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

Karoo Hoogland Local Municipality

THE DECISION

At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered the Karoo Hoogland Local Municipality's tariff application. Based on the facts and evidence presented, REC approved the tariff increases for the 2026/27 financial year (FY) set out in Table 1 below.

Table 1: Summary of the REC Decision

Tariff Category	2026/27 Approved % Increase
Domestic - Max 60A Conventional	9.01%
Domestic - Max 60A Prepaid	9.01%
Domestic - Indigent Prepaid & Conventional	9.01%
Business- 30 Amp Single Phase	9.01%
Business- 60 Amp Single Phase	9.01%
Business - Three Phase Max 60 Amp	9.01%
General Consumers Max 100 Amp	9.01%

Churches / Community Halls / Schools	9.01%
Guest Houses	9.01%
Industrial: Consumers > 100 Amp	9.01%

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

a) to approve the tariffs that are based on the cost of supply (COS) study, as recommended in the tariff analysis section, for implementation by the municipality with effect from 1 July 2026;
b) to note the COS study submitted by the municipality;
c) that the municipality must submit a report accounting for all the costs identified in its COS study to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification or audit process by 29 January 2027; and
d) that the municipality must submit quarterly SMART energy loss reduction progress reports for NERSA to monitor implementation thereof by 30 September 2026.

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ABBREVIATIONS

COS	Cost of Supply
D-FORM	Distribution form
ERTSA	Eskom's Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IPP	Independent Power Producer
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
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 the mandate of the Energy Regulator to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator and be implemented on 1 July of each financial year.

1.2. The Karoo Hoogland Local Municipality is situated in the Northen Cape. The customer base of the municipality is mostly made up of domestic customers in terms of numbers and consumption, accounting for 54.33% of total electricity sales The municipality provides its indigent customers with 50kWh of Free Basic Electricity (FBE) per month. The municipality also maintains an indigent register. The details regarding customer statistics are highlighted in Table 2 below.

Table 2: Customer Statistics (Data obtained from the latest D-forms – 2024/25)

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	2,105	51.10	1 203
Commercial Prepaid	133	3.23	17
Commercial Conventional	1,865	45.28	78
Sold to other departments	16	0.39	19
TOTAL	**4,119**	**100**	**1 317**
Free Basic Electricity (FBE)[1]	294	7.00[2]	597

1.3. NERSA received the Karoo Hoogland Local Municipality's tariff application together with its revised Cost of Supply (COS) on 31 March 2026. The revision of the COS is primarily driven by significant changes in cost drivers, customer impacts and revenue requirements.

1.4. The Karoo Hoogland Local Municipality implemented an 12.32% average price increase in 2025/26 FY and is applying for an average price increase of 9.01% for the 2026/27 FY.

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

[2] Percentage of Domestic MWh

1.5. In accordance with NERSA requirements, all tariff applications must include confirmation that they have been approved by the Municipal Council and have undergone customer consultation.

1.6. For this application, the municipality has indicated that the tariff application has been approved by Council. The Council meeting which approved this application took place on 26 March 2026 and its resolution was submitted to NERSA. Proof of customer consultation will be submitted on 11 May 2026.

1.7. NERSA followed the notice and comment consultation process. The Karoo Hoogland Local Municipality's tariff application was published on the NERSA website on 31 March 2026, on social media platforms and national and local newspapers to solicit written comments from affected parties.

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

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

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 to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the electricity tariff application for the 2026/27 financial year.

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 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 states 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 them 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 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. The Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and

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

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

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

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

2.6. Cost of Supply Studies

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

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

2.6.3. Policy Position 23 requires electricity distributors to undertake Cost of Supply 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 the 2025/26 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. To assist in the timeous and lawful approval of municipal tariffs, the Court issued a structural interdict regulating the tariff approval process going forward.

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to the NERSA's compliance with the Court order. The Court having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27tariff approvals.

2.8. **Court-Directed Timelines**

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

a) Written notice of bulk tariffs must be communicated 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; and
d) NERSA must be published 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 tariffs and the tariff reasons for decision documents must 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 document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/2027 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Karoo Hoogland, 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. Karoo Hoogland's electricity business recorded a surplus of 17.40% in the 2024/25 financial year, an increase from 15.05% in the 2023/24 financial year as highlighted in table 3 below. This improvement is mainly attributed to higher total income, driven primarily by increased revenue from the sale of electricity and other income streams

3.3. Table 3 below reflects Karoo Hoogland's energy losses. The municipality reported energy losses of 20.32% in the 2024/25 financial year, an increase from 18.89% in the 2023/24 financial year. This rise is primarily attributed to theft and illegal connections. In Fraserburg, which accounts for 66% of the municipality's total electricity consumer base, the network is of poor quality, further contributing to increased losses.

3.4. Karoo Hoogland has implemented an action plan to address high energy losses by initiating a programme aimed at curbing these losses. This involves replacing both conventional and prepaid meters, as well as conducting periodic desktop audits of meters and carrying out site visits for recommended meter inspections.

3.5. The Karoo Hoogland Local Municipality is encouraged to continue implementing measures to reduce and maintain lower levels of energy losses.

Table 3: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
Indicators	**2024-25 FY (Actuals)**	**2023-24 FY (Approved)**
Percentage surplus: (%)	17.40	15.05[3]
Energy losses: (%)	20.32	18.89

3.6. Based on the above information, The Karoo Hoogland Local Municipality demonstrates measurable progress in its financial performance. However, it should implement its existing energy loss reduction plans to mitigate the risk of further increases in energy losses.

4. DETERMINATION OF THE KAROO HOOGLAND LOCAL MUNICIPALITY'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

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

[3] Total Electricity Purchases divided by Total Expenditure

4.2. The Karoo Hoogland Local Municipality utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer's class in a fair and equitable manner. The study follows the NERSA COS framework and utilises the latest available audited data which is based on the 2024/25 financial year.

4.3.

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

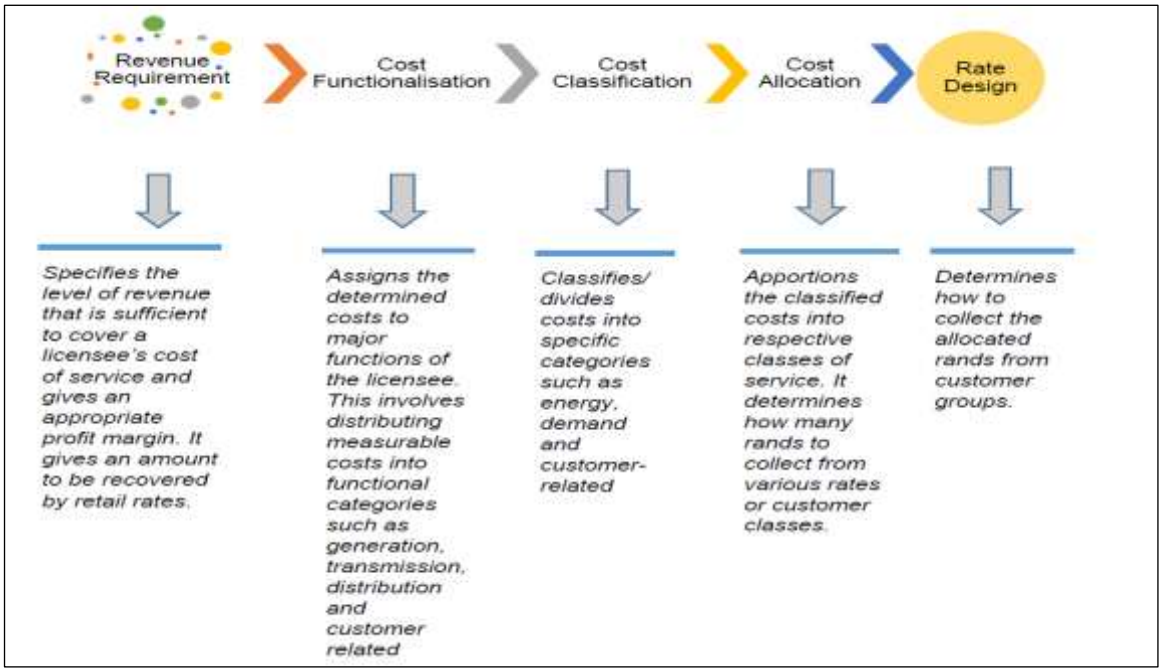


Figure 1: Five steps of COS

4.5. The following steps are undertaken to analyse the Cost of Supply study:

4.5.1. Revenue Requirement

4.5.1.1. To be fully cost reflective, the licensee's revenue requirement is R23 million for the 2026/27 financial year. This amount is primarily driven by Eskom purchases, which account for 65%, while operational expenditure makes up the remaining 35%, as highlighted in Table 4 below.

Table 4: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	11 839 075	18 971 439	23 684 608	100%
Energy purchases from Eskom - net of cost of losses	-	13 295 378	13 295 378	56%
Energy purchases from Eskom - cost of losses	2 021 062	-	2 021 062	9%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	4 579 471	2 546 435	7 125 906	30%
Other revenues	**- 894**	**- 909 991**	**- 910 885**	**-4%**
Surplus	659 964	1 493 182	2 153 146	9%
Not allowable costs	903 776	621 970	1 525 746	
Cost of losses disallowed	903 776	621 970	1 525 746	
TOTAL COSTS	**12 742 852**	**19 593 409**	**25 210 354**	

4.5.1.2. The efficiency of costs for the 2024/25 financial year has been assessed, as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for the 2026/27 financial year, applying stated assumptions to determine the revenue requirement for that period.

4.5.1.3. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. Where any amounts were found to be inflated or insufficiently substantiated, adjustments were made accordingly, as detailed below.

Bulk purchases

4.5.1.4. The Karoo Hoogland Local Municipality applied for bulk purchase expenditure amounting to R15 million, representing 65% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

4.5.1.5. To derive the 2026/27 bulk purchase estimate, the 2025/26 COS amount was escalated by 9.01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.5.1.6. The methodology applied by The Karoo Hoogland Local Municipality in forecasting bulk purchase costs is deemed reasonable. The bulk purchase expenditure has been recommended for approval.

Operational Expenditure

4.5.1.7. The Karoo Hoogland Local Municipality has applied for operational expenditure totalling R7 million, representing 30% of overall costs, as reflected in Table 4 above.

4.5.1.8. The approach adopted by The Karoo Hoogland Local Municipality in forecasting operational expenditure is considered reasonable and the amount has therefore been approved as requested. However, inefficient cost components—such as NMD exceedance penalties and interest incurred on Eskom-related debt—have been excluded from the total, as these items fall within the control of the municipality.

Surplus

4.5.1.9. Karoo Hoogland has requested a surplus of R2 million, calculated using a surplus factor of 9% applied to operating expenditure, inclusive of bulk purchases, for both the wires and retail components of the business.

4.5.1.10. The return proposed by Karoo Hoogland, at 9%, is considered reasonable, although it falls slightly below the established target range of 10–20%. Consequently, the requested amount has been approved as applied for.

4.5.1.11. The decision to approve the revenue requirement 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 revenue requirement. Further detail on these stages is provided below.

4.5.2. Cost Functionalisation

4.5.2.1. The licensee has categorised its revenue requirement of R23 million into two primary functional components, namely the wires business (31%) and the retail business (69%), in accordance with the NERSA COS framework, as illustrated in Table 5 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

Table 5: Cost Functionalisation

		Total Functionalised Costs (R)		
Functions	Included in Surplus baseline	Wires	Retail	Total
Eskom Energy Purchase - excl. losses	FALSE	-	13 295 378	13 295 378
Eskom Energy Purchase - cost of losses	FALSE	2 021 062	-	2 021 062
Other Energy Purchase	FALSE	-	-	-
CAPEX and return	FALSE	-	-	-
Depreciation	TRUE	863 359	-	863 359
Network repairs & maintenance	TRUE	2 271 330	-	2 271 330
OPEX	TRUE	2 103 852	3 129 626	5 233 478
		7 259 604	16 425 004	23 684 608
				TRUE
		31%	69%	

4.5.2.2. These costs, upon verification, are consistent with the approved revenue requirements. 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 framework. The costs align with revenue requirements and cost functionalization upon verification.

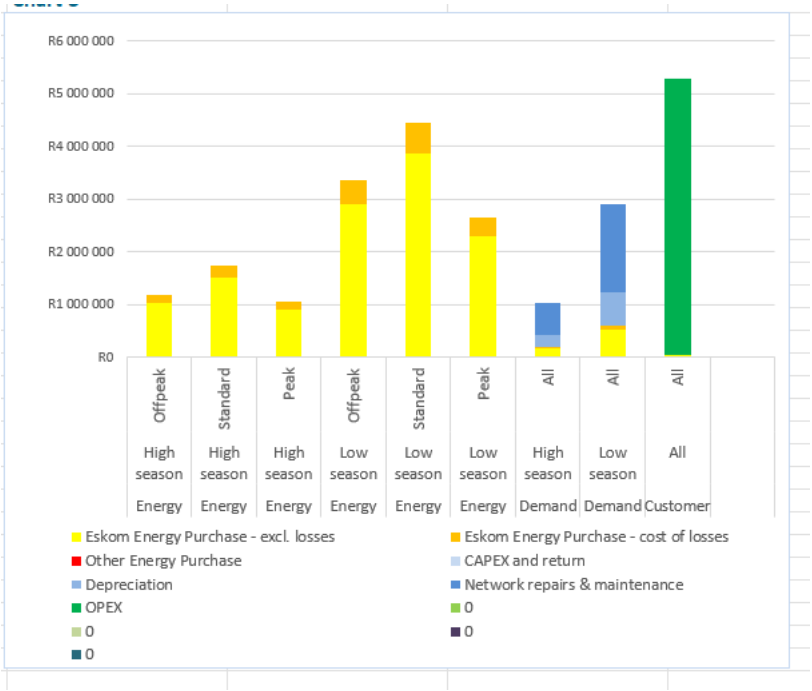


Figure 2: Costs breakdown by Cost Structure (Classification)

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 as highlighted in figure 2 above. 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 framework. Upon verification, the allocation is found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation.

4.5.4.2. As indicated in Table 6 below, the domestic customer category carries the largest proportion of costs, followed by the commercial customers.

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

Table 6: Costs Allocated

Business area:	Total	Total	Total	Total
Cost class:	Energy	Demand	Customer	All
Season:	All	All	All	All
TOU:	All	All	All	All
Customer Categories				
Domestic (pre-paid)	7 843 867	2 586 425	1 822 701	12 252 993
Domestic (conventional)	-	-	-	-
Agriculture	-	-	-	-
Mining & quarrying	-	-	-	-
Manufacturing / Industrial	-	-	-	-
Commercial (pre-paid)	409 270	122 301	515 144	1 046 715
Commercial (conventional)	4 969 704	1 202 781	2 363 602	8 536 087
Transport	-	-	-	-
Redistributors/Resellers	-	-	-	-
Street lighting	66 673	1 599	-	68 272
Electricity department	-	-	-	-
FBE	1 176 580	28 212	-	1 204 792
Other consumers	-	-	-	-
Sold to other municipal departments	-	-	575 749	575 749
	14 466 094	3 941 318	5 277 197	23 684 608

4.5.5. Rate Design

4.5.5.1. Figure 3 below reflects the outcome of the COS study, indicating that most customer categories require upward adjustments. A comparison between the cost of supply and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in figure 3 below.

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 9.01% across all customer categories.

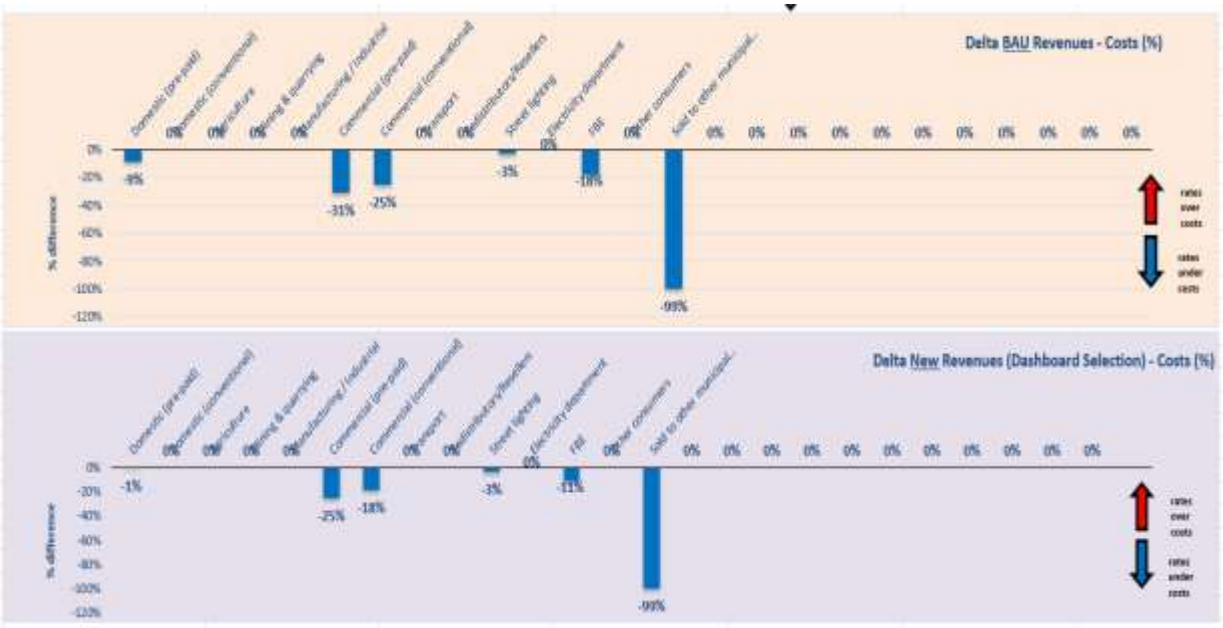


Figure 3: Revenue Recovery by Customer Category

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 licensee may consider its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability constraints faced by customers, in 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 accounting for all costs that remain unverified.

5.6. The COS study results indicate a required increase of 22.6% for the municipality to reach cost reflectivity, as illustrated in Figure 4 below. However, to mitigate the

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3. Domestic - Indigent Prepaid & Conventional	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge (c/kWh)	297.33	324.12	9.01%	324.12	9.01%	The COS analysis indicates that Indigent domestic customers are currently under-recovering by 18%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

4. Business-30 Amp Single Phase	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge (c/kWh)	385.41	424.00	9.01%	424.00	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 25%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Ampere charge (R/Amp/month)	31.41	34.24	9.01%	34.24	9.01%	

5. Business - 60 Amp Single Phase	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge (c/kWh)	385.41	424.00	9.01%	424.00	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 25%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost
Ampere charge (R/Amp/month)	33.38	36.39	9.01%	36.39	9.01%	

						reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

6. Business - Three Phase Max 60 Amp	**NERSA 2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**NERSA 2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Energy charge (c/kWh)	323.30	352.43	9.01%	352.43	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 25%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Ampere charge (R/Amp/month)	66.17	72.14	9.01%	72.14	9.01%	

7. General Consumers Max 100 Amp	**NERSA 2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**NERSA 2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Energy charge (c/kWh)	359.22	391.59	9.01%	391.59	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 25%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Ampere charge (R/Amp/month)	77.66	84.66	9.01%	84.66	9.01%	

8. Churches / Community Halls / Schools	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge (c/kWh)	297.33	324.12	9.01%	324.12	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 25%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Ampere charge (R/Amp/month)	46.68	50.89	9.01%	50.89	9.01%	

9. Guest Houses	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge (c/kWh)	435.55	474.80	9.01%	474.80	9.01%	The COS analysis indicates that commercial conventional customers are currently under-recovering by 31%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

10. Industrial: Consumers > 100 Amp	NERSA 2025/26 Approved	2026/27 Proposed	Proposed % Increase	NERSA 2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Energy charge > 20 000 units per month (c/kWh)	266.32	290.32	9.01%	290.32	9.01%	The COS analysis indicates that industrial customers are neither under-recovering nor over-recovering and are currently at a breakeven or neutral level, with tariffs reflecting the cost of providing electricity services to this customer category. The proposed phased increase of
Energy charge < 20 000 units per month (c/kWh)	346.43	377.64	9.01%	377.64	9.01%	

Demand charge (R/kVA)	30.58	333.44	9.01%	333.44	9.01%	9.01% is considered appropriate, as it aligns with the Eskom bulk tariff increase of 9.01% for municipalities and will enable Karoo Hoogland to adequately recover its bulk supply costs. Therefore, the proposed tariff is considered fair and is recommended for approval.

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered the Karoo Hoogland Local Municipality's application, supporting information, stakeholder inputs and applicable legal framework, approve the tariff adjustments as set out in this document.

End.