NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

The Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year
by
Emakhazeni Local Municipality

THE DECISION

1. At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered the Naledi Local Municipality 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 7 (Page 23) below.

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

   2.1. 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;
   2.2. note the COS study 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 to perform its independent verification/audit process by 31 January 2027; and
   2.4. that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

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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 annually, 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. Emakhazeni is situated in the Mpumalanga Province. The municipality has a total of 12,749 customers, with a domestic customer base accounting for 82.25% of sales. The municipality applied for an average increase of 11.32% in the 2026/27 financial year and an average increase of 9.01% in the 2026/27 financial year. The municipality provides 50kWh free basic electricity per month to 3,939 registered indigent customers.

1.3. The details regarding customer statistics are highlighted in Table 1 below.

Table 1: Customer Statistics (data obtained from the latest D-forms – 2024/25FY)

CUSTOMER STATISTICS (OBTAINED FROM DISTRIBUTION FORMS)	2024/25		
Consumer Classification	Sales (MWh)	%MWh	Number of consumers
Domestic (Prepaid)	17,672	82.25%	12,631
Commercial (Prepaid)	460	2.14%	78
Commercial (Conventional)	3,354	15.61%	40
Totals	**21,487**	**100%**	**12,749**

Free Basic Electricity	**607**	**3.44%**	**3,939**

1.4. NERSA received Emakhazeni’s tariff application together with its existing Cost of Supply (COS) based on the Cost-Plus methodology on 31 March 2026.

1.5. For this application, the municipality has indicated that Council has approved the tariff application. The Council meeting at which this application was approved took place on 31 March 2026 and the Council resolution has been submitted to NERSA. Proof of customer consultation was also submitted on 31 March 2026.

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

1.7. The licensee's depreciation is calculated using the straight-line method over the estimated useful lives of the assets (15-20 years). The resulting depreciation is consistent with the licensee’s total asset base R 319 487 million, valued at approximately R8 637 million depreciation as at FY2025/26.

1.8. NERSA’s decision was made on 11 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 Act40 of 2004 ("NERA"), the Electricity Regulation Act4 of 2006 as amended ("ERA"), the Promotion of Administrative Justice Act3 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 56 of 2003 (MFMA).

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. Statutory Mandate of the Energy Regulator

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 ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by ERA. Section 3 of 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 ERA.

2.2.2. In particular:

a) Section 4(a)(i) of ERA provides that the Energy Regulator must consider applications for licences and may issue licences for—

(*aa) for the operation of generation, transmission and distribution facilities;*

(bb) the import and export of electricity;

(cc) trading;

(dd) market operator; or

(ee) system operator,

subject to the provisions of section 7.

b) Section 4(a)(ii) of ERA provides that the Energy Regulator must regulate prices and tariffs.

c) Section 15(1)(d) of 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 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 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 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 2025/26 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 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 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; and
d) the publication of NERSA decisions by 11 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; and
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 consisting of 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 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Emakhazeni, the assessment relied on the distribution forms (D-forms) for the 2026/27 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 2 below indicates that Emakhazeni's electricity business recorded a decrease in percentage deficit from 37.92% in the 2023/24 financial year to 32.67% in the 2026/27 financial year.

3.3. Energy losses increased from 47.49% in the 2023/24 financial year to 55.51% in the 2026/27 financial year, as shown in Table 2 below:

The losses are mainly attributable to:
a) dilapidated electricity infrastructure;
b) electricity illegal connections within the municipality boundaries;
c) meter tampering; and
d) customer meters' not correctly read, leading to incorrect billing.

The municipality has indicated that to curb the high energy losses the following measures will be taken into consideration:

a) Installation of smart prepaid electricity meters had been completed in Emgwenya to assist in dealing with tampering of the electricity infrastructure;
b) In Entokozweni and Emthonjeni 3 890 smart meters are currently being installed;
c) The municipality will work towards eradicating the old metering infrastructure to new technologically advanced meters; and
d) Established a cut-off team that will ensure that the infrastructure has not been tampered with, deal with disconnection of services due to non-payment.

Table 2: Performance indicators

Performance indicators	***Municipality 2024/25 D-forms Information***	***Municipality 2023/24 D-forms Information***
Percentage surplus: (%)	-32.67	-37.92[1]
Energy Losses: (%)	55.51	47.49

3.4. The municipality has high energy losses of 55.51%, which significantly undermines its financial sustainability.

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

a) Improve net revenue by approximately R46 260 million; and

b) Reduce the deficit from 32.67% to a surplus of 7.3%.

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

a) Improve net revenue by approximately R52 639 million; and

b) Reducing the deficit from 32.67% to 11.34%.

[1] Total Electricity Purchases divided by Total Expenditure

Table 3: Sensitivity Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	220,10		
Sales kWh	21 486 690,00	42 504 551,76	45 402 589,38
Purchases kWh	48 300 627,00	48 300 627,00	48 300 627,00
Losses kWh	26 813 937,00	5 796 075,24	2 898 037,62
Losses percentage	**55,51%**	**12,00%**	**6,00%**
Additional Energy (kWh)		21 017 861,76	23 915 899,38
Additional Revenue (Rands)		46 260 313,73	52 638 894,54
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 106 050 685,00	R 152 310 998,73	R 158 689 579,54
Total Expenses (Rands)	R 140 696 287,00	R 140 696 287,00	R 140 696 287,00
Net Profit (Loss)	R -34 645 602,00	R 11 614 711,73	R 17 993 292,54
Percentage Surplus/Deficit	**-32,67%**	**7,63%**	**11,34%**

General conclusion on the financial and technical indicators

3.5. Based on the above information, the licensee's electricity department does not demonstrate satisfactory financial and technical performance, as reflected in the increased deficit and exceedingly high energy losses. The deficit indicates poor financial management and lack of effective cost recovery, and the high level of energy losses suggests inefficient network operations and lack of maintenance. Collectively, these factors lead to an unstable and non-sustainable electricity service.

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

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

4.2. Policy position 23 states that:

> *Electricity distributors shall undertake COS studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA standard to reflect changing costs and customer behaviour. The cost-of-service methodology used to derive tariffs must accompany applications to the regulator for changes to tariff structures.*

4.3. The revenue requirement for the Emakhazeni Local Municipality was determined using a cost-plus methodology in accordance with the NERSA COS Framework.

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

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

4.5. In line with section 18.7 mentioned above, Table 4 below was developed, and the definition of the columns is as follows:

a) Column 3 is the actual FY2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.

b) Column 4 is for the FY2025/26 revenues and electricity volume that are the base for FY2026/27 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 FY2026/27 cost of supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

c) Column 5 is for the licensee's submitted FY2026/27 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.

d) Column 5 is the sum of the total allowable revenue of R147 601 million for the FY2026/27 tariff review and is based on the revenues and the volumes used to determine the tariffs.

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

4.6. The Total Allowable Revenue of R124 172 million is recommended on Table 4 below for the 2026/27 tariff review period and is the basis upon which the tariffs were approved by the Regulator. Since the COS study is valid for five years; however, municipalities need to reflect the adjustments on their cost drivers for each financial year under the existing COS (i.e. FY 2026/27). NERSA utilised the budgeted figures to verify efficiencies and to ensure that municipalities do not over- / under-recover their operating overheads during the FY2026/27 tariff review process.

Table 4: Municipality's Revenue Requirement Per Municipality

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee
Sales	kWh	21 486 689	30 152 133	45 110 350
Eskom bulk purchases	kWh	48 300 627	54 150 230	56 230 110
Independent Power Producers Conventional	kWh	-	-	-
Independent Power Producers Renewable Energy	kWh	-	-	-
Self Generation	kWh	-	-	-
Other			-	-
Total Energy Requirements	**kWh**	**48 300 627**	**54 150 230**	**56 230 110**
Total Losses	kWh	26 813 938	23 998 097	11 119 760
Technical losses	kWh	5 796 075	6 498 028	6 747 613
Non-technical losses	kWh	-21 017 863	-17 500 069	-4 372 147
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**
Total Energy losses	%	55,51%	44,32%	19,78%
Cost drivers				
Energy purchases from Eskom	Rand	100 136 271	85 640 555	90 256 100
other energy purchases		-	-	-
total energy purchases		**100 136 271**	**85 640 555**	**90 256 100**
Cost of technical losses	Rand			
Non-Technical Losses				
Other energy purchases	Rand		-	-
Capital expenditure	Rand		-	-
Operational expenditure (incl. Depreciati	**Rand**	**47 762 367**	**50 382 683**	**58 530 134**
General & Other	0	35 433 771	36 258 020	44 725 134
Salaries and allowances	Rand	4 215 690	3 423 205	5 351 236
Materials and supplies	Rand	405 986	774 109	1 079 995
Contracted Services	Rand	1 455 680	476 487	1 284 163
Eskom debts interest	Rand	19 589 295	22 384 215	24 079 130
Current year depreciation	Rand	8 637 271	9 000 000	11 500 110
other general expenditure	Rand	1 129 849	200 004	1 430 500
Shared OPEX	Rand	12 328 596	14 124 663	13 805 000
Bad debts (Allowance for Impairment)	Rand	5 095 035	7 002 560	8 305 000
FBE paid to Eskom	Rand	7 233 561	7 122 103	5 500 000
General expenses		**0**	**0**	**0**
Total Expediture before surplus		147 898 638	136 023 238	148 786 234
Surplus	Rand	6 053 789	7 456 184	5 960 355
Total Expenditure Including Surplus		153 952 427	143 479 422	154 746 589
Other revenues	Rand	**-7 654 218**	**-9 632 741**	**-7 145 320**
Reconnection fees	Rand	101 580	21 665	350 100
New connections	Rand	782	115 000	135 220
Free Basic Electricity (Equitable share)	Rand	7 551 856	9 379 330	6 150 000
2. Other Revenue - Illegal Connections	Rand	0	116 746	510 000
Total Allowable Revenus	**Rand**	**146 298 209**	**133 846 681**	**147 601 269**
Increase required				***10,28%***

4.7. Table 4 summarises Emakhazeni Local Municipality's revenue requirement for the 2026/27 financial year, based on the municipality's Cost of Supply study and NERSA's cost-plus assessment. The table shows the municipality's submitted revenue requirement, the cost components included in the application, and the adjustments made by NERSA after testing the costs for prudency, efficiency and relevance to the electricity function.

4.8. The municipality submitted a total revenue requirement of R147.601 million. NERSA assessed this amount against supporting information, including Eskom invoices, D-forms, the Trial Balance and Audited Annual Financial Statements. Only costs that were verified as electricity-related, efficiently incurred and prudent were allowed for tariff recovery.

4.9. This ensures that Emakhazeni recovers only efficient and justified electricity costs, while protecting customers from paying for inefficient, duplicated or non-electricity-related expenditure.

Table 5: Municipality's Revenue Requirement Per Nersa Adjustment

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee
Sales	kWh	21 486 689	30 152 133	35 110 350
Eskom bulk purchases	kWh	48 300 627	54 150 230	56 230 110
Independent Power Producers Conventional	kWh	-	-	-
Independent Power Producers Renewable Energy	kWh	-	-	-
Self Generation	kWh	-	-	-
Other		-	-	-
Total Energy Requirements	**kWh**	**48 300 627**	**54 150 230**	**56 230 110**
Total Losses	kWh	26 813 938	23 998 097	21 119 760
Technical losses	kWh	5 796 075	6 498 028	6 747 613
Non-technical losses	kWh	-21 017 863	-17 500 069	-14 372 147
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**
Total Energy losses	%	55,51%	44,32%	37,56%
Cost drivers				
Energy purchases from Eskom	Rand	100 136 271	85 640 555	90 256 100
other energy purchases		-	-	-
total energy purchases		**100 136 271**	**85 640 555**	**90 256 100**
Cost of technical losses	Rand			
Non-Technical Losses				
Other energy purchases	Rand		-	-
Capital expenditure	Rand		-	-
Operational expenditure (incl. Depreciati	**Rand**	**20 939 511**	**20 876 365**	**28 951 004**
General & Other	0	15 844 476	13 873 805	20 646 004
Salaries and allowances	Rand	4 215 690	3 423 205	5 351 236
Materials and supplies	Rand	405 986	774 109	1 079 995
Contracted Services	Rand	1 455 680	476 487	1 284 163
Current year depreciation	Rand	8 637 271	9 000 000	11 500 110
other general expenditure	Rand	1 129 849	200 004	1 430 500
Shared OPEX	Rand	5 095 035	7 002 560	8 305 000
Bad debts (Allowance for Impairment)	Rand	5 095 035	7 002 560	8 305 000
Total Expediture before surplus		121 075 782	106 516 920	119 207 104
Surplus	Rand	6 053 789	7 456 184	5 960 355
Total Expenditure Including Surplus		127 129 571	113 973 104	125 167 459
Other revenues	Rand	**-102 362**	**-253 411**	**-995 320**
Reconnection fees	Rand	101 580	21 665	350 100
New connections	Rand	782	115 000	135 220
2. Other Revenue - Illegal Connections	Rand	0	116 746	510 000
Total Allowable Revenus	**Rand**	**127 027 209**	**113 719 693**	**124 172 139**
Increase required				*9,19%*

4.10. The actual figures were verified using Eskom invoices and verified electricity-related operating costs (tested against 2026/27 D-Forms, Trial Balance and Audited AFS). Only prudently incurred and efficiently verified costs, supplemented by a reasonable surplus margin are recommended for approval. This forms the basis on which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements.

4.11. NERSA has verified all expense items included in the revenue requirement in Table 5 to ensure that they relate only to the electricity function of the licensee. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly.

4.12. Hence, NERSA disallowed in Table 5 costs relating to interest paid to Eskom, Free Basic Electricity paid to Eskom, and Free Basic Electricity funded from the equitable share, as these costs should not be recovered from electricity customers through tariffs. After these adjustments, NERSA recommended an allowable revenue requirement of R124.172 million.

4.13. In line with COS Framework requirements: Shared municipal costs were ring-fenced and allocated strictly to the electricity business using the D-Form. Cost attribution was verified against the Trial Balance and Audited AFS, ensuring separation of electricity and non-electricity functions. Any costs not demonstrably related to electricity distribution were adjusted or excluded. This approach ensures compliance with the principle of cost causality and prevents cross-subsidisation between municipal functions.

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

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

Bulk Purchases

4.16. For the 2026/27 FY, the licensee applied for a bulk purchase expenditure of R90 256 million which accounts for 72.69% of total costs inclusive of energy loss allowance in line with the act that requires only the prudently and efficiently incurred cost to be passed through to customers.

4.17. To get to the 2026/27FY estimate, the licensee projected the year-to-date amount for 2026/27FY since complete financial year data is unavailable, then made an estimate that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.18. The Eskom bills were analysed and there is an Eskom interest amount of R19 589 paid by the municipality. This cost has been disallowed since it is deemed an inefficient cost, since this cost is within management control and should have been paid on time to avoid such costs.

Operating Expenditure

4.19. The licensee applied for operating expenditure, including depreciation, of R28 951 million, as reflected in Table 4 above. This amount accounts for 23.32% of total costs.

4.20. The licensee utilised recent actual financial data as a basis for projecting 2025/26 costs and escalated 2026/27 costs based on assumed cost drivers and relevant inflationary factors. NERSA is satisfied that the approach applied to forecast operational expenditure is reasonable.

4.21. Notwithstanding the above, NERSA excluded the interest cost on Eskom debt from the total cost, as this cost is within the municipality's control and is therefore not recoverable through tariffs. Disallowed FBE paid to Eskom and FBE paid from equitable share.

Surplus

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1.2. Domestic Conventional	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Tariff Blocks	*c/kWh*			*c/kWh*		*Uniform increase for all the tariff components*
Block 1 (0 - 50kWh)	*194.2*	*9.01%*	*211.70*	*211.70*	*9.01%*	
Block 2 (51 - 350 kWh)	*248.91*	*9.01%*	*271.34*	*271.34*	*9.01%*	
Block 3 (351 -600kWh)	*350.78*	*9.01%*	*382.38*	*382.38*	*9.01%*	
Block 4 (>600 kWh)	*413.09*	*9.01%*	*450.31*	*450.31*	*9.01%*	
Basic Charge (R/month)	*596.76*	*9.01%*	*650.53*	*650.53*	*9.01%*	

1.3. Domestic Prepaid	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Tariff Blocks	*c/kWh*			c/kWh		*Uniform increase for all the tariff components*
Block 1 (0 - 50kWh)	*194.2*	*9.01%*	*211.70*	*211.70*	*9.01%*	
Block 2 (51 - 350 kWh)	*248.91*	*9.01%*	*271.34*	*271.34*	*9.01%*	
Block 3 (351 -600kWh)	*350.78*	*9.01%*	*382.39*	*382.39*	*9.01%*	
Block 4 (>600 kWh)	*413.09*	*9.01%*	*450.31*	*450.31*	*9.01%*	
Basic Charge: R/month	*299.12*	*9.01%*	*326.07*	*326.07*	*9.01%*	
1.4. Domestic Prepaid & Conv. 3Phase	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Tariff Blocks	*c/kWh*			c/kWh		*Uniform increase for all the tariff components*
Block 1 (0 - 50kWh)	*232.99*	*9.01%*	*253.98*	*253.98*	*9.01%*	
Block 2 (51 - 350 kWh)	*280.65*	*9.01%*	*305.94*	*305.94*	*9.01%*	
Block 3 (351 -600kWh)	*402.43*	*9.01%*	*438.69*	*438.69*	*9.01%*	
Block 4 (>600 kWh)	*473.03*	*9.01%*	*515.65*	*515.65*	*9.01%*	
Basic Charge: R/month	*527.08*	*9.01%*	*574.57*	*574.57*	*9.01%*	

2.1 . Commercial Prepaid (1 - 60A)	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*379.32*	*9.01%*	*413.50*	*413.50*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*624.84*	*9.01%*	*681.14*	*681.14*	*9.01%*	
2.2 . Commercial Prepaid (61A -90A)	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*379.32*	*9.01%*	*413.50*	*413.50*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*1 202.59*	*9.01%*	*1 310.94*	*1 310.94*	*9.01%*	

2.3 . Commercial Prepaid (80A -100A)	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*379.32*	*9.01%*	*413.50*	*413.50*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*2 148.09*	*9.01%*	*2 341.63*	*2 341.63*	*9.01%*	
2.4. Commercial Prepaid (40A -25kVA)	***2025/26 Approved***	***% Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*379.32*	*9.01%*	*413.50*	*413.50*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*2 312.16*	*9.01%*	*2 520.49*	*2 520.49*	*9.01%*	

2.5. Commercial Prepaid (80A -50kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*379.32*	*413.50*	*413.50*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*3 497.93*	*3 813.09*	*3 813.09*		

3.1 Commercial Conventional (1 -60A)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*356.12*	*388.21*	*388.21*	9.01%	*Uniform increase for all the tariff components*
Basic Charge: R/month	*626.20*	*682.62*	*682.62*	*9.01%*	

3.2 Commercial Conventional (60A-80A)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*356.12*	*388.21*	*388.21*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*1 202.59*	*1 310.62*	*1 310.62*	*9.01%*	

3.3 Commercial Conventional (81-100A)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*356.12*	*388.21*	*388.21*	9.01%	*Uniform increase for all the tariff components*
Basic Charge: R/month	*2 148.09*	*2 341.74*	*2 341.74*	*9.01%*	

3.4 Commercial Conventional (40A - 25kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*356.12*	*388.21*	*388.21*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*2 312.16*	*2 520.49*	*2 520.49*	*9.01%*	

3.5 Commercial Conventional (80 - 50kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*356.12*	*388.21*	*388.21*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*3 497.93*	*3 813.09*	*3 813.09*	*9.01%*	

4.1 Commercial Conv 3Phase (1- 60A)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*332.37*	*362.32*	*362.32*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*626.20*	*682.62*	*682.62*	*9.01%*	

4.2 Commercial Conv 3Phase (61- 80A)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*332.37*	*362.32*	*362.32*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*1 202.59*	*1 310.94*	*1 310.94*	*9.01%*	

5.1 Commercial Conv 3Phase (81A-100kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*332.37*	*362.32*	*362.32*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*2 148.09*	*2 341.63*	*2 341.63*	*9.01%*	

5.2 Commercial Conv 3Phase (40A- 25kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
	c/kWh		*c/kWh*		*Uniform increase for all the tariff components*
Energy Charge: c/kWh	*332.37*	*362.32*	*362.32*	*9.01%*	
Basic Charge: R/month	*2 465.45*	*2 687.59*	*2687.59*	*9.01%*	

5.3 Commercial Conv 3Phase (80A- 50kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*332.37*	*362.32*	*362.32*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*3 497.93*	*3 813.09*	*3 813.09*	*9.01%*	

5.4 Commercial Conv 3Phase (150A-50kVA)	***2025/26 Approved***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and key findings***
Energy Charge: c/kWh	*337.34*	*367.73*	*367.73*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge: R/month	*4 052.77*	*4 417.92*	*4 417.92*	*9.01%*	

5.5 3Phase Institution	*2025/26 Approved*	*2026/27 Proposed*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and key findings*
	c/kWh		*c/kWh*		*Uniform increase for all the tariff components*
Energy Charge: c/kWh	*356.59*	*388.72*	*388.72*	*9.01%*	

6. Institution	*2025/26 Approved*	*2026/27 Proposed*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and key findings*
Energy Charge: c/kWh	*208.97*	*227.79*	*227.79*	*9.01%*	*Uniform increase for all the tariff components*
Basic Charge (R/month)	*13 034.04*	*1 4 175.82*	*14 175.82*	*9.01%*	
Demand Charge (R/kVA)	*497.21*	*542.00*	*542.00*	*9.01%*	

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

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

End.