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

Sundays River Local Municipality

THE DECISION

At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Sundays River Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in Table 1 below.

Table 1: Summary of the REC decision

Tariff Category	2026/27 Approved % Increase
Domestic Prepaid and Households	10.30%
Domestic Conventional and Households	10.30%
Electricity Streetlights (434)	10.30%
Electricity Municipal Service Charge (24590)	10.30%
Municipal Tariff (444)	10.30%
Municipal Tariff (446)	10.30%
Municipal Business prepaid 701 phase	10.30%
Small Business conventional 701 1 phase	10.30%
Small Business Conventional1 Phase	10.30%
Medium Business Prepaid 70A 3 Phase	10.30%
Medium Business Conventional 70A 3-Phase	10.30%
Large Business >70 Amps Three phase	10.30%
Bulk Supply consumers	10.30%

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

1. to approve the tariffs that are based on the Cost of Supply (COS) Report as recommended in the tariff analysis section for implementation by the municipality

with effect from 1 July 2026;

2. to note the COS Report 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 (NERSA) to perform its independent verification/audit process by 31 January 2027; and
4. that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

TABLE OF CONTENTS

THE DECISION....1
TABLE OF CONTENTS....3
ABBREVIATIONS AND ACRONYMS....5
1. INTRODUCTION....6
2. LEGAL AND REGULATORY FRAMEWORK....7
3. Financial and technical performaNce....11
4. DETERMINATION OF TARIFFS BASED ON THE COST OF SUPPLY ADJUSTED DATA....13
5. PUBLIC PARTICIPATION....18
6. THE OBJECTORS AND OTHER INTERVENING PARTIES....18
7. TARIFF ANALYSIS....18
8. CONFIDENTIALITY....28
9. CONCLUSION....28

LIST OF TABLES

Table 1: Summary of the REC decision 1
Table 2: Customer Statistics 6
Table 3: Performance Indicators 12
Table 4: Energy Loss Analysis 12
Table 5: Municipality's Revenue Requirement 15
Table 6: Depreciation Values 16

ABBREVIATIONS AND ACRONYMS

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. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis, in accordance with its mandate to regulate prices and tariffs. Municipal tariffs must be approved by NERSA to be implemented on 1 July of each financial year.

1.2. Sundays River is located in the Eastern Cape. The municipality consists mostly of commercial customers, who account for 49.44% of total electricity sales. The municipality provides its indigent customers with 50kWh 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 2 below.

Table 2: Customer Statistics

CUSTOMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS)			
Consumer Classification	**Sales (KWh)**	**%KWh**	**Number of Consumers**
Domestic (Prepaid)	3 887 029	26,87%	1 533
Domestic (Conventional)	388 058	2,68%	74
Manufacturing/ Industrial	21 330	0,15%	10
Commercial (Prepaid)	750 664	5,19%	68
Commercial (Conventional)	6 401 968	44,25%	52
Own Consumption & Streetlighting	3 017 696	20,86%	2
TOTAL SALES	**14 466 745**	**100%**	**1 739**
Free Basic Electricity (FBE)	**1 269 597**	**29,70%**	**621**

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

1.4. Sundays River implemented a 10.6% average price increase in 2025/26FY and is applying for an average price increase of 10.30% for the 2026/27FY.

1.5. Regarding this application, the municipality confirmed that its council meeting took place on 27 March 2026. Following this meeting, the official council resolution was submitted alongside the tariff application on 31 March 2026.

1.6. NERSA followed the notice and comment consultation process. Sundays River's tariff application was published on the NERSA website on 31 March 2026, along with notices on social media platforms and in local and national newspapers to solicit written comments from affected parties.

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

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of municipal electricity tariffs constitutes a core regulatory function of NERSA 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).

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 NERSA evaluated and determined the municipal electricity tariff application for the 2026/27 financial year.

2.2. NERSA's Statutory Mandate

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

2.2.2. In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue 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 NERSA and are therefore subject to the tariff approval framework established under the ERA.

2.3. **Tariff Determination Principles under the ERA**

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

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

a) must enable an efficient licensee to recover the full cost of the licensed activity;
b) must allow for a reasonable return commensurate with the risk of the licensed activity;
c) may provide incentives for continued improvement of technical and economic efficiency;
d) must avoid undue discrimination between customer categories;
e) may permit cross-subsidies of tariffs to certain classes of customers; and
f) may have regard to the need to ensure security of supply, diversity of supply and the promotion of renewable energy.

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

2.4. **Administrative Law Requirements**

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

2.4.2. Public participation processes conducted by NERSA 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, NERSA must have regard to the EPP. The EPP establishes national policy principles for electricity tariff setting, including cost reflectivity, transparency, economic efficiency and equity.

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

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

2.6. **Cost of Supply Studies**

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

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

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

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

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

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

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

2.8. **Court-Directed Timelines**

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

a) Written notice of bulk tariffs by 6 March 2026
b) Municipal tariff applications must be submitted by 31 March 2026
c) Public participation processes must be concluded by 21 April 2026
d) The publication of NERSA decisions by 11 May 2026.

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

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

2.9. **Conclusion**

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

2.9.2. The reasons that follow in this Reasons for Decision document demonstrate how NERSA complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Sundays River, the assessment relied on the Distribution forms (D-forms) for the 2024/25 financial year submitted as part of the licensee's tariff application. The information contained in the D-forms was verified against the supporting source documents provided by the municipality, including the trial balance and annual financial statements. As a result, the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

3.2. Table 3 below shows that in the 2024/25 financial year, the municipality recorded a 2.18% surplus, marking a significant recovery from the 14.59% deficit reported in the 2023/24 financial year. This financial turnaround is primarily attributed to a 57% increase in grant revenue allocations and a reduction in material losses. During this period, total revenue grew by 43%, outstripping a 22% increase in total expenditure. Despite the overall improvement, energy losses remain a concern, with lost revenue from electricity sales totalling R11.8 million (R11,880,471)

3.3. For the 2024/25 financial year, energy losses were reported at 28.60%, reflecting a 2% improvement from the 30.81% recorded in 2023/24.

3.4. While this demonstrates a positive trend, distribution losses remain a critical challenge. These losses are primarily driven by ageing infrastructure, vandalism and technical inefficiencies within the distribution systems, specifically affecting transformers, cables and overhead lines. Furthermore, non-technical factors such as meter reading errors, faulty meters, theft and illegal connections continue to impact overall recovery.

3.5. The municipality has implemented the following measures to mitigate high energy losses:

a) Installation and commissioning of a bulk metering unit at the main substation to reconcile Eskom and municipal readings
b) Replacement of all faulty prepaid meters affected by the TID rollover
c) Activation and regularisation of prepaid split meters in Aqua Park, including the removal of illegal connections
d) Installation of smart or analogue kWh meters at all municipal buildings to monitor departmental electricity usage
e) Metering of streetlights, mass lights and water infrastructure to ensure accurate consumption measurement

Table 3: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)	2,18%	-14,59%
Percentage Energy Losses	28,60%	30,81%

3.6. While the municipality's electricity business has shown notable improvement over the past year, energy losses remain a significant concern. Although the current figures represent a step in the right direction, the loss percentage is still disproportionately high, indicating a need for more aggressive interventions to protect the grid and secure revenue.

3.7. The municipality has successfully reached a debt payment arrangement with Eskom regarding the bulk electricity account.

Table 4: Energy Loss Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	339,34		
Sales kWh	14 466 745,00	17 830 645,36	19 046 371,18
Purchases kWh	20 262 097,00	20 262 097,00	20 262 097,00
Losses kWh	5 795 352,00	2 431 451,64	1 215 725,82
Losses percentage	**28,60%**	**12,00%**	**6,00%**
Additional Energy (kWh)		3 363 900,36	4 579 626,18
Additional Revenue (Rands)		11 415 059,48	15 540 503,48
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 18 562 633 222,81	R 18 574 048 282,30	R 18 578 173 726,29
Total Expenses (Rands)	R 18 050 862 420,00	R 18 050 862 420,00	R 18 050 862 420,00
Net Profit (Loss)	R 511 770 802,81	R 523 185 862,30	R 527 311 306,29
Percentage Surplus/Deficit	**2,76%**	**2,82%**	**2,84%**

3.8. The municipality has high energy losses of 28.60%, which significantly undermines its financial sustainability

3.8.1. If losses were capped at 12%, the municipality would:

a) improve net revenue by approximately R3 million; and
b) the municipality will operate at a surplus of 2.82%.

3.8.2. If losses were capped at 6%, the municipality would:

a) improve net revenue by approximately R4 million; and
b) the municipality will operate at a surplus of 2.84%.

4. DETERMINATION OF TARIFFS BASED ON THE COST OF SUPPLY ADJUSTED DATA

4.1. The municipality submitted its existing COS study, which supports the tariff application for the 2026/27 financial year. The municipality's cost of supply study was inclusive of all requirements of NERSA's approved COS Framework (i.e. Revenue Requirement, Cost Functionalisation, Cost Classification, Cost Allocation and Rate Setting).

4.2. Costs were derived from verified bulk purchases (Eskom invoices) and verified electricity-related operating costs (tested against D-Forms, Trial Balance and Audited AFS).

4.3. 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.

4.4. Section 18.7 of the October 2023 NERSA-approved Cost of Supply Framework states that:

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

4.5. In line with section 18.7 mentioned above, **Error! Reference source not found.** below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual 2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for 2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when NERSA considered and approved the 2026/27 cost of supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.
iii. Column 3 is for the licensee's submitted FY 2026/27 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.
iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.

v. Column 5 is for NERSA's recommended amounts that sum up to allowable revenues the licensee must recover in FY 2026/27.

4.6. The total allowable revenue of R77 million is for the FY2025/26 tariff review and is based on the cost of supply revenue and the volumes used to determine the tariffs that were approved by NERSA, as shown in Table 5 below.

4.7. The COS study is applicable for five years; however, municipalities must reflect the adjustments on their cost drivers for the FY2026/27. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirement to ensure that municipalities do not over- or under-recover during the FY2026/27 tariff review process.

4.8. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27 cost (budgeted cost plus surplus) as requested by NERSA, and total budgeted required revenue that amounted to R85m for the FY2026/27 tariff review process.

Table 5: Municipality's Revenue Requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee
Sales	kWh	14 466 745	14 466 745	15 770 199
Eskom bulk purchases	kWh	20 262 097	17 654 823,08	19 245 523
Total Energy Requirements	**kWh**	**20 262 097**	**17 654 823**	**19 245 523**
Total Losses	kWh	5 795 351	3 188 078	3 475 324
Technical losses	kWh	2 431 452	2 118 579	2 309 463
Non-technical losses	kWh	-3 363 900	-1 069 499	-1 165 861
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**
Total Energy losses	%	28,60%	18,06%	18,06%
Cost drivers				
Energy purchases from Eskom	Rand	35 411 737	R 44 233 403,61	48 218 833
total energy purchases		**35 411 737**	**44 233 404**	**48 218 833**
Cost of technical losses	Rand	11 880 471	1 806 652,09	2 565 445,97
Operational expenditure (incl. Depreciation)	**Rand**	**22 448 716**	**30 964 314**	**33 797 102**
General & Other	0	11 868 903	13 540 463	14 670 626
Materials and supplies	Rand	86 370	173 913	189 583
Contracted Services	Rand	569 239	104 237	276 000
Salaries, wages and allowances (exclu. Repairs and Mainter	Rand	5 344 405	5 851 596	6 126 621
Current year depreciation	Rand	2 746 339	2 816 923	3 070 728
Shared OPEX	Rand	10 579 813	17 423 851	19 126 476
Bad debts (Allowance for Impairment)	Rand	1 481 887	6 988 632	7 618 308
Charges from other Municipal Departments	Rand	9 039 513	10 371 680	11 306 168
General expenses		**58 413**	**63 540**	**202 000**
1.Commission Expense	Rand	35 000	42 000	42 000
3.Other Expenses	Rand	23 413	21 540	160 000
Total Expediture before surplus		69 740 924	77 004 370	84 581 381
Surplus	Rand	1 377 493	385 022	772 226
Total Expenditure Including Surplus		71 118 417	77 389 392	85 353 607
Other revenues	Rand	**-59 756**	**-73 720**	**-124 242**
Reconnection fees	Rand	21 475	7 324	40 000
New connections	Rand	35 529	40 585	44 242
2. Other Revenue - Illegal Connections	Rand	2 752	25 811	40 000
Total Allowable Revenues	**Rand**	**71 058 661**	**77 315 672**	**85 229 365**
increase required				***10.30%***

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

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

Bulk Purchases

4.11. The licensee applied for a bulk purchase expenditure of R48 million, which accounts for 56% of total costs. This is inclusive of the 18.06% energy loss allowance in line with the Act that requires only prudently and efficiently incurred costs to be passed through to customers.

4.12. To calculate the 2026/27 estimate, the licensee projected the year-to-date amount for 2025/26 since complete financial year data is unavailable, then estimated that

this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.13. The Eskom bills were analysed, and no NMD exceedance penalties were being charged. Furthermore, the municipality did not include Eskom interest charges in the outstanding account.

Operating Expenditure (including depreciation)

4.14. The licensee applied for operational expenditure, including depreciation, of R33 million, as highlighted in Table 5 above.

4.15. The municipality adjusted the expenditure linked to the FY2025/26 tariffs, increasing it from R30 million to a budgeted amount of R33 million, reflecting growth of 9%.

4.16. The municipality reported an asset value of R145 114 564 million, as reflected in the submitted audited D-Forms for the 2024/25FY.

4.17. Depreciation amounted to R2 746 339 million in the 2024/25 financial year. The projected depreciation for 2025/26FY is R2 816 923 million, increasing to R3 070 728 million in the 2026/27FY budget, reflecting a decline of approximately 8.2%.

4.18. As shown in Table 6, depreciation values were verified against the D-forms, trial balance and the audited financial statements. These figures align consistently with the current year's depreciation in Table 5.

Table 6: Depreciation Values

DESCRIPTION	2024/25FY
DEPRECIATION:	2 746 338,76
HV Substations	2 746 877,91
HV Substations	- 539,15

Surplus

4.19. The licensee applied for a surplus of R772 226 thousand which is based on a 2% return on operating expenditure (OPEX), including bulk purchases.

4.20. To ensure that the surplus is not excessive or detrimental to consumers, verification was undertaken by benchmarking the applied surplus margin of 18% against the established target range of 10 to 20%, in line with the approved NERSA Cost of Supply Framework, EPP Policy Position 1, D-Form and the trial balance.

4.21. The return proposed by the municipality is considered reasonable, as it falls within the established target range of 10 to 20%.

4.22. To ensure that the profit margin is commensurate with the risk, the following risk factors were considered:
   a) Revenue collection risks (non-payment, indigence levels, bad debt)
   b) Operational risks (energy losses, ageing infrastructure)
   c) Financial sustainability requirements

4.23. Therefore, the applied surplus is considered modest and reasonable having regard to the relevant risk factors 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. NERSA has therefore approved the revenue requirement as submitted.

4.24. NERSA is satisfied that the return applied for by the licensee is reasonable to keep the licensee sustainable, though it falls below the 10 to 20% target range as determined in the COS Methodology. Thus, it is NERSA's decision to allow the revenue requirement as applied for.

Conclusion on Costs to Serve

4.25. While the COS study outcome reflected an average tariff increase of 44.1% for the licensee to achieve full cost reflectivity, the municipality adopted a three-year phased-in approach to implement tariff increases below the COS study outcomes. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive demand for its electricity services.

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

4.27. This approach will assist in protecting the municipality's revenue base and support its financial sustainability, as required by legislation.

4.28. Furthermore, the COS study is based on a forecast, therefore resulting in a higher average percentage increase for the municipality to reach cost reflectivity. The municipality will therefore be requested to submit a report accounting for all the costs that have been noted in its COS study, to enable NERSA to perform its independent verification/audit process

4.29. The cost adjustment tool indicates a justified increase of 10.30% for FY2026/27. However, the licensee has applied for an increase of 10.30% in line with the

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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/9296/SundaysRiverMunicipality_ReasonsforDecisionontariffapplicatio

DOMESTIC CUSTOMERS

Domestic Prepaid and Households	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1 (0–50) kWh	190.29	209.89	10.30%	209.89	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (51–350) kWh	244.80	270.02	10.30%	270.02	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (351–600kWh)	329.15	363.05	10.30%	363.05	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 4 (>600 kWh)	342.09	377.32	10.30%	377.32	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Domestic Conventional and Households	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1 (0–50) kWh	190.29	209.89	10.30%	209.89	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (51–350) kWh	244.80	270.02	10.30%	270.02	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (351–600kWh)	329.15	363.05	10.30%	363.05	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 4 (>600 kWh)	342.09	377.32	10.30%	377.32	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Basic Charge (R/Month)	91.57	101.00	10.30%	101.00	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Commercial Tariffs

Electricity Streetlights (434)	2025/26 Approved	2026/27 Recommended	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Energy Charge (c/kWh)	68.31	75.34	10.30%	75.34	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Electricity Municipal Service (24590)	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Basic Charge (R/month)	37.29	41.13	10.30%	41.13	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Energy Charge (c/kWh)	308.67	340.46	10.30%	340.46	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Municipal Tariff (444)	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1(>300) kWh	194.81	214.87	10.30%	214.87	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Block 2 (300–700) kWh	217.47	239.86	10.30%	239.86	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (>700) kWh	287.70	317.33	10.30%	317.33	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Municipal Tariff (446)	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Block 1(>300) kWh	335.28	369.81	10.30%	369.81	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	357.93	394.79	10.30%	394.79	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (>700) kWh	378.33	394.79	10.30%	417.29	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Municipal Business Prepaid 701 Phase	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1(>300) kWh	333.03	367.33	10.30%	367.33	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	344.34	394.79	10.30%	379.80	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (>700) kWh	373.79	412.29	10.30%	412.29	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Small Business Conventional 70A 1-phase	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1(>300) kWh	309.14	340.98	10.30%	340.98	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	337.94	379.80	10.30%	372.74	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Block 3 (>700) kWh	372.38	411.23	10.30%	411.23	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Basic Charge (R/month)	656.49	679.98	10.30	679.98	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Small Business Conventional 1phase	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Block 1(>300) kWh	309.14	340.98	10.30%	340.98	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	337.94	379.80	10.30%	372.74	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (>700) kWh	372.38	411.23	10.30%	411.23	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Basic Charge (R/month)	656.49	679.98	10.30	679.98	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Medium Business Prepaid 70A 3-phase	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1(>300) kWh	376.06	414.79	10.30%	414.79	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	389.67	372.74	10.30%	429.80	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 3 (>700) kWh	396.43	411.23	10.30%	437.26	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Medium Business Conventional 70A 3-Phase	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1(>300) kWh	349.87	435.54	10.30%	435.54	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Block 2 (300–700) kWh	362.52	429.80	10.30%	399.85	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue*

						and maintain financial sustainability. The increase is therefore recommended.
Block 3 (>700) kWh	368.84	437.26	10.30%	406.83	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Basic Charge (R/month)	622.35	686.45	10.30%	686.45	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

Industrial Tariffs

Medium Business Conventional 70A 3-Phase	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Basic Charge (R/month)	699.83	771.91	771.91	10.30%	771.91	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Energy Charge (c/kWh) High Season Low Season	 262.80 203.89	 289.86 224.89	 289.86 224.89	 10.30%	 289.86 224.89	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Demand Charge) (R/kVA)	646.45 454.18	713.03 500.96	713.03 500.96	 10.30%	713.03 500.96	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue*

High Season Low Season						*and maintain financial sustainability. The increase is therefore recommended.*

Bulk Supply consumers	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Energy charge (c/kWh) High Season Low Season	262.84 133.52	289.91 147.27	10.30%	289.91 147.27	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*
Demand Charge (R/kVA) High Season Low Season	808.51 491.71	891.78 542.35	10.30%	891.78 542.35	10.30%	*The proposed 10.30% increase is considered reasonable for end-users, ensuring affordability while enabling the municipality to effectively collect revenue and maintain financial sustainability. The increase is therefore recommended.*

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

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

End.