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

Hessequa Local Municipality

THE DECISION

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1. At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered Hessequa Local Municipality (HLM) tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for FY2026/27 as set out on the tariff analysis section 8 on page 24 of the RfD.

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

2.1. 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;

2.2. to note the COS study submitted by the Municipality; and

2.3. 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 (NERSA) to perform its independent verification audit commencing on 31 January 2027.

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ABBREVIATIONS

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

1. INTRODUCTION

1.1. NERSA receives and considers tariff applications annually, in accordance with the mandate of the Energy Regulator to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator for implementation on 1 July of each financial year.

1.2. HLM is located in the Western Cape Province. The Municipality is mostly made up of domestic customers consuming 60.61% 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 – FY2024/25)

Customer Categories	**MWh**	**% MWh**	**Customer numbers**
Domestic (Prepaid)	32,925	42.13	12,086
Domestic (Conventional)	14,443	18.48	2,906
Agriculture	2,184	2.79	54
Manufacturing	12,985	16.61	67
Commercial P	3,516	4.50	462
Commercial C	8,048	10.30	315
Own use	1,949	2.49	25
Sold to other departments	2,107	2.70	86
TOTAL	**78,157**	**100**	**16,001**
[1]FBE	2,624	5.54[2]	3,887

1.3. NERSA received HLM's tariff application together with its revised Cost of Supply (COS) based on the cost-plus methodology on 27 March 2026. The Municipality indicated that the revision was necessitated by the lapse of its existing COS study, which had exceeded its five-year validity period. This is in line with policy position 23 states that '*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.'*

[1] This information is already included in the customer statistics table above under domestic prepaid/conventional category

[2] Percentage of Domestic MWh

1.4. HLM implemented an 11.32% average price increase in FY2025/26 and is applying for an average price increase of 7.01% for FY2026/27.

1.5. The Municipality submitted its council resolution and proof of having conducted customer consultation together with its tariff application on 27 March 2026.

1.6. NERSA followed public-consultation process. HLM's tariff application was published on the NERSA website on 27 March 2026 and on social media platforms, as well as in both national and local newspapers to solicit written comments from affected parties.

1.7. NERSA's decision was taken on 6 May 2026, following consideration of the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination and 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) (MFMA).

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

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for FY2026/27.

2.2. Statutory Mandate of the Energy Regulator

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

2.2.2. In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions;

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

c) section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

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

2.3. Tariff Determination Principles under the ERA

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

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

a) must enable an efficient licensee to recover the full cost of the licensed activity;

b) must allow for a reasonable return commensurate with the risk of the licensed activity;

c) may provide incentives for continued improvement of technical and economic efficiency;

d) must avoid undue discrimination between customer categories;

e) may permit cross-subsidies of tariffs to certain classes of customers; and

f) may have regard to the need to ensure security of supply, diversity of supply and the promotion of renewable energy.

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

2.4. Administrative Law Requirements

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

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

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

2.6. COS Studies

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

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

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

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

2.7. Judicial Oversight of the Tariff-Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to FY2025/26 municipal-tariff approvals did not comply with the procedural requirements of section 4 of the PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application that sought to amend the timelines set by the Court on 4 December 2025, in view of the practical difficulties encountered in complying with the Court order. The Court having heard NERSA's application, granted the variation application in respect of the fixed deadlines for FY2026/27 municipal-tariff approvals.

2.8. Court-Directed Timelines

2.8.1. The timelines below are applicable in respect of FY2026/27 municipal-tariff approvals.

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

2.8.2. Municipal tariff approvals from FY2027/28 are to comply with the following timelines:

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

2.9. Conclusion

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

2.9.2. The reasons that follow in this RfD document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for FY2026/27.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In assessing the financial and technical performance of HLM, the assessment relied on the Distribution forms (D-forms) for FY2024/25 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 Audited 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 shows that the percentage surplus of HLM's electricity business declined from 12.74% in FY2023/24 to 11.73% in FY2024/25. The decline in the surplus is attributed to a 14% increase in the total expenditure in FY2024/25 (R231 million) from FY2023/24 (R202 million). The Municipality continues to operate its electricity department profitably and remains current on its Eskom bulk-account.

3.3. HLM energy losses increased from 7.50% in FY2023/24 to 9.49% in the FY2024/25 as highlighted in Table 2 below. The Municipality is encouraged to keep the energy losses at low levels.

Table 2: Performance Indicators

Performance indicators	Municipality FY2024/25 D-forms Information	Municipality FY2023/24 D-forms Information
Percentage surplus: (%)	11.73	12.74[3]
Energy Losses: (%)	9.49	7.50

[3] Total Electricity Purchases divided by Total Expenditure

3.4. Based on the above information, HLM's electricity department demonstrates satisfactory financial and operational performance, as evidenced by 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 HESSEQUA'S TARIFFS BASED ON THE COS STUDY

4.1. The process followed in considering and approving HLM's tariff application was supported by COS study.

4.2. HLM utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for FY2026/27 and to apportion costs required to service each customer's class in a fair and equitable manner. The study follows the NERSA COS Study Framework and utilises the latest available audited data which is based on FY2024/25.

4.3.

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

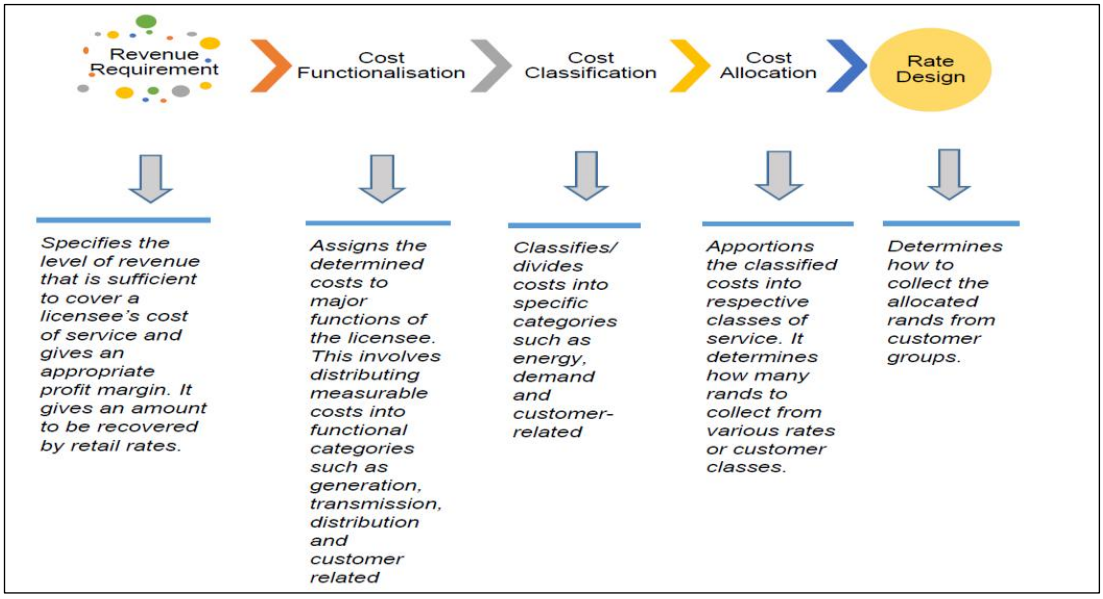


Figure 1: Five Steps of COS

4.5. The following steps are undertaken to analyse the COS study submitted by the Municipality:

4.5.1. REVENUE REQUIREMENT

4.5.1.1. The Municipality applied a cost-plus methodology rather than a rate of return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows:

a) efficient and prudent Operating Expenditure (OPEX);

b) depreciation (as a proxy for asset consumption and future replacement); and

c) a reasonable surplus margin.

4.5.1.2. To be fully cost reflective, the Licensee's revenue requirement is R298.48 million for the FY2026/27. This amount is primarily driven by Eskom purchases, which account for 78%, while operational expenditure accounts for the remaining 22%, as shown in Table 3 below.

Table 3: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	55 637 830	242 837 590	298 475 420	100%
Energy purchases from Eskom - net of cost of losses		204 514 456	204 514 456	69%
Energy purchases from Eskom - cost of losses	24 377 930	3 157 282	27 535 212	9%
Other energy purchases	-	352 363	352 363	0%
Capital expenditure			-	0%
Operational expenditure (incl. Depreciation)	28 298 637	27 662 272	55 960 909	19%
Other revenues	- 1 491 810	- 12 284 726	- 13 776 537	-5%
Surplus	4 453 074	19 435 943	23 889 017	8%
Not allowable costs	-	-	-	
Cost of losses disallowed	-	-	-	
TOTAL COSTS	**55 637 830**	**242 837 590**	**298 475 420**	

4.5.1.3. The efficiency of costs for FY2024/25 has been assessed, as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for FY2026/27, applying stated assumptions to determine the RR for that period.

4.5.1.4. All expenses included in the RR were assessed to ensure they relate solely to the licensee's electricity function. Where costs were found to be overstated or inadequately supported, appropriate adjustments were made, as outlined below.

Bulk Purchases

4.5.1.5. HLM applied for bulk purchase expenditure amounting to R232 million, representing 78% of total costs. The bulk purchase figures were verified against Eskom invoices for FY2024/25.

4.5.1.6. To derive FY2026/27 bulk purchase estimate, FY2025/26 COS study amount was escalated by 9.01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

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

4.5.1.8. The methodology applied by HLM in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as applied for.

Operational Expenditure

4.5.1.9. HLM has applied for operational expenditure totalling R55 million, which represents 19% of overall costs, as shown in Table 3 above.

Depreciation

4.5.1.10. 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.

4.5.1.11. The Municipality reported an asset value of R1,788,536,804, as reflected in it submitted audited D-forms for the FY2024/25. This amount was verified against the audited AFS, the trial balance and supporting financial information.

4.5.1.12. Depreciation amounted to R6,241,738 in FY2024/25 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 FY2025/26 is R6,112,124 reflecting a decline of approximately 2%.

Surplus

4.5.1.13. The municipality applied for a surplus of R23 million which is based on an 8% 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.

4.5.1.14. 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:

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

4.4.1.14.2. deterioration of network infrastructure due to underinvestment;

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

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

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

4.5.1.15. 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 Swartland recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.5.1.16. NERSA is satisfied that the surplus applied for by DLM is reasonable and supports the financial sustainability of the electricity business, notwithstanding that it falls below the established target range of 10–20% prescribed in the NERSA Cost of Supply (COS) Framework.

4.5.1.17. 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.

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

4.5.2. COST FUNCTIONALISATION

4.5.2.1. The Licensee has categorised its RR of R298 million into two primary functional components, namely the Wires business (19%) and the Retail business (81%), in accordance with the NERSA COS Study Framework, as shown in Table 4 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated RR.

Table 4: Costs Breakdown by Functions

		Total Functionalised Costs (R)		
Functions	Included in Surplus baseline	Wires	Retail	Total
Eskom Energy Purchase - excl. losses	FALSE	-	204 514 456	204 514 456
Eskom Energy Purchase - cost of losses	FALSE	24 377 930	3 157 282	27 535 212
Other Energy Purchase	FALSE	-	352 363	352 363
CAPEX and return	FALSE	-	-	-
Depreciation	TRUE	3 407 267	2 704 887	6 112 154
Network repairs & maintenance	TRUE	17 857 651	6 265 122	24 122 773
Salaries, wages and allowances including payments to consultants related to repairs and maintenance	TRUE	-	-	-
Financial costs	TRUE	-	-	-
Other expenses	TRUE	9 994 982	25 843 479	35 838 462
General expenses	TRUE	-	-	-
		55 637 830	242 837 590	298 475 420
				TRUE
		19%	81%	

4.5.2.2. These costs, upon verification, are consistent with the approved RR. Network repairs and maintenance constitute the predominant cost drivers within the Wires business, while energy purchases represent the primary cost driver within the Retail business.

4.5.3. COST CLASSIFICATION

4.5.3.1. The Licensee has classified its costs into energy, demand and customer-related cost components, in accordance with the NERSA COS Study Framework. The costs align with RR and Cost Functionalisation, as verified and shown in Figure 2 below.

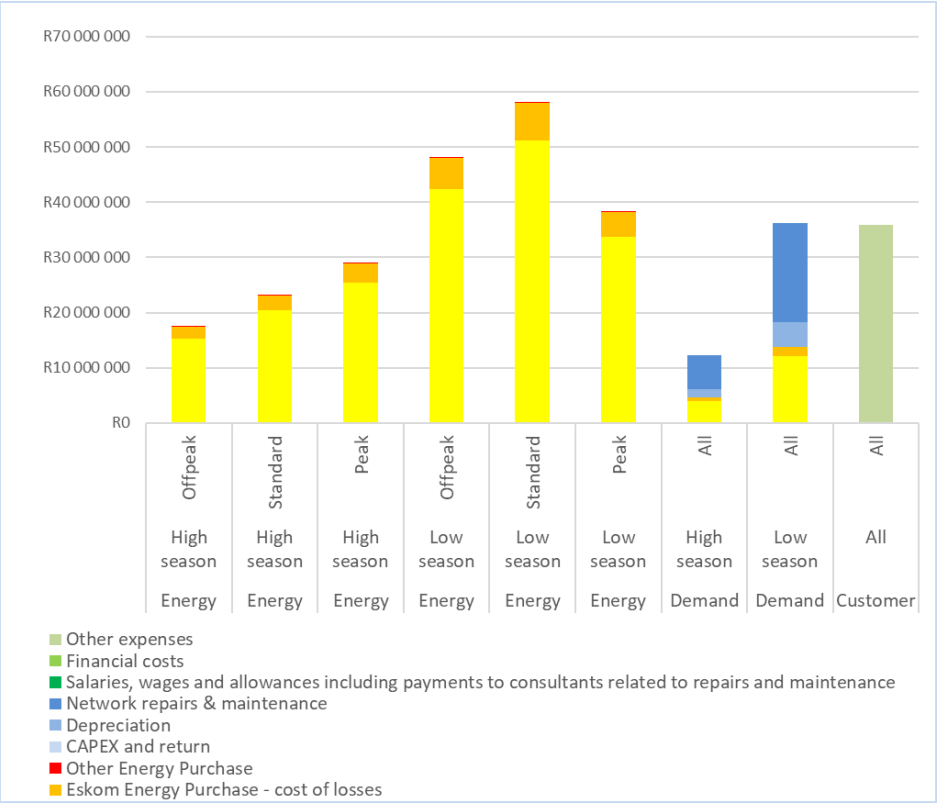


Figure 2*:* Costs Breakdown by Cost Structure *(*Classification*)*

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

4.5.4. COST ALLOCATION

4.5.4.1. In this step, the Licensee’s revenue requirement is allocated across customer categories, in accordance with the NERSA COS Study Framework. Upon verification, the allocation is found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation as highlighted in Table 5 below.

Table 5: Costs Allocated

Business area:				Total
Cost class:	Energy	Demand	Customer	All
Season:	All	All	All	All
TOU:	All	All	All	All
Customer Categories				
Domestic (pre-paid)	86 187 179	22 530 935	11 750 285	120 468 399
Domestic (conventional)	35 651 551	9 319 980	7 616 096	52 587 627
Agriculture	5 981 906	1 040 584	711 859	7 734 350
Mining & quarrying	-	-	-	-
Manufacturing / Industrial	32 997 177	4 648 554	1 447 058	39 092 789
Commercial (pre-paid)	7 742 826	1 390 748	1 274 468	10 408 042
Commercial (conventional)	23 655 296	4 248 907	1 437 231	29 341 434
Transport	-	-	-	-
Redistributors/Resellers	-	-	-	-
Street lighting	1 775 874	464 247	4 299	2 244 420
Electricity department	6 541 380	1 710 039	998 691	9 250 109
FBE	8 645 953	2 260 213	10 134 321	21 040 487
Other consumers	-	-	-	-
Sold to other municipal departments	4 886 757	934 558	486 447	6 307 763
	214 065 901	48 548 764	35 860 755	298 475 420

4.5.4.2. The domestic customer category carries the largest proportion of costs, followed by the commercial customers. Agricultural customers and street lighting result in the lowest proportion of costs.

4.5.4.3. Differences in the results between the customer categories are mainly driven by differences in the voltage at the point of connection, load factors, coincidence factors and average specific consumption.

4.5.5. RATE DESIGN

4.5.5.1. Figure 3 below reflects the outcome of the COS study after the proposed changes are implemented, the under-recovery and over-recovery per tariff category are presented as follows.

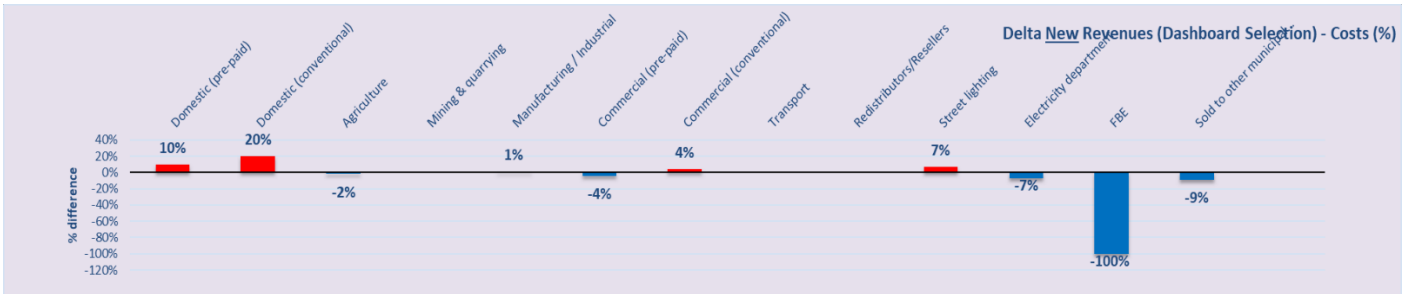


Figure 3: Revenue Recovery by Customer Category

4.5.5.2. To achieve full cost-reflectivity, the Municipality would be required to implement differentiated tariff adjustments across customer categories.

However, the Municipality has adopted a less aggressive approach, opting instead for a uniform tariff increase of 7.01% across all customer categories.

5. CONCLUSION ON THE COS

5.1. While the outcome of the COS study may indicate an average tariff adjustment of a certain percentage for a licensee to achieve full cost-reflectivity, a municipality may elect to implement such adjustments on a phased basis, including applying an increase below the COS-derived level.

5.2. This approach may be informed by a range of considerations, including the need to maintain tariff sustainability to support ongoing demand for electricity services. Excessive tariff increases may adversely affect consumption levels, thereby impacting revenue stability.

5.3. In addition, the municipality may consider its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability constraints faced by customers, when determining the appropriate trajectory for tariff adjustments.

5.4. This approach is intended to safeguard the municipality's revenue base and support its financial sustainability, in line with applicable legislative requirements.

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

5.6. The COS study results indicate a required increase of 5.30% for the municipality to reach cost-reflectivity, as illustrated in Figure 4 below. However, to meet financial obligations, including payments to Eskom for the bulk electricity account, as well as the broader affordability constraints faced by customers, the municipality has proposed a 7.01% increase across all its customer categories. Based on the available information, the municipality is expected to remain financially sustainable under the proposed tariff increase of 7.01%.

	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	283 568 184	298 475 420	308 947 536
		Delta =	10 472 116
Average increase in rates	8,95%		
Average increase in rates to reach overall cost-reflectivity	5,3%		
Share of total cost recovered with the new rates	103,5%		
Share of total costs recovered (existing rates)	95,0%		

Figure 4: COS Results

5.7. The assessment confirms that the study is generally aligned with the prescribed COS Study Framework and applies an appropriate methodological approach, including Cost Functionalisation, Classification and Allocation. The overall revenue requirement and cost build-up are considered reasonable.

5.8. The analysis indicates a structural misalignment between the cost drivers and the current tariff design. The cost structure is predominantly driven by time-of-use (TOU) energy purchases and demand-related costs, whereas the tariff structure remains largely dependent on volumetric (energy-based) charges. This results in an excessive reliance on energy charges, with more than 85% of revenue recovered through this component, compared to a cost-reflectivity benchmark below 65%.

5.9. The Municipality will implement a phased restructuring approach over multiple financial years to ensure affordability and system readiness, which will include:

a) migration of suitable customer categories to TOU tariffs, aligned with Eskom bulk supply cost structures;

b) progressive introduction and strengthening of demand-based (kVA) charges; and

c) increased incorporation of capacity-related fixed charges.

5.10. Furthermore, the revenue-to-cost comparison highlights the presence of cross-subsidisation across customer categories. Domestic customers, particularly conventional users, appear to be contributing above their cost to serve, while certain categories, including industrial, agricultural and municipal consumption, are not fully cost-reflective. While some level of cross-subsidisation is expected in line

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Details of Tariffs Applied For						
2. (Non-indigent Single phase 1-32 Amp)	**2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	181.47	194.19		194.19		

Details of Tariffs Applied For						
3. (Non-Indigent - Prepaid Single Phase 33-63 Amp)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	362.95	388.39		388.39		

Details of Tariffs Applied For						
4. (Non-Indigent - Prepaid Single Phase 21-32 Amp) Alternative	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	209.10	223.76	7.01%	223.76	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval. The Municipality indicated that it will be phased out this tariff. No new applications are possible on this tariff.
Block 2 (51 – 200) c/kWh	264.89	283.46		283.46		
Block 3 (201 – 350) c/kWh	370.06	396.00		396.00		
Block 4 (351 – 600) c/kWh	408.14	436.75		436.75		

Details of Tariffs Applied For						
5. Non-indigent prepaid 33-63 Amps (Single phase<=150kwh)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval. The Municipality indicated that it will be phased out this tariff. No new applications are possible on this tariff.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	181.47	194.19		194.19		

Details of Tariffs Applied For						
6. Non-indigent prepaid three phase 0-32 Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	471.83	504.91		504.91		

Details of Tariffs Applied For						
7. Non-indigent prepaid three phase 33-63 Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	943.66	1 009.81		1,009.81		

Details of Tariffs Applied For						
8. Domestic conventional single phase 1-32 Amps	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	362.95	388.89		388.89		

Details of Tariffs Applied For						
9. Domestic conventional single phase 33-63 Amps	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	725.90	776.79		776.79		

Details of Tariffs Applied For						
10. Domestic conventional three phase 0-32 Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	943.66	1 009.81		1 009.81		

Details of Tariffs Applied For						
11. Domestic conventional three phase 33-63 Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	The proposed increases reflect a moderate adjustment across all consumption blocks, with Block 1 (0 – 50 kWh) increasing by 7.01%. This is considered reasonable and limits the impact on indigent households, who rely primarily on this block for basic energy needs. The IBT structure is maintained, ensuring that higher consumption is charged at higher rates, thereby protecting low-consumption users and supporting equitable pricing. Furthermore, the proposed increases appear to be broadly aligned with bulk cost pressures, particularly increases in Eskom supply tariffs, while avoiding excessive tariff shocks to the most vulnerable customer segments. Accordingly, the proposed tariff is considered fair and can be supported for approval.
Block 2 (51 – 200) c/kWh	243.39	260.45		260.45		
Block 3 (201 – 350) c/kWh	344.75	368.92		368.92		
Block 4 (351 – 600) c/kWh	407.04	435.57		435.57		
Basic charge (R/month)	1 887.33	2 019.63		2 019.63		

Details of Tariffs Applied For						
12.Commercial Single Phase 1-32 Amps (Conventional)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Basic Charge: R/month	459.50	491.71	7.01%	491.71	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

13. Commercial Single Phase 33 – 63 Amps (Conventional)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Basic Charge: R/month	919.00	983.42	7.01%	983.42	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

14. Commercial Three Phase 1-32 Amps (Conventional)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	1,194.71	1,278.46	7.01%	1,278.46	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

15. Commercial Three Phase 33 – 45 Amps (Conventional)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	2,173.96	2,326.35	7.01%	2,326.35	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

16. Commercial Three Phase 64 – 100 Amps (Conventional)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	3,831.07	4,099.63	7.01%	4,099.63	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

17. Commercial Single Phase 1 – 32 Amps (Prepaid)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	222.12	237.69	7.01%	237.69	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

18. Commercial Single Phase 33 – 63 Amps (Prepaid)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	444.23	475.37	7.01%	475.37	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

19. Commercial Three Phase 0 – 32 Amps (Prepaid)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	577.50	617.98	7.01%	617.98	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

20. Commercial Three Phase 33 – 63 Amps (Prepaid)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Basic Charge: R/month	1,023.76	1,095.53	7.01%	1,095.53	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

21. Commercial Three Phase 64 – 100 Amps (Prepaid)	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: R/month	1,817.31	1,944.70	7.01%	1,944.70	7.01%	The proposed increase of 7.01% in the basic charge, together with the upward adjustment in the energy charge, reflects a balanced approach to revenue recovery across fixed and variable cost components. This is appropriate, as it improves cost-reflectivity by ensuring that fixed network costs are partially recovered through the basic charge, while usage-based costs remain linked to consumption. The uniform adjustment suggests alignment with underlying bulk supply cost increases, particularly energy-related costs, while avoiding disproportionate shifts between tariff components. The absence of structural changes maintains tariff stability and reduces the risk of unintended customer impacts. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: c/kWh	299.79	320.79		320.79		

22. Industrial 71kVA- 500kVA	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	6,135.96	6,566.09	7.01%	6,566.09	7.01%	The proposed tariff reflects a uniform increase of approximately 7.01% across the basic, energy and demand charge components, indicating a consistent and systematic adjustment. This approach supports cost-reflectivity by ensuring that fixed, variable and capacity-related costs are proportionately recovered from this customer category. The inclusion and adjustment of the demand charge remain appropriate for industrial customers, as it aligns revenue recovery with network capacity requirements and cost drivers. The balanced increase across all components avoids over-reliance on any single charge, thereby limiting potential pricing distortions. Furthermore, the proposed adjustments appear to be aligned with increases in bulk supply and network costs, while maintaining tariff stability and predictability for industrial users. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: (c/kWh)	164.39	175.91		175.91		
Demand Charge (R/kVA)	378.58	405.12		405.12		

23. Industrial >500kVA	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	13,518.79	14,466.46	7.01%	14,466.46	7.01%	The proposed tariff reflects a uniform increase of approximately 7.01% across the basic, energy and demand charge components, indicating a consistent and systematic adjustment. This approach supports cost-reflectivity by ensuring that fixed, variable and capacity-related costs are proportionately recovered from this customer category. The inclusion and adjustment of the demand charge remain appropriate for industrial customers, as it aligns revenue recovery with network capacity requirements and cost drivers. The balanced increase across all components avoids over-reliance on any single charge, thereby limiting potential pricing distortions. Furthermore, the proposed adjustments appear to be aligned with increases in bulk supply and network costs, while maintaining tariff stability and predictability for industrial users. Overall, the proposed tariff demonstrates an appropriate balance between cost recovery and customer impact and is therefore supported for approval.
Energy charge: (c/kWh)	164.39	175.91		175.91		
Demand Charge (R/kVA)	378.58	405.12		405.12		

24. Agriculture <=25kVA	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	1,433.80	1,534.31	7.01%	1,534.31	7.01%	The proposed tariff reflects a 7.01% increase in the basic charge, with a corresponding adjustment in the energy charge. This indicates a balanced approach to recovering both fixed network costs and variable energy costs from this customer category. The proportional increase across tariff components suggests alignment with underlying bulk supply cost pressures, while avoiding structural changes that could distort price signals. The tariff structure remains appropriate for low-demand agricultural users, ensuring simplicity and predictability. Overall, the tariff demonstrates an appropriate balance between cost-reflectivity and customer impact and can therefore be supported for approval.
Energy charge: (c/kWh)	239.78	256.59		256.59		

25. Agriculture 26kVA – 50kVA	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	2,867.60	3,068.62	7.01%	3,068.62	7.01%	The proposed tariff reflects a 7.01% increase in the basic charge, with a corresponding adjustment in the energy charge, indicating a consistent and proportionate approach to revenue recovery across fixed and variable components. The uniform adjustment suggests alignment with increases in bulk supply costs, while maintaining the existing tariff structure. This supports pricing stability and ensures that cost signals remain predictable for agricultural customers within this demand range. Overall, the tariff demonstrates an appropriate balance between cost-reflectivity and customer impact and can therefore be supported for approval.
Energy charge: (c/kWh)	239.78	256.59		256.59		

26. Agriculture 51kVA – 100kVA	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	5,735.21	6,137.25	7.01%	6,137.25	7.01%	The proposed tariff reflects a 7.01% increase in the basic charge, with a corresponding adjustment in the energy charge, indicating a consistent and proportionate approach to revenue recovery across fixed and variable components. The uniform adjustment suggests alignment with increases in bulk supply costs, while maintaining the existing tariff structure. This supports pricing stability and ensures that cost signals remain predictable for agricultural customers within this demand range. Overall, the tariff demonstrates an appropriate balance between cost-reflectivity and customer impact and can therefore be supported for approval.
Energy charge: (c/kWh)	239.78	256.59		256.59		

27. Streetlights	FY2025/26 Approved	FY2026/27 Proposed	% increase	Recommended Tariff	Recommended % increase	Analysis and Key findings
Basic Charge: (R/month)	459.50	491.71	7.01%	491.71	7.01%	The proposed tariff reflects a uniform increase of 7.01% in the basic charge, with a corresponding increase in the energy charge. This indicates a consistent application of cost adjustments across both fixed and variable components. The alignment of increases suggests that the tariff is responsive to rising bulk electricity costs, while the unchanged structure maintains pricing stability. Given the nature of streetlighting as a municipal service, the tariff supports appropriate cost recovery without introducing complexity.
Energy charge: (c/kWh)	568.74	608.61		608.61		

28. House Wallace Anderson/5.1 (Special Agreements)	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Basic Charge: (R/month)	2,071.00	2,217.00	7.05%	2,217.00	7.05%	As a special agreement tariff, the structure is simplified and primarily recovers fixed costs through the basic charge. The increase appears to be aligned with underlying cost pressures, while maintaining the terms of the existing agreement. The absence of structural changes ensures continuity and predictability for the customer. Overall, the proposed adjustment is considered reasonable and consistent with broader tariff increases and can therefore be supported for approval.
Energy charge: (c/kWh)	194.49	208.12	7.01%	208.12	7.01%	

29. Staff – Official Dwellings/Camp Managers Basic Fixed Tariff (Single Phase) + Per Amp) 1-32Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	As a special agreement tariff, the structure is simplified and primarily recovers fixed costs through the basic charge. The increase appears to be aligned with underlying cost pressures, while maintaining the terms of the existing agreement. The absence of structural changes ensures continuity and predictability for the customer. Overall, the proposed adjustment is considered reasonable and consistent with broader tariff increases and can therefore be supported for approval.
Block 2 (51 – 350) c/kWh	243.39	260.45		260.45		
Block 3 (351 – 600) c/kWh	344.75	368.92		368.92		
Block 4 (>600) c/kWh	407.04	435.57		435.57		
Basic charge R/month	362.95	388.39		388.39		

30. Staff – Official Dwellings/Camp Managers Basic Fixed Tariff (Single Phase) + Per Amp) 33-63 Amp	**FY2025/26 Approved**	**FY2026/27 Proposed**	**% increase**	**Recommended Tariff**	**Recommended % increase**	**Analysis and Key findings**
Block 1 (0 – 50) c/kWh	190.92	204.30	7.01%	204.30	7.01%	As a special agreement tariff, the structure is simplified and primarily recovers fixed costs through the basic charge. The increase appears to be aligned with underlying cost pressures, while maintaining the terms of the existing agreement. The absence of structural changes ensures continuity and predictability for the customer. Overall, the proposed adjustment is considered reasonable and consistent with broader tariff increases and can therefore be supported for approval.
Block 2 (51 – 350) c/kWh	243.39	260.45		260.45		
Block 3 (351 – 600) c/kWh	344.75	368.92		368.92		
Block 4 (>600) c/kWh	407.04	435.57		435.57		
Basic charge R/month	725.90	776.79		776.79		

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. 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 HLM's tariff application as set out in this RfD for FY2026/27.

End.