni Local Municipality (Eastern Cape)

THE DECISION

At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered the Emalahleni Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year, as set out in section 8 of this document.

Based on the available information and the analysis performed, the REC:

1. 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;
2. to note the COS study submitted by the municipality;
3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study, to enable the National Energy Regulator of South Africa to perform its independent verification or audit process by 31 January 2027; and
4. 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 by 30 September 2026.

TABLE OF CONTENTS

THE DECISION 1
TABLE OF CONTENTS 2
ABBREVIATIONS AND ACRONYMS 5
1. INTRODUCTION 6
2. LEGAL AND REGULATORY FRAMEWORK 7
3. FINANCIAL AND TECHNICAL PERFORMANCE 11
4. DETERMINATION OF EMALAHLENI EC'S TARIFFS BASED ON THE COS STUDY 12
5. CONCLUSION ON THE COS STUDY 18
6. PUBLIC PARTICIPATION 18
7. THE OBJECTORS AND OTHER INTERVENING PARTIES 19
8. TARIFF ANALYSIS 19
9. CONFIDENTIALITY 20
10. CONCLUSION 20

LIST OF TABLES

Table 1: Customer statistics (data obtained from 2024/25 D-forms)..... 6
Table 2: Performance indicators 12
Table 3: Revenue requirement components.....13
Table 4: Operating expenditures.....14

LIST OF FIGURES

Figure 1: Five steps of COS study 12
Figure 2: Cost breakdown by functions 15
Figure 3: Cost breakdown by cost structure (classification) 16
Figure 4: Costs allocated 17
Figure 5: Rate design 17
Figure 6: COS results 18

ABBREVIATIONS AND ACRONYMS

COS	Cost of Supply
D-form	Distribution form
ERTSA	Eskom Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IPP	Independent Power Producer
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 annually, in accordance with its mandate 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 The Emalahleni Local Municipality (Emalahleni EC) is one of six municipalities within the Chris Hani District in the Eastern Cape. The municipality was established in 2000 and comprises three rural towns (Indwe, Dordrecht and Lady Frere), with more than 200 villages. The details regarding customer statistics are highlighted in Table 1 below. The municipality is applying for an average increase of 9.1% in the 2025/26 financial year. Emalahleni EC offers 50kWh of Free Basic Electricity (FBE) per month to indigent customers.

Table 1: Customer statistics (data obtained from 2024/25 D-forms)

CONSUMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS)			
Consumer Classification	**Sales (KWh)**	**%KWh**	**Number of Consumers**
Domestic Prepaid	3 656 194	47,93%	2 751
Domestic Conventional	82 889	1,09%	6
Commercial Prepaid	1 219 673	15,99%	409
Commercial Convnetional	1 962 531	25,73%	8
Street lighting	52 678	0,69%	
Municipal Consumption/Inter-Departmental	654 048	8,57%	21
TOTAL SALES	**7 628 013**	**100%**	**3 195**
Free Basic Electricity (FBE)	**558 489**	**11,45%**	**2 145**

1.3 NERSA received Emalahleni EC's tariff application and its revised cost of supply (COS) study on 31 March 2026. This revision is primarily due to the following:

a) Eskom's revised tariff structure for the 2025/26 financial year, which introduced new cost components and reallocation of existing charges across energy, network and service-related elements.
b) Introduction of a time-of-use (TOU) tariff to ensure that rates are aligned with actual energy demand and usage profiles

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.

1.5 NERSA followed the notice and comment consultation process. Emalahleni EC's tariff application was published on the NERSA website on 31 March 2026, and

notices were published on social media platforms and in national and local newspapers to solicit written comments from affected parties.

1.6 The Energy Regulator's decision was made on 30 April 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

Background

2.1. 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 ('the 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).

2.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination and Eskom Retail Tariff and Structural Adjustment 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).

2.3. 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.

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

NERSA's Statutory Mandate

2.5. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and 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 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.

2.6. 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.

2.7. 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.

Tariff Determination Principles under the ERA

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

2.9. 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.

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

Administrative Law Requirements

2.11. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair, as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected

parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

Policy Framework: Electricity Pricing Policy (2008)

2.13. 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.

2.14. 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.

2.15. 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.

Cost of Supply Studies

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

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

2.18. Policy Position 23 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.

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

Judicial Oversight of the Tariff Approval Process

2.20. 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.

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

2.22. 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.

2.23. NERSA subsequently launched a variation application seeking to vary the timelines set by the Court on 4 December 2025, considering the practical difficulties that arose in relation 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.

Court-Directed Timelines

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

- Written notice of bulk tariffs must be communicated by 6 March 2026.
- Municipal tariff applications must be submitted by 31 March 2026.
- Public participation processes must be concluded by 21 April 2026.
- NERSA decisions must be published by 11 May 2026.

2.25. Municipal tariff approvals from 2027/28 must comply with the following timelines:

- Written notice of bulk electricity tariffs must be communicated by 31 January each year.
- Municipal tariff applications must be submitted to NERSA by 20 March each year.
- Municipal tariffs and the tariff reasons for decision documents must be approved and published by 5 May of each year.

Conclusion

2.26. 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).

2.27. 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 Emalahleni LM, NERSA relied on the 2024/25 Distribution forms' (D-forms) information provided in analysing the licensee's tariff application. The D-forms information was validated by NERSA against the relevant source documents submitted by the municipality (i.e. the trial balance/annual financial statement). Hence, the information provided on the D-forms is considered reliable for the purposes of analysing the tariffs.

3.2 The municipality is operating at a deficit of 19.77% in the 2024/25 financial year, reflecting a notable improvement from the 48.97% deficit recorded in the 2023/24 financial year. This improvement is largely driven by a significant 36% increase in total income, while total expenditure increased by 9%. The improved financial position is mainly attributable to higher revenue generated from internal electricity sales and other income streams.

3.3 Despite this positive trend, the municipality remains in a deficit position, indicating that revenue growth has not yet fully offset operating costs. Key expenditure pressures continue to impact the municipality's financial sustainability, particularly the escalating costs associated with interest charged on Eskom bulk accounts, NMD penalty charges and other general operating expenses. This suggests that, while revenue enhancement measures are yielding positive results, stronger expenditure management and cost-containment interventions will be necessary to achieve a financially sustainable position.

3.4 On the other hand, the energy losses for the 2024/25 financial year are 25.61%, increasing from 21.23% in the 2023/24 financial year. The municipality cited the following main contributors to the energy losses:

a) Electricity theft/prepaid meter tampering
b) Ageing electrical infrastructure network
c) Eskom customers fed from the municipal network
d) Exceeding Eskom NMD in Dordrecht.

Planned strategies and corrective measures taken/Intervention

a) Installation of bulk check meters and metering of Eskom load. The municipality has recently appointed a service provider to install Eskom check meters to ensure that Eskom billing is correct and accurate.
b) Installation of smart meters for prepaid customers and implementation of meter audits. The meter audit report has been submitted by the service provider, and the municipality is attending to the recommendations.

c) Electrical network refurbishment.
d) Upgrading of the Eskom notified maximum demand (NMD). The municipality has submitted an upgrade application and made all the necessary arrangements to pay Eskom's quotation for the upgrades.

Table 2: Performance indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)	-19,77%	-48,97%
Percentage Energy Losses	25,61%	21,23%

3.5 The D-form information provided has been verified against 2024/25 audited financial statements and is therefore reliable and sufficient for tariff analysis purposes.

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

4.1 The process that the Energy Regulator followed in considering and approving Emalahleni EC's tariff application was supported by a COS study.

4.2 Emalahleni EC utilised the COS study model developed by Sustainable Energy Africa (SEA) and various other stakeholders to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer class in a fair and equitable manner. The study diligently follows the NERSA COS Framework and utilises 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.

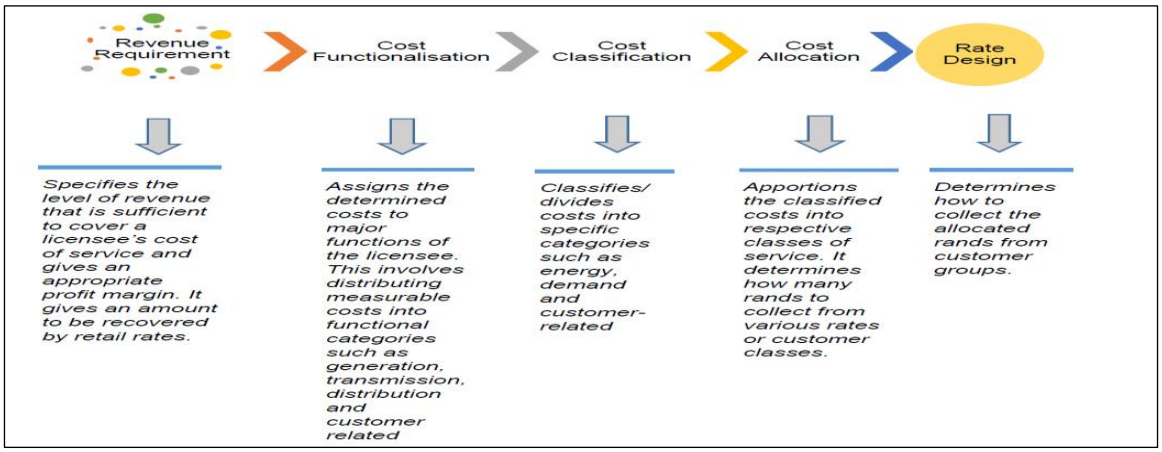


Figure 1: Five steps of COS study

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

Revenue Requirement

4.5.1 In order to be fully cost-reflective, the licensee's revenue requirements are R40.074 million for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases, accounting for 75%, including energy losses allowance. Operational expenditure accounts for 17%.

Table 3: Revenue requirement components

	Total cost (R)			
Revenue Requirement components	Wires	Retail	Total	% of Total
Allowable costs	10 398 855	29 675 218	40 074 073	100%
Energy purchases from Eskom - net of cost of losses	-	26 248 977	26 248 977	66%
Energy purchases from Eskom - cost of losses	2 719 847	862 346	3 582 194	9%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	6 754 566	54 328	6 808 894	17%
Other revenues	- 20 909	- 188 181	- 209 089	-1%
Surplus	945 350	2 697 747	3 643 098	9%

4.5.2 The efficiency of the costs in the 2024/25 (base year) financial year has been assessed, as this constitutes the most recent set of actual data. This forms the basis on which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements for that year.

4.5.3 Furthermore, NERSA has verified all expense items included in the revenue requirements 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 and expanded below.

Bulk Purchases

4.5.4 The licensee applied for a bulk purchase expenditure of R29.831 million, which accounts for 75% of the total costs when including the 12% energy losses allowance. Bulk purchases were verified against Eskom invoices in the 2024/25 financial year.

4.5.5 In order to get to the 2026/27 estimation, the 2025/26 COS amount was adjusted by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.5.6 NERSA is satisfied that the approach taken by the licensee to forecast bulk purchases is reasonable. As a result, this cost has been recommended for approval as applied for.

Operational Expenditure

4.5.7 The licensee applied for operational expenditure of R6,809 million, which accounts for 17% of total costs. Following the prudency assessment undertaken by the Energy Regulator, adjustments amounting to R21 543 were made, resulting in recommended operational expenditure of R6 754 566, as shown in Table 4 below.

Table 4: Operating expenditures

Cost Drivers	2024/25FY Actuals	2025/26FY Budgeted	2026/27FY Applied	NERSA Adjustment	2026/27FY Recommended
General Costs and Other	**R5 837 530**	**R6 304 532**	**R6 808 894**	**-R21 543**	**R6 754 566**
Salaries and Allowances	R3 054 035	R3 298 358	R3 562 226	0	R3 562 226
Materials and supplies	R1 874 896	R2 024 887	R2 186 878	0	R2 186 878
Contracted services	R500 566	R540 611	R583 860	0	R583 860
Salaries, wages and allowances (exclu. R&M)				0	
Payments to consultants				0	
Eskom debts interest	R18 470	R19 947	R21 543	-R21 543	
Other creditors interest	R28 108	R30 357	R32 785	0	R32 785
Current year Depreciation	R361 456	R390 372	R421 602	0	R421 602
NMD exceedance penalties				0	
Shared OPEX	**R0**	**R0**	**R0**	**R0**	**R0**
Bad debts (Allowance for Impairments)					
General expenses					R0
Total OPEX	**R5 837 530**	**R6 304 532**	**R6 808 894**	**-R21 543**	**R6 754 566**

General Costs and Other

4.5.8 The municipality applied for costs under general costs and other, amounting to R6 808 894. An adjustment of R21 543 relating to interest charged on Eskom debt was made, resulting in recommended costs of R6 754 566. NERSA noted that these charges are within the municipality's control and should not be passed through to customers.

Surplus

4.5.9 The licensee applied for a surplus of R3,643 million, which is based on a surplus factor of 9% return on operating expenditure, including bulk purchases for both the wires and retail businesses.

4.5.10 To ensure that the surplus is not excessive or detrimental to consumers and it commensurate with risk, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to

recover the full cost of its licensed activities, including a reasonable margin or return.

4.5.11 In applying this provision together with the COS methodology, NERSA must ensure that the licensee recovers costs incurred efficiently and prudently, including a reasonable return, while preventing excessive compensation.

4.5.12 NERSA is satisfied that the surplus applied for by Emalahleni LM is reasonable and supports the financial sustainability of the electricity business, Therefore, the applied surplus is considered modest and reasonable having regard to the relevant risk factors, including ageing infrastructure, financial stability requirements, and customer affordability constraints. This is particularly so in the context of a municipal electricity distributor, which, while not operating on a profit-maximising basis, is nonetheless required to maintain financial sustainability and operational viability.

4.5.13 It is therefore recommended that the Energy Regulator approve the allowable revenue as set out in Table 4 above. This revenue is then used in the subsequent steps of cost functionalisation, classification, allocation, and rate design. These steps were verified to be consistent with the approved revenue requirement and are discussed belowhas therefore approved the revenue requirement as submitted.

Cost Functionalisation

4.5.14 The licensee has categorised its revenue requirements of R40.074 million into two main functions: wires (26%) and retail business (74%), which is in line with the NERSA COS Framework, as demonstrated in Figure 2 below. These costs align with revenue requirements upon verification.

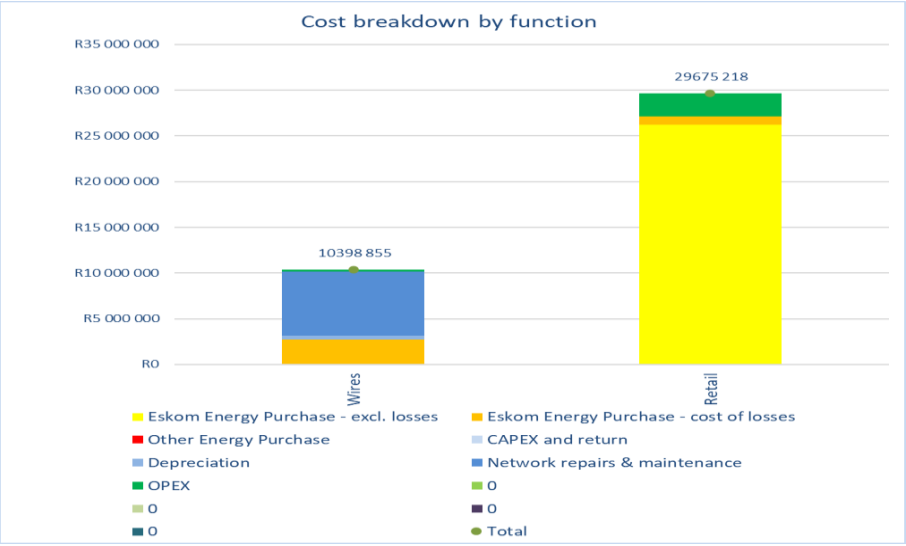


Figure 2: Cost breakdown by functions

4.5.15 These costs align with revenue requirements upon verification. Network repairs and maintenance dominate the wires business, while energy purchases are the primary cost driver for the retail business.

Cost Classification

4.5.16 The licensee classified its costs into energy, demand and customer-related costs in line with the NERSA COS Framework. The costs align with revenue requirements and cost functionalisation upon verification.

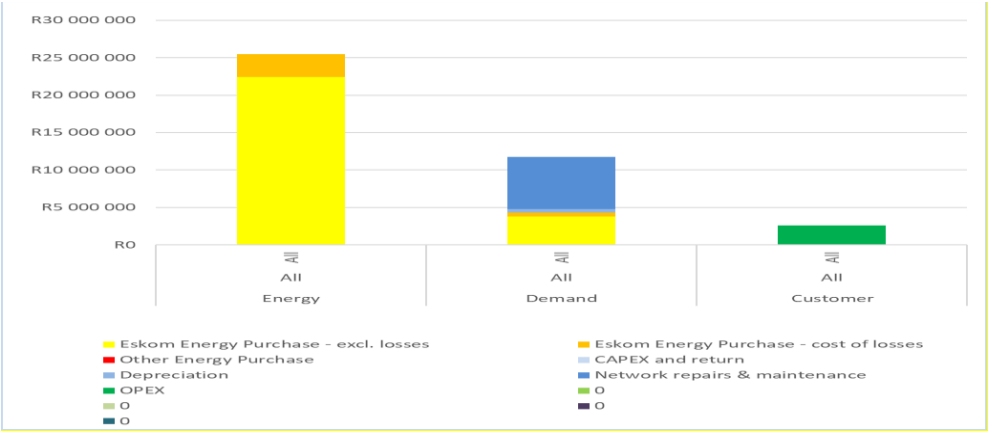


Figure 3: Cost breakdown by cost structure (classification)

4.5.17 Energy purchases constitute energy-driven costs, with the highest expenses occurring during summer under standard time of use, mainly because summer spans a larger portion of the year. Demand-driven costs are also predominantly incurred in summer. Customer-driven costs are primarily attributed to 'Other OPEX', which includes expenses related to providing electricity distribution services to customers.

Cost Allocation

4.5.18 In this step, the licensee's revenue requirements are allocated between customer categories, which is in line with the NERSA COS Framework, and the costs align with revenue requirements, cost functionalisation and cost classification upon verification. The majority of the costs are allocated to domestic customers (48%), followed by commercial customers (46%).

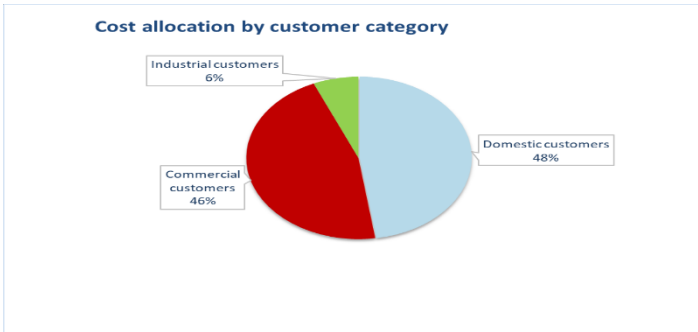


Figure 4: Costs allocated

Rate Design

4.5.19 Figure 5 below shows the outcome of the COS study, showing that certain customer categories should increase while others should decrease. Comparing these costs to the income per tariff category reveals the over- or under-recovery per tariff category, as shown in the figure below.

4.5.20 In order for the municipality to reach full cost reflectivity, the municipality is required to increase tariffs for the different customer categories as demonstrated below. In doing so, it will increase some categories more than others to manage the cross-subsidies in the system. However, the municipality has opted for a uniform tariff increase of 9.1%. After the proposed changes are implemented, the under- and over-recoveries per tariff category are presented as shown in the second graph of Figure 5.

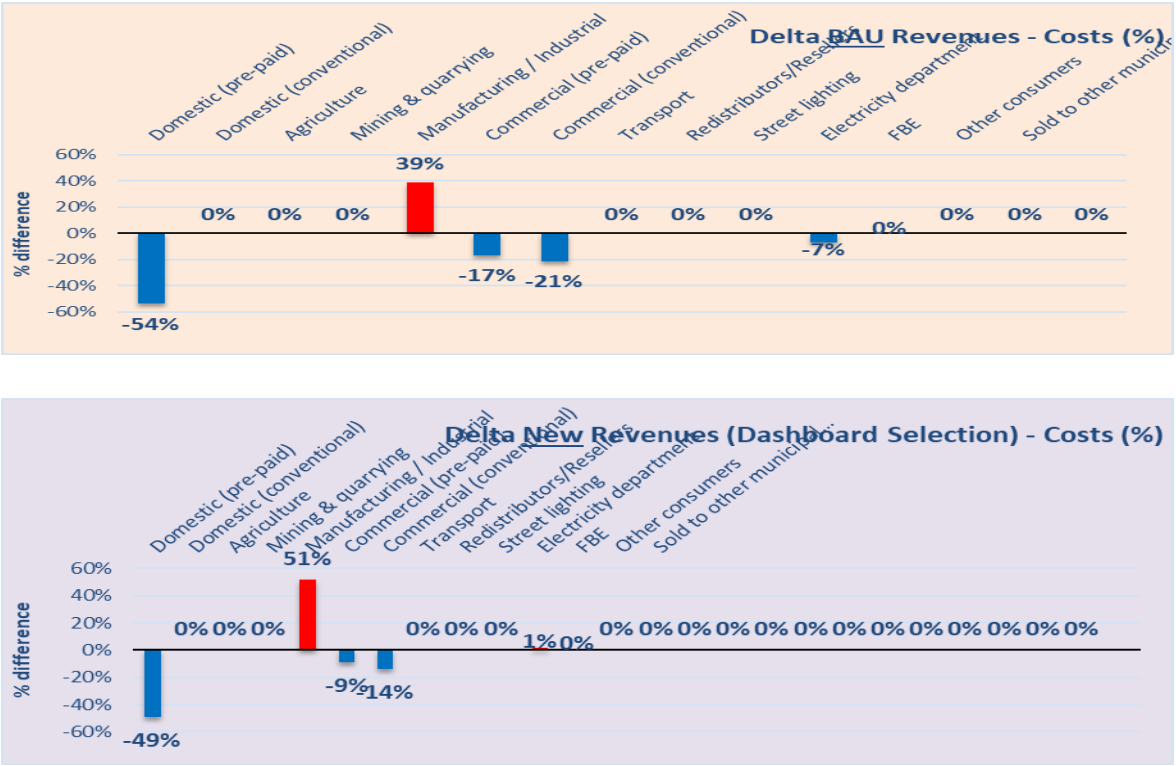


Figure 5: Rate design

Page 18 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9319/EmalahleniLocalMunicipalityEC_ReasonsforDecisionontariffappl

Page 19 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9319/EmalahleniLocalMunicipalityEC_ReasonsforDecisionontariffappl

5. Commercial Conventional 3Phase	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Tariff Blocks	c/kWh	9,10%	c/kWh	c/kWh	9,1%	Commercial customers are currently under-recovering, meaning the tariff charged is below the actual cost of supplying the service to that customer category. This creates a revenue shortfall that can undermine the municipality's financial sustainability and lead to undue cross-subsidies or sharper future increases. While customers benefit in the short term, the municipality has been advised of these imbalances for future tariff adjustments in order to improve cost reflectivity and limit tariff shock.
Energy Charge: c/kWh	299,63	9,10%	326,90	326,90	9,1%	
Basic Charge (R/month)	1 599,05	9,10%	1744,56	1744,56	9,1%	

6. Small Commercial Prepaid 1Phase	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Tariff Blocks	c/kWh	9,1%	c/kWh	c/kWh	9,1%	Commercial customers are currently under-recovering, meaning the tariff charged is below the actual cost of supplying the service to that customer category. This creates a revenue shortfall that can undermine the municipality's financial sustainability and lead to undue cross-subsidies or sharper future increases. While customers benefit in the short term, the municipality has been advised of these imbalances for future tariff adjustments in order to improve cost reflectivity and limit tariff shock.
Energy Charge: c/kWh	431,06	9,1%	470,29	470,29	9,1%	

7. Small Commercial Prepaid 3Phase	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Tariff Blocks	c/kWh	9,1%	c/kWh	c/kWh	9,1%	Commercial customers are currently under-recovering, meaning the tariff charged is below the actual cost of supplying the service to that customer category. This creates a revenue shortfall that can undermine the municipality's financial sustainability and lead to undue cross-subsidies or sharper future increases. While customers benefit in the short term, the municipality has been advised of these imbalances for future tariff adjustments in order to improve cost reflectivity and limit tariff shock.
Energy Charge: c/kWh	437,97	9,1%	477,82527	477,82527	9,1%	

8. Energy Tariff (TOU Converted) Industrial 125A and above	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Tariff Blocks	c/kWh	n/a	c/kWh	c/kWh	n/a	The municipality has converted its Large power user tariff into a TOU. This conversion is considered appropriate, as it aligns the municipality's tariff structure with the way Eskom charges for high-consumption customers. This approach provides more accurate cost-reflective pricing by differentiating charges according to peak, standard and off-peak consumption periods, thereby ensuring that customers are charged in line with the actual cost of supplying electricity. The TOU structure also sends the correct price signals to customers, encouraging load shifting away from peak periods, improving demand management and reducing pressure on the network. From a revenue perspective, the conversion supports more accurate recovery of electricity costs and reduces the risk of under-recovery associated with applying a flat tariff to customers with varying usage profiles.
Basic Charge (R/month)	n/a	n/a	1905,44	1905,44	n/a	
Demand Charge (R/kVA)	n/a	n/a	495,19	495,19	n/a	
Energy Charge: c/kWh						
Peak	n/a	n/a	374,20	374,20	n/a	
Standard	n/a	n/a	218,28	218,28	n/a	
Off-Peak	n/a	n/a	150,72	150,72	n/a	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered Emalahleni EC's application, supporting information, stakeholder inputs and applicable legal framework, approves the tariff adjustments, as set out in this reasons for decision document.

End.