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

Kai !Garib Local Municipality

THE DECISION

At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Kai !Garib 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:

1. to approve the tariffs based on the COS study, as recommended in the tariff analysis section, for implementation by the Municipality with effect from 1 July 2026;
2. to note the COS study submitted by the Municipality;
3. that the Municipality must submit a report accounting for all 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 31 January 2027; and
4. 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 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 for implementation on 1 July of each financial year.

1.2. Kai !Garib Local Municipality (Kai !Garib or 'the Municipality') is situated in the Northern Cape. The customer base of the Municipality consists predominantly of domestic customers who account for 51.91% of total electricity sales. The Municipality provides its indigent customers with a minimum of 50 kWh of Free Basic Electricity (FBE) per month and reports that it maintains an indigent register. Customer statistics are highlighted in Table **2** below.

Table 2: Customer statistics (data obtained from the latest D-forms – 2024/25FY

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	13 892	40.90	6 572
Domestic Conventional	3 739	11.01	445
Manufacturing	9 448	27.82	78
Commercial Prepaid	1 695	4.99	137
Commercial Conventional	5 128	15.10	198
Street Lighting	60	0.18%	0
TOTAL	**33 962**	**100**	**7 430**
[1]FBE	4 782	27[2]	3 322

1.3. NERSA received the Municipality's tariff application together with its new Cost of Supply study (COS) based on the cost-plus methodology, on 31 March 2026.

1.4. The Municipality implemented an average price increase of 20.25% in the 2025/26 financial year and is applying for an average price increase of 9.01% for the 2026/27 financial year.

1.5. For this application, the Municipality has indicated that the tariff application was approved by Council. The Council meeting at which this application was approved

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

[2] Percentage of Domestic MWh

was held on 31 March 2026, and the Council resolution was submitted to NERSA. Proof of customer consultation was also submitted on 7 March 2026.

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

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

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. 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 municipal electricity tariff application for the 2026/2027 municipal 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 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, the Energy Regulator exercises this authority through the following powers conferred by ERA:

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.
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 licenses 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. 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 Electricity Pricing Policy (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 therefore 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 2025/2026 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 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.
d) NERSA's decisions must be published 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 Reasons for Decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/2027 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Kai !Garib, 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 indicates that the Municipality's electricity business reduced its percentage deficit from 44.62% in the 2023/24 financial year to 40.73% in the 2024/25 financial year. This improvement is attributed to increased revenue from electricity sales. However, the Municipality's collection rate remains low at 69%, which continues to constrain revenue generation and may undermine these gains. The Municipality is therefore encouraged to strengthen its revenue collection mechanisms to improve its collection rate and enhance overall financial sustainability.

3.3. Energy losses decreased from 35.73% in the 2023/24 financial year to 31.42% in the 2024/25 financial year, as reflected in Table 3 below. Although losses remain at a relatively high level, the reduction indicates some improvement in operational efficiency in the management of electricity distribution. The Municipality is encouraged to sustain and intensify its loss-reduction initiatives to achieve and maintain losses at more acceptable levels.

Table 3: Performance indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
Indicators	**2024-25FY (Actuals)**	**2023-24FY (Approved)**
Percentage surplus (deficit): (%)	-40.73	-44.62[3]
Energy Losses: (%)	31.42	35.73

3.4. Table 4 below presents a comparison of the financial outcomes under three energy loss scenarios: (i) the current actual loss level of 31.42%, (ii) a reduced loss level of 12%, and (iii) a further reduction to 6%. If the Municipality were to reduce and maintain energy losses at 12%, it could generate an additional R31.3 million in revenue, improving the deficit position to approximately 15.23%. A further reduction in energy losses to 6% would generate an additional R41 million in revenue, significantly strengthening the Municipality's financial position and reducing the deficit to around 9.12%.

[3] Total Electricity Purchases divided by Total Expenditure

Table 4 : Energy losses analysis (data obtained from D-forms – 2024/25 financial year)

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	325,76		
Sales kWh	33 962 573,00	43 579 939,92	46 551 299,46
Purchases kWh	49 522 659,00	49 522 659,00	49 522 659,00
Losses kWh	15 560 086,00	5 942 719,08	2 971 359,54
Losses percentage	**31,42%**	**12,00%**	**6,00%**
Additional Energy (kWh)		9 617 366,92	12 588 726,46
Additional Revenue (Rands)		31 329 746,35	41 009 312,65
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 141 572 855,00	R 172 902 601,35	R 182 582 167,65
Total Expenses (Rands)	R 199 230 505,00	R 199 230 505,00	R 199 230 505,00
Net Profit (Loss)	R -57 657 650,00	R -26 327 903,65	R -16 648 337,35
Percentage Surplus/Deficit	**-40,73%**	**-15,23%**	**-9,12%**

3.5. Based on the information received, the Municipality's electricity business is operating at a loss, as evidenced by the persistent percentage deficit and high energy losses. This situation places strain on the licensee's financial sustainability and indicates an unstable financial position that requires ongoing monitoring. The Municipality is therefore encouraged to implement targeted interventions to reduce energy losses, improve its collection rate, and contain or reduce total operating costs to enhance overall financial performance.

4. DETERMINATION OF KAI !GARIB'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.

4.2. The 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.

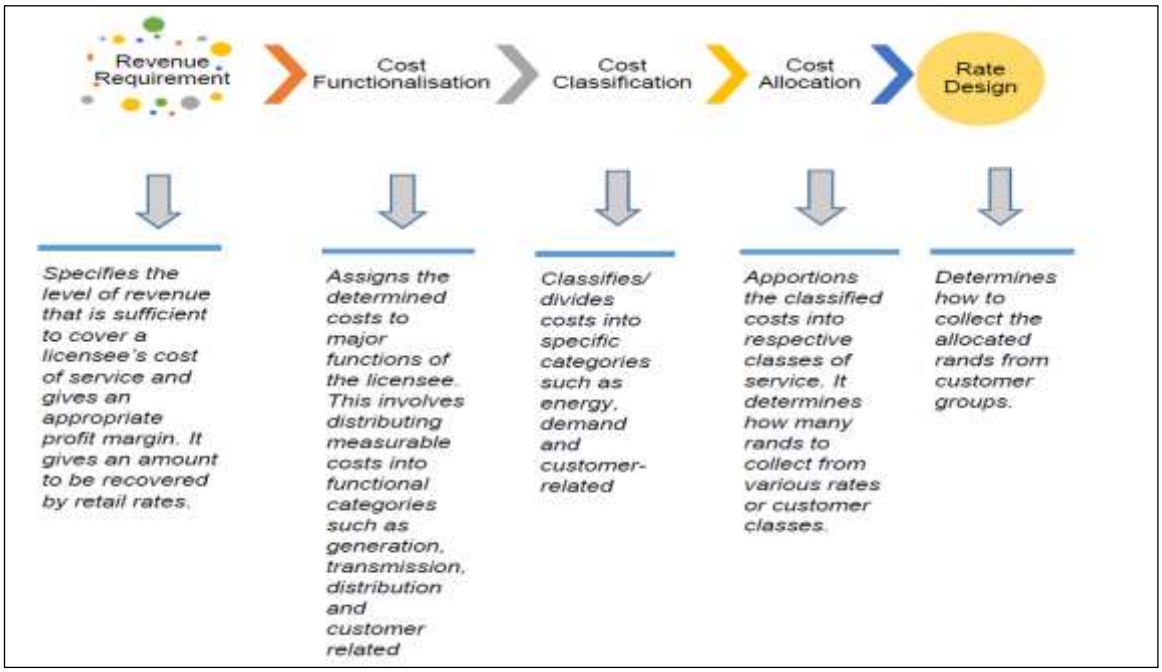


Figure 1: Five steps of COS study

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 R155 million for the 2026/27 financial year. This amount is primarily driven by Eskom purchases, which account for 54%, while operational expenditure makes up the remaining 46%, as highlighted in Table 5 below.

Table 5: Revenue requirement components

Allowable costs	37 000 797	118 713 248	155 714 045
Energy purchases from Eskom - net of cost of losses	-	71 679 359	71 679 359
Energy purchases from Eskom - cost of losses	9 085 593	2 989 161	12 074 753
Other energy purchases	-	-	-
Capital expenditure	-	-	-
Operational expenditure (incl. Depreciation)	23 104 403	28 638 561	51 742 964
Other revenues	- 15 390	- 78 169	- 93 559
Surplus	4 826 191	15 484 337	20 310 528
Not allowable costs	5 056 402	10 096 719	15 153 121
Cost of losses disallowed	5 056 402	10 096 719	15 153 121
TOTAL COSTS	**42 057 199**	**128 809 967**	**170 867 166**

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 have been effected accordingly, as detailed below.

Bulk purchases

4.5.1.4. The Municipality applied for bulk purchase expenditure amounting to R83 million, representing 54% 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 Municipality in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

4.5.1.7. The Municipality has applied for operational expenditure totalling R51 million, representing 33% of overall costs, as reflected in Table 4 above.

4.5.1.8. Depreciation amounted to R38.7 million in the 2024/25 financial year. The projected depreciation for 2025/26 financial year is R49 million, increasing to R62.1 million in the 2026/27 financial year budget, reflecting a growth of approximately 27%.

4.5.1.9. The approach adopted by the 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.

4.5.1.10. The 2025/26 financial year costs will further be verified in the intervening periods, between tariff applications as part of a rigorous auditing process.

Surplus

4.5.1.11. The Municipality applied a cost-plus methodology. Under the cost-plus methodology, the allowable revenue is derived as follows:

a) Efficient and prudent operating expenditure (OPEX)

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

c) Plus, a reasonable surplus margin.

4.5.1.12. The Municipality has requested a surplus of R20 million, calculated using a surplus factor of 13% applied to operating expenditure, inclusive of bulk purchases, for both the wires and retail components of the business.

4.5.1.13. To ensure that the surplus is not excessive or detrimental to consumers, verification was undertaken by benchmarking the applied surplus margin of 13% against the established target range of 10–20%, in line with the approved NERSA Cost of Supply Framework, EPP Policy Position 1, D-Form, and the trial balance.

4.5.1.14. The return proposed by the Municipality, at 13%, is considered reasonable falls within the established target range of 10–20%.

4.5.1.15. To ensure that the profit margin is commensurate with the level of risk, qualitative risk considerations were incorporated, including revenue collection risks (such as non-payment, indigence levels, and bad debts), operational

risks (including energy losses and ageing infrastructure), and broader financial sustainability requirements, as well as consideration of customer affordability. All these risks link to the financial sustainability of the municipality.

4.5.1.16. Therefore, the applied surplus margin is considered modest and commensurate with these risks, particularly in the context of a municipal distributor that is not profit-maximising but must remain financially viable. Thus, it is NERSA's decision to allow the revenue requirement as applied for.

4.5.1.17. 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 R155 million into two primary functional components, namely the wires business (24%) and the retail business (76%), in accordance with the NERSA COS framework, as illustrated in Table 6 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

Table 6: Cost functionalisation

	Total Functionalised Costs (R)		
Functions	Wires	Retail	Total
Eskom Energy Purchase - excl. losses	-	71 679 359	71 679 359
Eskom Energy Purchase - cost of losses	9 085 593	2 989 161	12 074 753
Other Energy Purchase	-	-	-
CAPEX and return	-	-	-
Depreciation	6 921 671	-	6 921 671
Network repairs & maintenance	3 872 000	-	3 872 000
OPEX	17 121 533	44 044 729	61 166 262
	37 000 797	118 713 248	155 714 045

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 functionalisation upon verification.

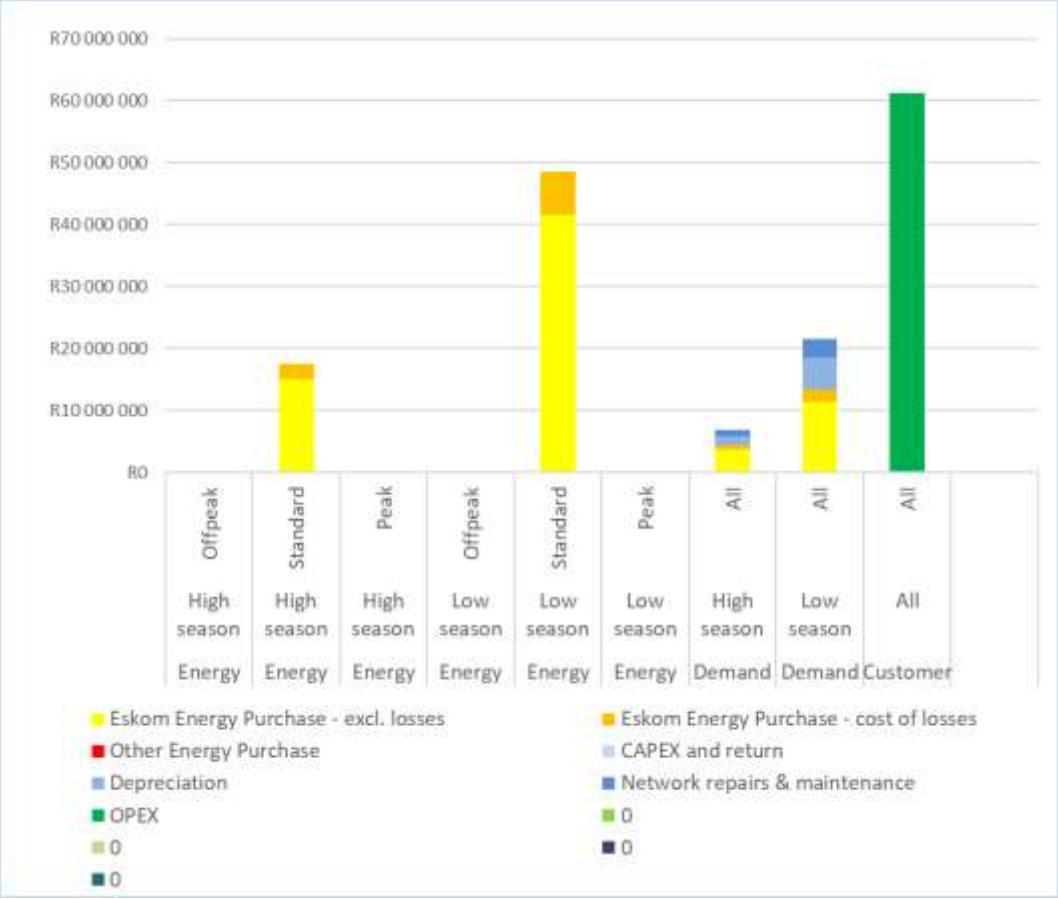


Figure 2: Costs breakdown by cost structure (Classification)

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 7 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 7: 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)	26 819 600	13 878 843	23 066 442	63 764 886
Domestic (conventional)	8 729 034	4 493 138	5 071 404	18 293 577
Agriculture	-	-	-	-
Mining & quarrying	-	-	-	-
Manufacturing / Industrial	11 050 929	2 529 763	4 522 865	18 103 557
Commercial (pre-paid)	2 554 191	748 771	1 936 022	5 238 983
Commercial (conventional)	7 181 122	2 112 701	3 071 822	12 365 645
Transport	-	-	-	-
Redistributors/Resellers	-	-	-	-
Street lighting	172 261	2 656	-	174 916
Electricity department	-	-	-	-
FBE	9 560 287	4 595 122	23 617 072	37 772 480
Industrial TOU	-	-	-	-
Sold to other municipal departments	-	-	-	-
	66 067 424	28 360 994	61 285 628	155 714 045

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.

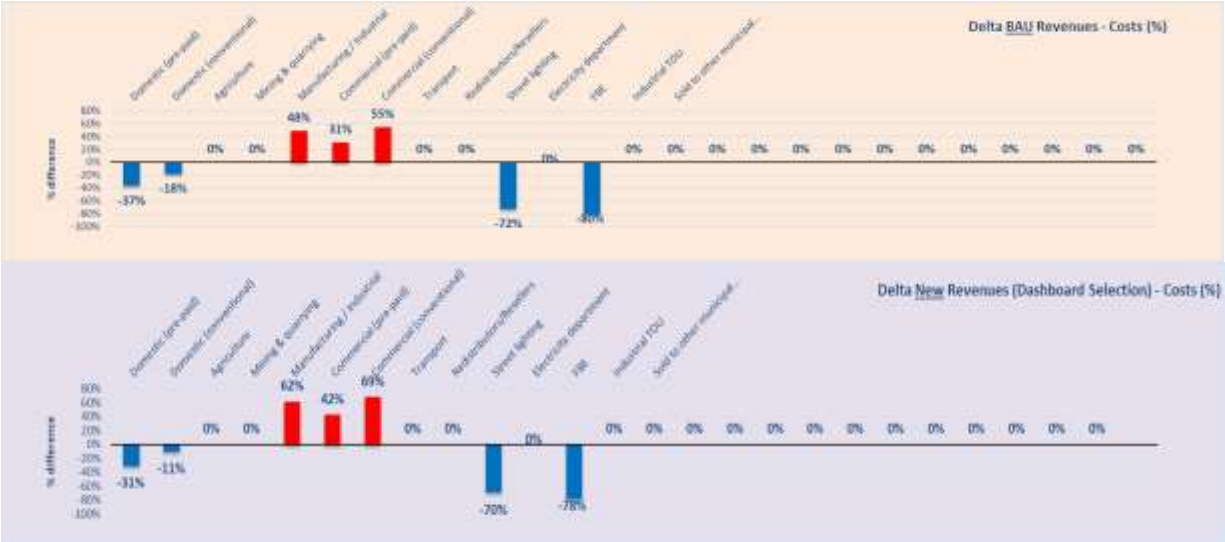


Figure 3: Revenue recovery by customer category

5. CONCLUSION ON THE COS STUDY

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 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 34.7% for the Municipality to reach cost reflectivity, as illustrated in Figure 4 below. However, to mitigate the impact on customers, the licensee has proposed a lower increase of 9.01%. Based

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https://www.nersa.org.za/file/9262/KaiGaribMunicipality_ReasonsforDecisionontariffapplicationproc

3. Prepaid Domestic Three Phase	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Block 1 (0 - 50kWh)	355.38	387.40	9.01%	387.40	9.01%	The COS analysis indicates that the tariff is under-recovering by approximately 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 reasonable.
Block 2 (51 - 350 kWh)	367.13	400.21	9.01%	400.21	9.01%	
Block 3 (351 - 600 kWh)	438.88	478.42	9.01%	478.42	9.01%	
Block 4 (> 600 kWh)	449.85	490.38	9.01%	490.38	9.01%	

4. Domestic - Conventional Single Phase 1x60 Amp	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Block 1 (0 - 50kWh)	293.68	320.14	9.01%	320.14	9.01%	The COS analysis indicates that the tariff is under-recovering by approximately 12%. 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 reasonable.
Block 2 (51 - 350 kWh)	316.86	345.41	9.01%	345.41	9.01%	
Block 3 (351 - 600 kWh)	324.78	354.04	9.01%	354.04	9.01%	
Block 4 (> 600 kWh)	332.90	332.90	9.01%	332.90	9.01%	
Basic charge (R/month)	500.40	545.48	9.01%	545.48	9.01%	

5. Domestic - Conventional Three Phase 3x60 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Block 1 (0 - 50kWh)	293.66	320.12	9.01%	320.12	9.01%	The COS analysis indicates that the tariff is under-recovering by approximately 12%. 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 reasonable.
Block 2 (51 - 350 kWh)	316.86	345.41	9.01%	345.41	9.01%	
Block 3 (351 - 600 kWh)	324.78	354.04	9.01%	354.04	9.01%	
Block 4 (> 600 kWh)	332.90	362.90	9.01%	362.90	9.01%	
Basic charge (R/month)	686.86	748.75	9.01%	748.75	9.01%	

6. Commercial - Prepaid Single Phase and 3 Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Block 1 (0 - 50kWh)	432.66	471.64	9.01%	471.64	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 38%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Block 2 (51 - 350 kWh)	443.47	483.43	9.01%	483.43	9.01%	
Block 3 (351 - 600 kWh)	444.45	484.49	9.01%	484.49	9.01%	
Block 4 (> 600 kWh)	448.38	488.78	9.01%	488.78	9.01%	

7. Commercial - Conventional Single Phase 1x60 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	331.53	361.40	9.01%	361.40	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 62%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Basic charge (R/month)	1 509.68	1 645.70	9.01%	1 645.70	9.01%	

8. Commercial - Conventional Three Phase 3x60 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	314.17	342.48	9.01%	342.48	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 62%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable
Basic charge (R/month)	2 530.16	2 758.13	9.01%	2 758.13	9.01%	

9. Commercial - Conventional Three Phase 3x100 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	314.92	343.29	9.01%	343.29	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 62%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Basic charge (R/month)	3 407.27	3 714.26	9.01%	3 714.26	9.01%	

10. Industrial - Low and High Tension	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	201.18	219.31	9.01%	219.31	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 57%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Demand charge (R/kVA)	442.63	482.51	9.01%	482.51	9.01%	
Basic charge (R/month)	3 618.03	3 944.01	9.01%	3 944.01	9.01%	

11. Streetlights	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Energy charge (c/kWh)	63.09	68.77	9.01%	68.77	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 71%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Basic charge (R/month)	1 806.72	1 969.51	9.01%	1 969.51	9.01%	

12. High Mast Lights	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Energy charge (c/kWh)	173.99	189.67	9.01%	189.67	9.01%	The COS study indicates that the tariff structure is over-recovering by approximately 71%. However, the proposed increase remains below the 35% required for full cost recovery as indicated by the study. Accordingly, the proposed tariffs are considered prudent and reasonable.
Basic charge (R/month)	1 804.20	1 966.76	9.01%	1 966.76	9.01%	

13. Availability Fee	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Basic charge (R/month)	218.46	238.13	9.01%	238.13	9.01%	This tariff category is revenue-neutral. The increase is primarily aimed at improving cost reflectivity, particularly in recovering fixed costs associated with electricity distribution infrastructure, including network maintenance, metering, billing, and customer service operations. Given the continued escalation in operational and asset-related costs, an upward adjustment to the fixed charge is justified to ensure financial sustainability. Therefore, the tariff is considered fair and reasonable.

14. Small-Scale Embedded Generation	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Feed-In-Tariff (c/kWh)	(49.77)	(49.82)	9.01%	(49.82)	9.01%	The SSEG tariff supports energy security, promotes renewable energy uptake, and enables more efficient use of the municipal network within the Municipality. The proposed Export Energy Charges are increasing by 9.01% for 2025/26FY, provides pricing stability and avoids tariff shocks while remaining aligned with cost-reflective principles. It balances customer incentives with municipal financial sustainability and supports the controlled integration of embedded generation. Accordingly, the tariff is considered appropriate and is recommended for approval.

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

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

End.