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

Magareng Local Municipality

THE DECISION

1. At its meeting held on 27 May 2026, the Regulator Executive Committee (REC) considered Tswelopele 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 section 8 (Page 19 - 20) below.

2. Based on the available information and the analysis performed thus far, the Regulator Executive Committee decided to:

   2.1. 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;
   2.2. to note the COS report submitted by the municipality;
   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 process by 31 January 2027.
   2.4. The Municipality is required to submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit it by 30 September 2026.

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ABBREVIATIONS

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
LM	Local Municipality
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

1. INTRODUCTION

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

1.2. Magareng Local Municipality is situated in the Northern Cape. The Municipality's customer base is mostly domestic customers, accounting for 62% of total electricity sales. The Municipality provides its indigent customers with a minimum of 50kWh of Free Basic Electricity (FBE) per month. The details regarding customer statistics are highlighted in Table 2 below

Table 1: Customer Statistics (Data obtained from 2024/25 D-forms)

	2024/25			
Customer categories	***KWh***	***% KWh***	***Customer numbers***	***% Customer numbers***
Domestic (Prepaid)	3 950 872	60,23%	1 520	88,53%
Domestic (Conventional)	126 362	1,93%	11	0,64%
Manufacturing / Industrial	691 532	10,54%	7	0,41%
Commercial (Prepaid)	1 186 858	18,09%	133	7,75%
Commercial (Conventional)	574 380	8,76%	24	1,40%
Sold to other departments	29 570	0,45%	22	1,28%
TOTAL	6 559 573	100,00%	1 717	100,00%
Free Basic Electricity	680 192	16,68%	535	31,16%

1.3. NERSA received Magareng's tariff application together with its revised Cost of Supply (COS) study on 31 March 2026. The Municipality indicated that the reason for the revision of the COS study is to introduce a seasonal tariff for domestic customers and the changes from the Eskom bulk tariff structure to Muniflex.

1.4. In accordance with NERSA requirements, all tariff applications must include confirmation that the municipal council has approved the proposed tariffs and have conducted customer consultation.

1.5. NERSA followed the notice-and-comment consultation process as well as oral presentations. The Magareng tariff applications were 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.

1.6. NERSA's decision was made on 27 May 2026, having considered 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 it must be exercised in accordance with the applicable legislative framework, national policy directives, and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator Act, 2004 (Act No. 40 of 2004) ("NERA"), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ("ERA"), the Promotion of Administrative Justice Act, 2000 (Act 3 of 2000) ("PAJA"), and the Electricity Pricing Policy for the South African Electricity Supply Industry, 2008 ("EPP").

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and the 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 the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

2.2. NERSA's Statutory Mandate

2.2.1. NERSA was 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 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 to licensees 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 that guide the determination of electricity tariffs in 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 PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

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

2.6. Cost of Supply Studies

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

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

2.6.3. 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 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 2025/2026 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to the NERSA's compliance with the Court order. 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 timelines below are applicable with respect to the 2026/27 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
d) The publication of NERSA decisions by 27 May 2026.

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

a) Written notice of bulk electricity tariffs be communicated by 31 January each year
b) Municipal tariff applications be submitted to NERSA by 20 March each year

c) Municipal tariff approvals and the tariff reasons for decision document, 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 comprising 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 set out in this Reasons for Decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Magareng Local Municipality, 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. Magareng Municipality's electricity business operated at a percentage deficit of -73,89% in the 2024/25 financial year, increasing from a deficit of -37,61% in the 2023/24 financial year. The deterioration was mainly due to a surge in expenses mainly driven by Eskom's interest of R3,5 million as well as increasing energy losses.

Table 2: Performance Indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/24**	**2024/25**
Percentage Surplus (Deficit)	**-37,61%**	**-73,89%**
Percentage energy Losses	**33,87**	**40,77**

3.3. If the energy losses were capped at 12% the Municipality's deficit would have decreased effectively, changing the deficit from -73,89% to -22,68%. The forgone revenue would be R9 218 165

3.4. With losses capped at 6%, the deficit would have decreased from -73,89% to a deficit of -16,94% and the foregone revenue would have been R10 768 052.

3.5. The deficit is due to no inter-departmental billing for water pump and interest on Eskom debts. However, if the Municipality had zero Eskom interest and had maintained the energy losses at 12%, it would have operated with a deficit of -11,33%. The Municipality must continue implementing the plan submitted to NERSA to reduce the energy losses and should also pay its Eskom account to avoid interest.

3.6. This will assist in improving its financial and technical viability. NERSA will monitor to assess the implementation and effectiveness of the enhancement of network maintenance and monitoring.

Table 3: Energy Loss Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price c/KWh	276,90		
Sales kWh	6 559 572,73	9 888 685,68	10 448 422,60
Purchases kWh	11 075 327,96	11 075 327,96	11 075 327,96
Losses kWh	4 515 755,23	1 186 642,28	626 905,36
Losses percentage	40,77%	12,00%	6,00%
Additional Energy (kWh)		3 329 112,95	3 888 849,88
Additional Revenue (Rands)		9 218 165,08	10 768 051,62
	D-Form Input	Energy Loss@12%	Energy Loss@ 6%
Total Revenue (Rands)	22 342 900,73	31 561 065,81	33 110 952,35
Total Expenses (Rands)	38 718 311,65	38 718 311,65	38 718 311,65
Net Profit (Loss)	-16 375 410,92	-7 157 245,84	-5 607 359,30
Percentage Surplus/Deficit	**-73,29%**	**-22,68%**	**-16,94%**

3.7. Based on the above information, inefficiencies in operating expenses continue to put pressure on the financial sustainability of the electricity business. The continued increase in losses indicates weaknesses in revenue protection, network management, metering, and operational efficiency. Had these losses been effectively managed and reduced, the Municipality's financial position and surplus levels would have improved considerably. The Municipality will therefore be engaged further to implement urgent loss-reduction interventions, strengthen technical and non-technical loss management measures, and improve operational efficiencies to restore the sustainability of its electricity business.

3.8. Accordingly, the analysis supports the need for the Municipality to prioritise:

a) the implementation of credible loss-reduction strategies;
b) strengthening of revenue protection measures; and
c) improvement of metering and billing systems.

4. DETERMINATION OF MAGARENG'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

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

4.2. Magareng 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 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.

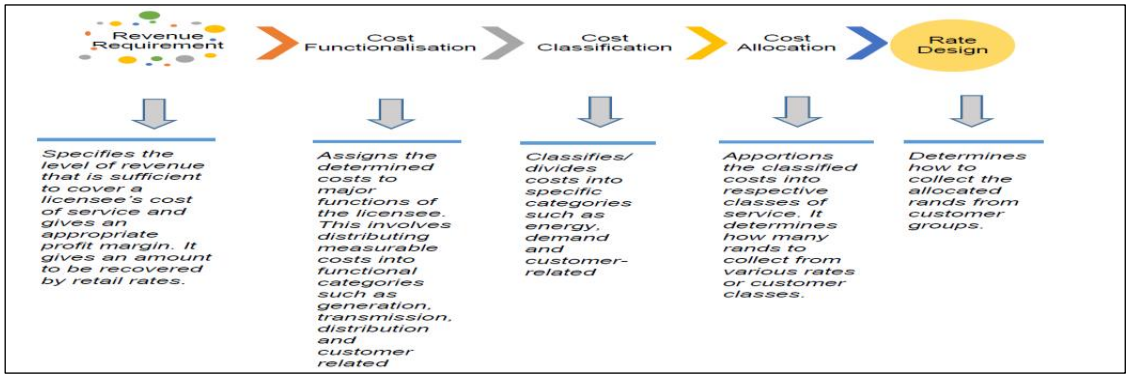


Figure 1: Five Steps of COS

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

Revenue Requirement

4.5.1. In order to be fully cost-reflective, the licensee's COS-reflected revenue requirements are R42 829 444 (wires (18%) and retail (82%)) for the 2024/25 financial year. This revenue requirement is made up of the following components:

4.5.2. Eskom Bulk Purchases account for 56% (excluding cost of losses) of the total revenue requirement at an amount of R23 902 428 million and this is the largest cost driver of the Municipality's electricity department.

4.5.3. Energy Loss Allowance of 12% (norm) amounting to R3 659 792. When combined with Eskom purchases: 56% + 9% = 65% and totals of R27 562 220 of the total revenue requirement.

4.5.4. Operational Expenditure (OPEX) 32% of the total Value: R13 879 295. This includes salaries, maintenance, repairs, administration and other expenditure.

Table 4: Revenue Requirement Components

Revenue Requirement components	Total cost (R)			% of Total
	Wires	Retail	Total	
Allowable costs	6 674 435	36 155 009	42 829 444	100%
Energy purchases from Eskom - net of cost of losses	-	23 902 428	23 902 428	56%
Energy purchases from Eskom - cost of losses	3 378 579	281 213	3 659 792	9%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	8 178 644	5 700 651	13 879 295	32%
Other revenues	**-**	**-**	**-**	**0%**
Surplus	817 864	570 065	1 387 929	3%
Not allowable costs	1 503 927	1 432 117	2 936 043	
Cost of losses disallowed	1 503 927	1 432 117	2 936 043	
TOTAL COSTS	8 178 363	37 587 125	45 765 488	
	18%	82%		

4.5.5. The efficiency of costs for the 2024/25 financial year (base 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.

Table 5: Cost of losses disallowed as per revenue requirements

Disallowed Cost	**2026/27**
Total cost	45 765 488
Energy loss as per COS capped at 12%	2 936 043
Allowable Cost	**42 829 444**

4.5.6. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. Inefficiencies such as the Eskom debt interest of R3 580 049 were not taken into consideration in the determination of the revenue requirement.

Bulk Purchases

4.5.7. From the submitted COS Magareng applied for bulk purchase expenditure amounting to R23 902 428 (excluding losses), representing 56% of total costs. The bulk purchase figure was verified against the Eskom bulk purchase invoices for the 2024/25 financial year, D-forms, trial balance and audited Annual Financial Statements (AFS).

4.5.8. 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).

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

Operational Expenditure

4.5.10. The licensee applied for operational expenditure, including depreciation of R13 879 295 as highlighted in Table 4 above.

4.5.11. The Municipality reported an asset value of R160 770 200, as recorded in the 2024/25 financial year in the submitted assets register and the Municipality's audited AFS do not have a breakdown of the assets to the respective municipality businesses.

Depreciation amounted to R3 482 478 in the 2024/25 financial year. The projected depreciation for the 2025/26 financial year is R3 694 561, increasing to R3 862 822 in the 2026/27 financial year budget.

Table 6: Operational Expenditure Breakdown

Cost Drivers	2024/25 Actuals	2025/26 Budget	2026/27 Appliad for	Recommended Opex
General & Other	**R 9 686 892**	**R 7 376 517**	**R 8 713 612**	**R 8 713 612**
Salaries and allowances	R 1 800 389	R 1 954 401	R 2 013 033	R 2 013 033
Materials and supplies	R 823 976	R 958 696	R 987 457	R 987 457
Contracted Services	R -	R 1 027 549	R 1 058 375	R 1 058 375
Payments to consultants (operational work)	R -	R 768 859	R 791 924	R 791 924
Eskom debts' interests	R 3 580 049	R -	R -	R -
Other creditors interests	R -	R -	R -	R -
Current year depreciation	R 3 482 478	R 3 694 561	R 3 862 822	R 3 862 822
NMD exceedance penalties	R -	R -	R -	R -
Shared OPEX	**R 3 381 047**	**R 5 015 226**	**R 5 165 683**	**R 5 165 683**
Bad debts written-off	R -	R -	R -	R -
FBE paid to Eskom	R -	R -	R -	R -
Charges from other Municipal Dep	R -	R 1 532 747	R 1 578 730	R 1 578 730
General Expenses	R 3 381 047	R 3 482 478	R 3 586 953	R 3 586 953
Total	**R 13 067 939**	**R 12 391 743**	**R 13 879 295**	**R 13 879 295**

Surplus

4.5.12. Magareng has requested a surplus of R1,4 million, calculated using a surplus factor of 3% applied to operating expenditure, inclusive of bulk purchases, for both the wires (18%) and retail (82%) components of the business.

4.5.13. The inclusion of a surplus indicates that the Municipality made provision for a reasonable margin to support the sustainability of the electricity business, future operational requirements, and financial viability. However, the relatively low surplus margin may be insufficient to adequately address infrastructure refurbishment, increasing operational costs, and the financial impact of excessive energy losses. The surplus forms an important component of the Municipality's electricity business sustainability as it contributes towards:

a) Funding future infrastructure refurbishment and replacement.

b) Strengthening cash flow and working capital requirements.

c) Mitigating financial risks associated with bulk electricity price increases and revenue under-collection.

d) Supporting the long-term financial viability of the electricity undertaking.

4.5.14. However, the municipality's ability to realise the approved surplus remains dependent on several operational and financial factors, including:

a) the effectiveness of revenue collection;

b) the management of technical and non-technical energy losses;

c) the containment of operating expenditure; and

d) the Municipality's ability to manage Eskom-related debt obligations and avoid additional interest charges and penalties.

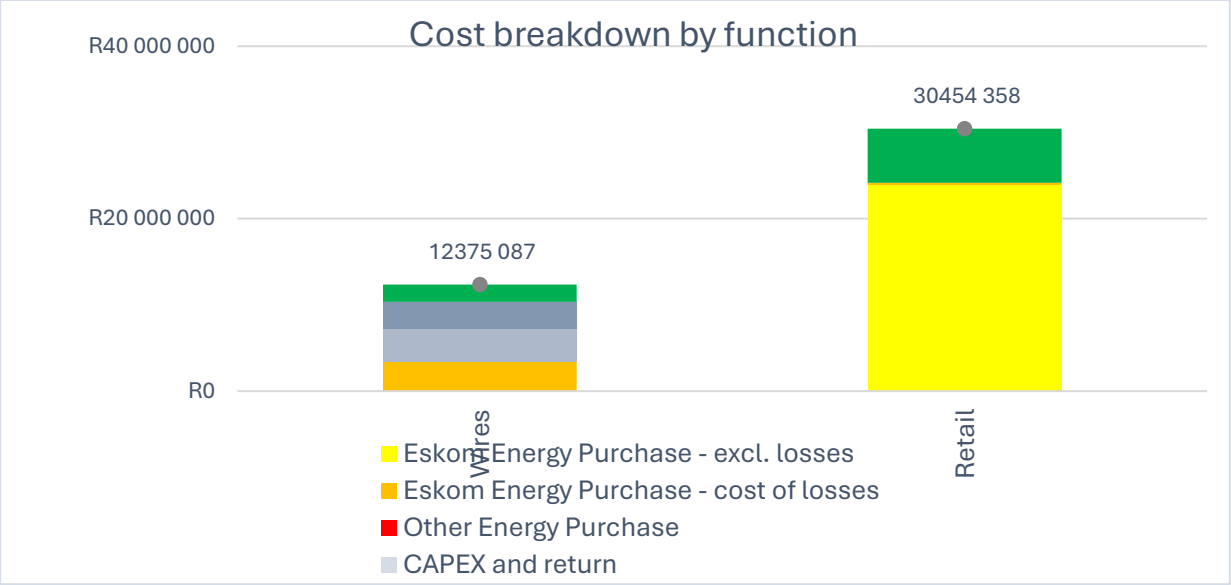
4.5.15. The return proposed by Magareng is considered reasonable, as it falls below the established target range of 10–20%. This implies that the licensee should scrutinise its operating expenses to enable a tolerable range on surplus.

4.5.16. 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 details on these stages are provided below.

Cost Functionalisation

4.5.17. Magareng has categorised its revenue requirement of R42,8 million into two primary functional components, namely the wires business (18%) and the retail business (82%), in accordance with the NERSA COS framework, as illustrated in Figure 2 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

Figure 2: Cost Breakdown by Functions

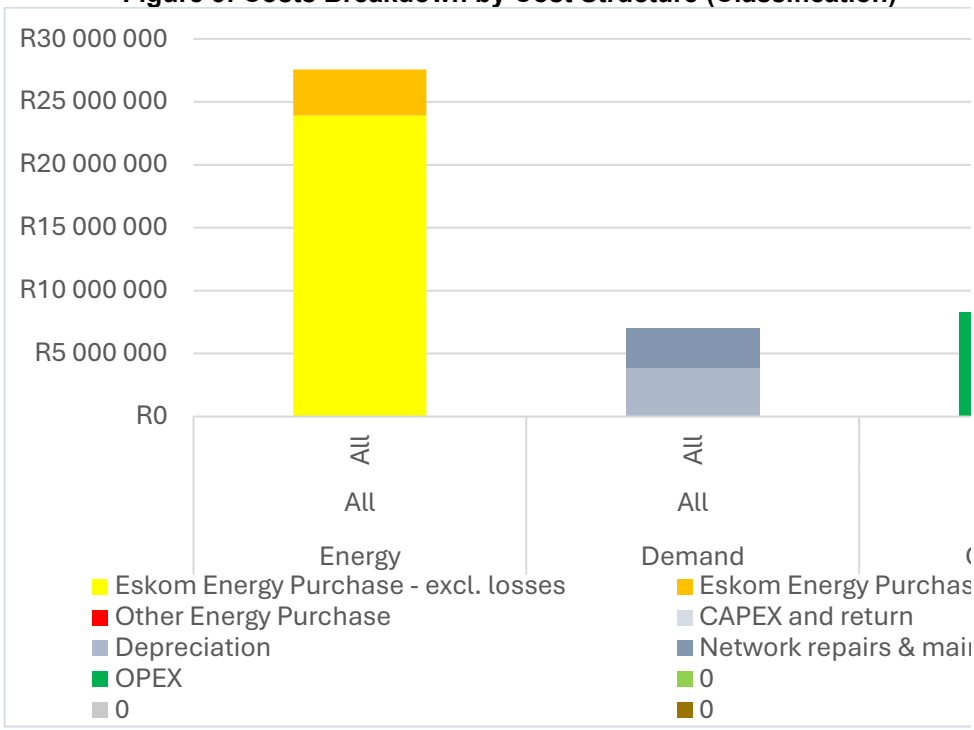


4.5.18. These costs, upon verification, are consistent with the approved revenue requirements. Network repairs and maintenance constitute the predominant cost drivers within the wires business, while energy purchases represent the primary cost driver within the retail business.

Cost Classification

4.5.19. Magareng 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 functionalisation upon verification.

Figure 3: Costs Breakdown by Cost Structure (Classification)

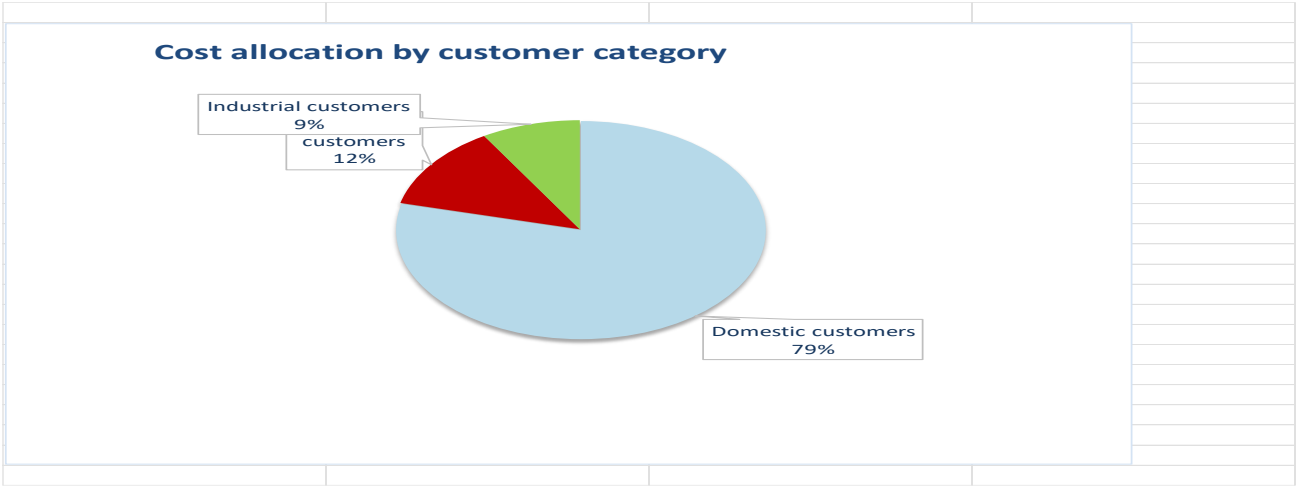


4.5.20. Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season. Demand-driven costs are similarly concentrated in the summer period. Customer-driven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

Cost Allocation

4.5.21. 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.

Figure 4: Costs Allocated

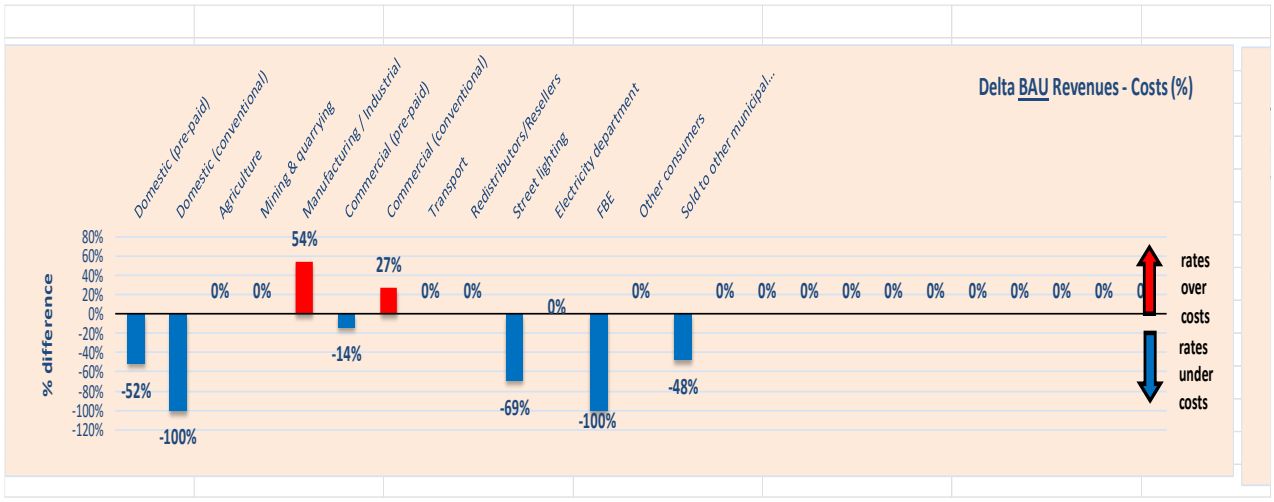


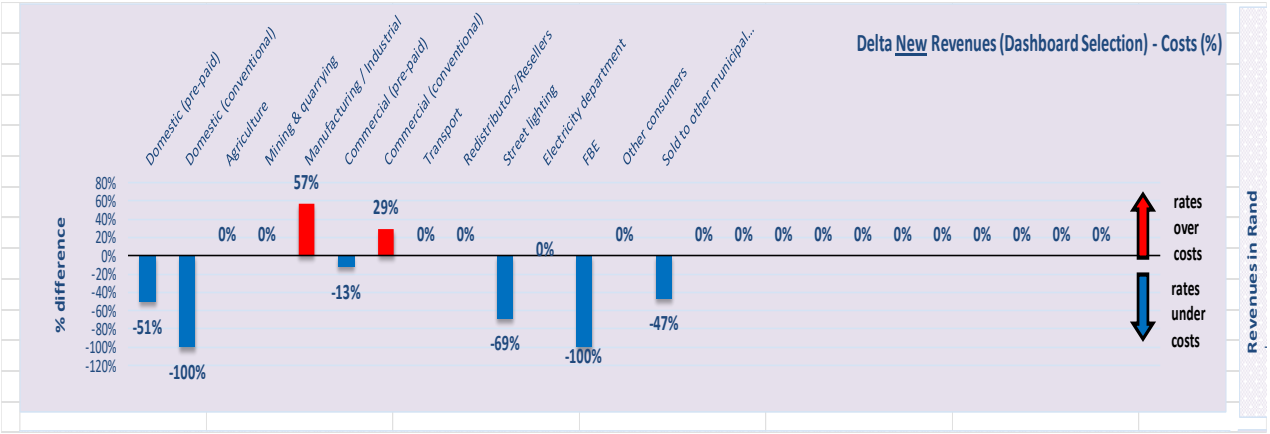
Rate Design

4.5.22. Table 4 below reflects the outcome of the COS study, indicating that the category requires upward adjustments, while the rest, including commercial customers, warrant a decrease. A comparison between the COS and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in Figure 4 below.

4.5.23. To achieve full cost-reflectivity, the Municipality would be required to implement differentiated tariff adjustments across the customer categories mentioned in section 4.4.5.1. However, the Municipality has adopted a less aggressive approach, opting instead for a proposed uniform tariff increase of 10,2% across all customer categories and adjusting the industrial time of use.

Figure 5: Revenue Recovery by Customer Category





5. CONCLUSION ON THE COS

5.1. The Municipality proposed an average tariff increase of 10,1%, whereas an average increase of approximately 12,7% would be required to achieve full overall cost-reflectivity. This demonstrates that the Municipality elected to phase in tariff adjustments rather than immediately implement the full cost-reflective tariffs, likely to mitigate tariff shock and affordability pressures on consumers.

5.2. Significantly higher tariffs could negatively impact 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.

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

5.4. Furthermore, the COS is based on a forecast, therefore resulting in a higher average percentage increase for the Municipality to reach cost-reflectivity. It is for this reason that the Municipality will be requested to submit a report accounting for all the costs that have been noted in its COS study, to enable the Regulator to perform its independent verification/audit.

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.

Figure 6: Rate Design

	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	25 483 247	42 829 444	**26 132 517**
		Delta =	- 16 696 927
Average increase in rates	**12,5%**		
Average increase in rates to reach overall cost-reflectivity	68,1%		
Share of total cost recovered with the new rates (by the end of the transition period)	**61,0%**		
Share of total costs recovered (existing rates)	**59,5%**		

5.6. In its evaluation and assessment of the tariff applications, the following principles are applied:

5.7. Costs were assessed for reasonableness and accuracy, noting that certain cost items were considered excessive and insufficiently substantiated by the licensees.

5.8. The costs will be subject to a detailed audit and independent verification process, to be undertaken under the direction of NERSA at a later stage.

5.9. NERSA reserves the right to implement a claw-back mechanism, where necessary, to address any discrepanciess identified through the verification process.

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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/9287/MagarengLM-RFD.pdf

2.1 Commercial Conventional	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Basic Charge (R/month):	792,65	10,1%	872,71	872,71	10,1%	N/A
Energy Charge (c/kWh):	323,64	10,1%	356,32	356,32	10,1%	
2.2 Commercial Prepaid	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Energy Charge (c/kWh)	323,64	10,1%	356,32	356,32	10,1%	N/A
3. Bulk Supply	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Basic Charge R/month)	8081,47	10,1%	8897,70	8897,70	10,1%	N/A
Energy Charge (c/kWh)	225,90	10,1%	248,72	248,72	10,1%	
Demand Charge (R/kVA)	428,08	10,1%	471,32	471,32	10,1%	
4 Municipality Department	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Energy charge (c/kWh)	323,64	10,1%	356,32	356,32	10,1%	N/A

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered the Magareng application, supporting information, stakeholder inputs, and applicable legal framework, approves the tariff adjustments as set out in this Reasons for Decision.

End.