NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Tariff Application for the 2026/27 Financial Year

By

Siyancuma Local Municipality

THE DECISION

At its meeting held on 11 May 2026, the Regulator Executive Committee (REC) considered the Siyancuma Local Municipality's tariff application. Based on the facts and evidence presented, REC approved the tariff increases for the 2026/27 financial year set out below.

1. to approve the tariffs that are based on the Cost of Supply (COS) study as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026.
2. 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 to perform its independent verification/audit process by 31 January 2027.

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ABBREVIATIONS AND ACRONYMS

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
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 on a yearly basis, in accordance with its mandate to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator to be implemented on 1 July of each financial year.

1.2. The Siyancuma Local Municipality (Siyancuma) has a population of 35,941 and a total number of customers amounting to 5,548, and the rest of the socio-economic information is listed in Table 1 below. The licensee provides 50 kWh free basic electricity (FBE) to 2 616 indigent customers.

Table 1: Customer statistics (data obtained from 2024/25 D-forms)

	2023/24		
Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic(Prepaid)	10 115	47%	4 970
Domestic(Conventional)	815	4%	186
Manufacturing	5 152	24%	14
Commercial Prepaid	1 505	7%	151,83
Commercial Conventional	1 850	9%	141
Street Lighting	1 180	5%	
Sold to other departments	846	4%	85
TOTAL	**21 463**	**100%**	**5 548**

1.3. NERSA received Siyancuma Local Municipality's tariff application, together with its Cost of Supply (COS) study, on 31 March 2026. The municipality indicated that it had consulted affected stakeholders and that its Council approved the proposed tariff increases. Proof of consultation was submitted.

1.4. NERSA followed the notice and comment consultation process as well as oral presentations. On 31 March 2026, NERSA published Siyancuma's tariff application on its website and social media platforms, as well as in national and local newspapers, to solicit written comments from affected parties.

1.5. NERSA's decision was made on 6 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of municipal electricity tariffs constitutes a core regulatory function of 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 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 is established as a juristic person in terms of section 3 of 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 licenses and may issue licenses 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 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. Therefore, 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. 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 of the EPP states that electricity tariffs must reflect the efficient cost of rendering electricity services accurately and that the average level of tariffs must be set to recover the approved 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 of the EPP 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 NERSA.

2.7. Judicial Oversight of the Tariff Approval Process

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

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

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

2.7.4. NERSA subsequently launched a variation application 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 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) Publication of NERSA decisions by 11 May 2026.

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

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

2.9. Conclusion

2.9.1. The determination of municipal electricity tariffs by 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 contained in this document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Siyancuma, 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 (AFS). As a result, the data captured in the D-forms is considered reliable for purposes of the tariff analysis.

3.2. Siyancuma's electricity business continued to operate at a deficit during both the 2023/24 and 2024/25 financial years. The percentage deficit deteriorated from 24,01% in the 2023/24 financial year to 32,48% in the 2024/25 financial year, indicating worsening financial performance and declining cost recovery within the electricity service. The increasing deficit suggests that the revenue generated from electricity tariffs remains insufficient to fully recover the cost of providing electricity services.

3.3. Table 2 below shows that the municipality's energy losses also increased significantly from 18,87% in the 2023/24 financial year to 27,52% in the 2024/25 financial year. The reported losses substantially exceed the NERSA allowable benchmark of 12%, indicating persistent technical and non-technical inefficiencies within the electricity distribution network. The excessive losses continue to negatively affect electricity sales, revenue recovery and the overall financial sustainability of the electricity business.

Table 2: Performance indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/24**	**2024/25**
Percentage Surplus (Deficit)	**-24,01%**	**-32,48%**
Percentage Energy Losses	**18,87%**	**27,52%**

3.4. The deterioration in both the deficit position and energy losses may be attributable to increasing Eskom bulk purchase costs, ageing infrastructure, inadequate maintenance, electricity theft, illegal connections, metering inaccuracies, weak revenue collection and operational inefficiencies.

3.5. Table 3 shows the foregone revenues resulting from high energy losses. NERSA noted that the reported energy losses of 18.87% exceed the 12% benchmark applied by the Regulator in assessing reasonable and efficient electricity distribution losses. The Regulator is of the view that losses above the benchmark should not automatically be regarded as efficiently incurred costs and, therefore, should not be recovered from customers through the electricity tariff without adequate justification and supporting evidence.

3.6. In assessing the reasonableness of the reported losses, NERSA considered the financial impact of normalising the Municipality's energy losses to 12%. At a 12% loss level, the Municipality's sales would increase from 21,178,995 kWh to 22,972,294 kWh, resulting in additional recoverable energy of 1,793,299 kWh. Based on the Municipality's reported average selling price of R2.5584/kWh, the additional energy would generate approximately R4.588 million in revenue.

3.7. Consequently, the Municipality's total revenue would increase from approximately R54.184 million to R58.772 million, reducing the reported deficit from R25.049 million to R20.461 million.

3.8. NERSA further noted that, notwithstanding the normalisation of energy losses to 12%, the Municipality would continue to incur a significant deficit. The Regulator therefore considers that the Municipality's financial under-recovery cannot be attributed solely to energy losses and that the Municipality's expenditure, tariff structure and revenue recovery require further consideration.

3.9. Allowing the Municipality to recover losses above the applicable level, without sufficient evidence demonstrating that such losses are unavoidable and outside the Municipality's control, would effectively transfer the financial consequences of inefficiencies to electricity consumers.

3.10. Accordingly, the portion of losses exceeding 12% is regarded as above the reasonable benchmark and should not be included in the recoverable revenue requirement unless the Municipality provides sufficient and verifiable evidence demonstrating that the additional losses are justified, unavoidable and reasonably incurred.

Table 3: Foregone revenues due to high losses

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	255,84		
Sales kWh	21 178 995	22 972 294,40	24 538 587,20
Purchases kWh	26 104 880	26 104 880,00	26 104 880,00
Losses kWh	4 925 885,00	3 132 585,60	1 566 292,80
Losses percentage	**18,87%**	**12,00%**	**6,00%**
Additional Energy (kWh)		1 793 299,40	3 359 592,20
Additional Revenue (Rands)		4 587 977,18	8 595 180,68
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	54 183 957	R 58 771 934,18	R 62 779 137,68
Total Expenses (Rands)	79 233 178	R 79 233 178,00	R 79 233 178,00
Net Profit (Loss)	R -25 049 221,00	R -20 461 243,82	R -16 454 040,32
Percentage Surplus/Deficit	**-46,23%**	**-34,81%**	**-26,21%**

3.11. The municipality should prioritise the implementation of effective technical and non-technical loss reduction strategies, strengthen revenue management controls, and progressively move towards cost-reflective tariffs to improve the financial sustainability of the electricity business.

4. DETERMINATION OF SIYANCUMA'S TARIFFS BASED ON THE COS STUDY

Analysis of Cost Data

4.1 Siyancuma submitted its COS study, which supported the implementation of tariffs approved in the 2024/25 financial year. The municipality's COS study was inclusive of all requirements of NERSA's approved COS Framework (i.e. revenue requirement, costs functionalisation, cost classification, cost allocation and rate setting).

4.2 Section 18.7 of the October 2023 NERSA-approved Cost of Supply Framework states:

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

4.3 In line with section 18.7 mentioned above, Table 5 below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual 2023/24 licensee performance and is sourced from the D-forms that are based on the audited annual statements.

ii. Column 2 is for the 2024/25 revenues and electricity volume that are the base for 2025/26 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when the Regulator considered and approved the 2025/26 cost of supply base

tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

iii. Column 3 is for the licensee's submitted FY2025/26 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.

iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.

v. Column 5 is for the NERSA's recommended amounts that sum up to allowable revenues the licensee must recover in FY2025/26.

4.4 In determining the tariff adjustment applicable for the 2026/27 financial year, the licensee submitted its cost data based on budgeted operating expenditure and associated revenue requirements, in line with NERSA's methodology. The total allowable revenue requirement submitted amounts to R115.90 million for the FY2026/27 tariff review period.

4.5 The submitted revenue requirement reflects an increase of 12.37% compared to the previous financial year. While the proposed tariff adjustment is expected to provide limited relief towards operational cost recovery, it does not fully mitigate the impact of historical under-recovery and may constrain the municipality's ability to achieve adequate financial sustainability going forward.

Table 4: Municipality's revenue requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	20 348 384	20 348 384	22 790 190	-	22 790 190
Eskom bulk purchases	kWh	28 074 456	26 670 733	28 004 270	-	28 004 270
Independent Power Producers Conventional	kWh		-	-	-	-
Independent Power Producers Renewable Energy	kWh		-	-	-	-
Self Generation	kWh		-	-	-	-
Other			-	-	-	-
Total Energy Requirements	**kWh**	**28 074 456**	**26 670 733**	**28 004 270**		**28 004 270**
Total Losses	kWh	7 726 072	6 322 349	5 214 080		5 214 080
Technical losses	kWh	3 368 935	3 200 488	3 360 512	-	3 360 512
Non-technical losses	kWh	-4 357 137	-3 121 861	-1 853 567	-	-1 853 567
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	27,52%	23,71%	18,62%		18,62%
Cost drivers						
Energy purchases from Eskom	Rand	71 549 498	79 648 901	90 799 748	-	90 799 748
other energy purchases		-	-	-	-	-
total energy purchases		**71 549 498**	**79 648 901**	**90 799 748**	**0**	**90 799 748**
Cost of technical losses	Rand	8 585 940	9 557 868	10 895 970	0	10 895 970
Non-Technical Losses		-11 104 435	-9 323 058	-6 009 920	0	-6 009 920
Other energy purchases	Rand		-	-	-	-
Capital expenditure	Rand		14 570 000	7 190 000	-	-
Operational expenditure (incl. Depreciati	**Rand**	**20 801 000**	**20 931 680**	**26 832 146**	**-13758877,0**	**13 073 269**
General & Other	**0**	**19 370 360**	**19 453 442**	**24 910 248**	**-13 108 740**	**11 151 371**
Salaries and allowances	Rand	2 490 854	2 875 633	5 412 606	0	5 412 606
Materials and supplies	Rand	431 803	680 324	933 300	0	933 300
Contracted Services	Rand	438 501	46 220	47 930	0	47 930
Salaries, wages and allowances (exclu. Repairs and	Rand	2 490 854	0	0	0	0
Payments to consultants (operational work)	Rand	1 809 646	1 687 725	1 866 600	0	1 866 600
Eskom debts interest	Rand	8 624 862	10 641 031	13 108 740	-13 108 740	
Other creditors' interest		158 958	245 861	650 137		
Depreciation	Rand	2 905 431	3 276 648	2 890 935	0	2 890 935
NMD exceedance penatlies	Rand	19 451	0	0	0	0
Shared OPEX	**Rand**	**1 430 640**	**1 478 238**	**1 921 898**	**-251 584**	**1 921 898**
Bad debts (Allowance for Impairment)	Rand	730 002	1 185 630	1 618 464	0	1 618 464
FBE paid to Eskom	Rand	0	0	0	0	0
Charges from other Municipal Departments	Rand		0	0	0	0
General expenses		**700 638**	**292 608**	**303 434**	**-251 584**	**303 434**
1. Subsistence and Traveling, Printing and Stationer	Rand	230 244	5 000	5 185	-5 185	
2. Fleet Costs	Rand		237 608	246 399	-246 399	
3.Other Expenses	Rand	470 394	50 000	51 850	0	51 850
			0	0		
	Rand		0	0	0	
Total Expediture before surplus		100 936 438	100 815 391	122 517 943	-13 758 877	108 759 066
Surplus	Rand	10 093 644	8 065 231	12 251 794	-2 463 478	9 788 316
Total Expenditure including Surplus		111 030 082	108 880 623	134 769 738	-16 222 355	118 547 382
Other revenues	Rand	**-11 357 765**	**-10 995 242**	**-11 260 391**	**0**	**-11 260 391**
Reconnection fees	Rand	34 265	57 377	64 549	0	64 549
New connections	Rand		0	0	0	
Free Basic Electricity (Equitable share)	Rand	9 732 705	10 053 354	10 268 358	0	10 268 358
1. Administrative Handling Fees		33 395	30 000	31 500	0	31 500
2. Interest charged - debtors accounts		770 475	758 159	796 067		796 067
3. Fines - Illegal connections		15 835	96 352	99 917		99 917
4. Grant revenue - MIG 10% operational grant	Rand	385 558	0	0	0	
5. Other Revenue -Vacant Stand	Rand	385 532	0	0	-	**0**
Total Allowable Revenue	**Rand**	**99 672 317**	**97 885 381**	**123 509 347**	**-16 222 355**	**107 286 991**
increase required				***26,18%***	***9,60%***	

Source: Approved Revenue (FY2024/25)/Budget (FY2025/26)

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

4.2. The energy balance and allowable revenue analysis reflects several important regulatory and financial observations for the municipality's 2026/27 electricity tariff application.

4.3. The municipality projects electricity sales of 22,790,190 kWh for FY2026/27, compared to actual sales of 20,348,384 kWh in FY2024/25, indicating anticipated growth in consumption and revenue generation capacity.

4.4. Total energy losses are projected at 18,62% (5,214,080 kWh), which remains significantly above the NERSA benchmark allowance of 12%. Although the losses show improvement from the actual losses of 27,52% in FY2024/25, the level remains excessive and continues to place pressure on the electricity business's sustainability.

4.5. The non-technical losses amount to 1,853,567 kWh, indicating continued challenges relating to electricity theft, illegal connections, metering inaccuracies and revenue collection inefficiencies. Technical losses amount to 3,360,512 kWh and appear relatively high compared to the size of the network.

4.6. Eskom bulk energy purchase costs remain the largest cost driver at R90,799 million, representing the majority of the total allowable expenditure. This confirms that the municipality's financial position remains highly sensitive to Eskom tariff increases and energy loss levels.

4.7. NERSA applied downward adjustments amounting to R13,758 million on operational expenditure and a further R2,463 million reduction on surplus, resulting in a total downward adjustment of R16,222 million to the allowable revenue requirement. The adjustments mainly relate to:

a) Eskom debt interest costs;
b) fleet costs;
c) subsistence and travelling expenses; and
d) other operational inefficiencies considered not fully prudent for tariff recovery from customers.

4.8. The municipality originally submitted a total allowable revenue requirement of R123,509 million for FY2026/27. Following NERSA's efficiency adjustments, the approved allowable revenue decreases to R107,286 million.

4.9. The operational expenditure was significantly reduced from R26,832 million to R13,073 million after NERSA adjustments. This indicates that several expenditure items were unsupported, inefficient, non-electricity related or not deemed fully recoverable through electricity tariffs.

4.10. The municipality projected a surplus of R12,251 million. However, NERSA reduced the allowable surplus to R9,788 million after applying prudency and efficiency considerations.

4.11. Capital expenditure decreased from the submitted R14,570 million to R7,190 million in the 2026/27 budgeted figures, which may negatively affect network refurbishment, maintenance and long-term reduction of technical losses if not adequately funded.

4.12. The analysis demonstrates that while the municipality's financial sustainability position improves relative to previous years, the electricity business still faces material risks associated with:

a) excessive energy losses;
b) dependence on Eskom purchases;
c) weak operational efficiency; and
d) limited investment in infrastructure renewal.

Bulk Purchases

4.13. Eskom bulk energy purchases remain the primary cost driver of the municipality's electricity business. The municipality projects bulk electricity purchases of 28,004,270 kWh for FY2026/27 at a cost of R90,799 million, compared to actual purchases of 28,074,456 kWh costing R71,549 million in FY2024/25. This represents a significant increase in bulk purchase costs despite relatively stable energy volumes, mainly attributable to Eskom tariff increases.

4.14. Bulk energy purchases account for the largest portion of the total allowable expenditure and therefore have a direct impact on the municipality's tariff increases and overall financial sustainability. The high dependence on Eskom-supplied electricity exposes the municipality to rising bulk supply costs and increases pressure on customer tariffs.

4.15. Given that Eskom bulk purchases account for the majority of the allowable revenue requirement, the municipality should strengthen demand management initiatives, improve billing and revenue collection efficiency and implement effective technical and non-technical loss reduction strategies to contain escalating bulk purchase costs and improve overall cost recovery within the electricity business.

Operating Expenditure (Including Depreciation)

4.16. Operational expenditure (including depreciation) for FY2026/27 was initially budgeted at R26,832 million by the municipality. Following NERSA's prudency and efficiency assessment, a downward adjustment of approximately R13,759 million was applied, resulting in an allowable operational expenditure of R13,073 million.

4.17. The significant adjustment indicates that a number of expenditure items submitted by the municipality were considered excessive, unsupported, inefficient, or not fully attributable to the electricity business. The major reductions relate mainly to:

a) Eskom debt interest costs;
b) fleet costs;
c) subsistence and travelling expenses; and
d) other general operational expenses.

4.18. Eskom debt interest costs alone amounted to R13,108 million in the municipality's submission and were disallowed by NERSA for tariff recovery purposes. This is consistent with the principle that inefficiencies and financing costs arising from non-payment or poor financial management should not be passed on to electricity consumers through tariffs.

4.19. Depreciation expenses amounting to R2,891 million were largely accepted as they relate to the recovery of electricity network assets used in service delivery. However, the relatively low capital expenditure allocation may limit future asset renewal and network strengthening initiatives.

4.20. The municipality's operating expenditure profile further reflects continued pressure from employee-related costs, contracted services and shared overhead allocations, which require stricter cost containment and improved efficiency management.

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given to customer education and metering capabilities to support the effective implementation of TOU tariffs.

Table 5: Schedule of tariffs

DOMESTIC PRE-PAID	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For household Pre-paid metering					
Block (0 - 350 kwh)	R2,93	12,5%	R3,30	9,6%	R3,21
Block (> 350 kwh)	R3,49	12,5%	R3,92	9,6%	R3,82
For household Pre-paid metering - Summer (September to May)					
Block (0 - 350 kwh)			R3,19	new	R2,78
Block (> 350 kwh)			R3,80	new	R3,30
For household Pre-paid metering - Winter (June to August)					
Block (0 - 350 kwh)			R3,62	new	R3,15
Block (> 350 kwh)			R4,32	new	R3,76

DOMESTIC CONVENTIONAL	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For household conventional metering					
Block (0 - 350 kwh)	R3,08	12,5%	R3,46	9,6%	R3,37
Block (> 350 kwh)	R3,48	12,5%	R3,92	9,6%	R3,81
Time of Use - Summer (September to May)					
Off Peak			R2,90	new	R2,53
Standard			R3,70	new	R3,22
Peak			R5,89	new	R5,12
Time of Use - Winter (June to August)					
Off Peak			R2,90	new	R2,53
Standard			R3,83	new	R3,33
Peak			R10,09	new	R8,77

COMMERCIAL CONVENTIONAL	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For business conventional metering					
Block (0 - 300 kwh)	R3,34	12,5%	R3,76	9,6%	R3,66
Block (301 - 700 kwh)	R3,88	12,5%	R4,36	9,6%	R4,25
Block (> 700 kwh)	R4,04	12,5%	R4,54	9,6%	R4,42
Time of Use - Summer (September to May)					
Off Peak			R2,90	new	R2,53
Standard			R3,70	new	R3,22
Peak			R5,89	new	R5,12
Time of Use - Winter (June to August)					
Off Peak			R2,90	new	R2,53
Standard			R3,83	new	R3,33
Peak			R10,09	new	R8,77

COMMERCIAL PRE PAID	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For business Pre-paid metering					
Energy charge	R3,78	12,5%	R4,26	9,6%	R4,15
Time of Use - Summer (September to May)					
Off Peak			R2,90	new	R2,53
Standard			R3,70	new	R3,22
Peak			R5,89	new	R5,12
Time of Use - Winter (June to August)					
Off Peak			R2,90	new	R2,53
Standard			R3,83	new	R3,33
Peak			R10,09	new	R8,77

BULK COMMERCIAL (INDUSTRIAL)	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
Availability charge on businesses with a maximum of					
Block (0 - 300 kwh)	R1,75	12,5%	R1,96	9,6%	R1,91
Block (301 - 700 kwh)	R2,13	12,5%	R2,39	9,6%	R2,33
Block (> 700 kwh)	R2,61	12,5%	R2,93	9,6%	R2,86
b) Demand Charge R/KVA	R268,56	12,5%	R302,13	9,6%	R294,34
c) Basic Charge per month	R6 304,26	12,5%	R7 092,29	9,6%	R6 909,47
Time of Use - Summer (September to May)					
Off Peak			R2,28	new	R2,28
Standard			R2,90	new	R2,90
Peak			R4,63	new	R4,63
Time of Use - Winter (June to August)					
Off Peak			R2,28	new	R2,28
Standard			R3,01	new	R3,01
Peak			R10,09	new	R10,09

SSEG TARIFF	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
Export tariff (>0 kwh)	R0,85		R0,85		R0,85

MUNICIPAL	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For household conventional metering					
Energy Charge	3,55	12,5%	R3,99	9,6%	R3,89
Basic Charge	778,58	12,5%	R875,90	9,6%	R853,32
Time of Use - Summer (September to May)					
Off Peak			R2,90	new	R2,53
Standard			R3,70	new	R3,22
Peak			R5,89	new	R5,12
Time of Use - Winter (June to August)					
Off Peak			R2,90	new	R2,53
Standard			R3,83	new	R3,33
Peak			R10,09	new	R8,77

SPECIAL USERS (CORRECTIONAL SERVICES)	2025/26 Approved	2026/27 Proposed % Increase	2026/27 Recommended	2026/27 Recommended % Increase	2026/27 Recommended Tariffs
For household conventional metering					
Block (0 - 300 kwh)	1,5700	12,5%	1,7663	9,6%	R1,72
Block (301 - 700 kwh)	1,7900	12,5%	2,0138	9,6%	R1,96
Block (> 700 kwh)	2,6100	12,5%	2,9363	9,6%	R2,86
b) Demand Charge R/KVA	268,5600	12,5%	302,1300	9,6%	R294,34
c) Basic Charge per month	128669,2100	12,5%	144752,8613	9,6%	R141 021,45
Time of Use - Summer (September to May)					
Off Peak			R2,28	new	R2,28
Standard			R2,90	new	R2,90
Peak			R4,63	new	R4,63
Time of Use - Winter (June to August)					
Off Peak			R2,28	new	R2,28
Standard			R3,01	new	R3,01
Peak			R10,09	new	R10,09

8. CONFIDENTIALITY

None.

9. CONCLUSION

From a conspectus of the facts and evidence presented to the REC, it is appropriate to approve Siyancuma's tariff application for the 2026/27 financial year.

End.