NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

by

Oudtshoorn Local Municipality

THE DECISION

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1. At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered Oudtshoorn Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) as set out in section 7 of the tariff analysis on page 30 of the RFD.

2. Based on the information submitted and the analysis conducted, the REC decided at its meeting on 06 May 2026:

2.1. 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;

2.2. to note the COS study submitted by the municipality; and

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

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ABBREVIATIONS

AFS	Annual Financial Statements
COS	Cost of Supply
D-form	Distribution form
ERTSA	Eskom's Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IPP	Independent Power Producer
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications 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. Oudtshoorn is situated in the Western Cape. The municipality is made up mostly of domestic customers, who consume 43% of total electricity sales. The municipality provides its indigent customers with 50kWh of Free Basic Electricity (FBE) per month. The municipality further reports that it maintains an indigent register. 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 categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	42 942	34	15 410
Domestic Conventional	11 658	9	1 809
Agriculture	5 331	4	133
Manufacturing	45 277	36	329
Commercial Prepaid	2 343	2	200
Commercial Conventional	9 138	7	314
Street Lighting	8 602	7	81
TOTAL	**125 291**	**100**	**18 276**
[1]FBE	4 621	8[2]	7 997

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

1.4. Oudtshoorn implemented an average price increase of 13% in the 2025/26FY and is applying for an average price increase of 9.50% for the 2026/27FY.

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

[2] Percentage of Domestic MWh

1.5. The Municipality submitted its council resolution and proof of having conducted customer consultation together with its tariff application on 31 March 2026.

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

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

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and Eskom Retail Tariff and Structural Adjustment decision, and it 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 2026/2027FY 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 the NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and exercise the functions set out in

the ERA. The Energy Regulator's electricity regulatory mandate 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:

- Section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licensees and may issue licenses subject to conditions.
- Section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs.
- Section 14(1)(d) of the ERA authorises the Energy Regulator to impose license 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 that guide the determination of electricity tariffs in the South African electricity supply industry.

2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that

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

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

2.5. **Policy Framework: Electricity Pricing Policy (2008)**

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

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

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

2.6. **Cost of Supply Studies**

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

2.6.2. Paragraph 8.1 of the EPP notes that 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 2025/2026FY 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 timely and lawful approval of municipal tariffs, the court issued a structural interdict regulating the municipal tariff approval process from now on.

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, given the practical difficulties arising in relation 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 2026/27FY municipal tariff approvals.

2.8. **Court-Directed Timelines**

2.8.1. The timelines below are applicable with respect to the 2026/27FY municipal tariff approvals

a) written notice of bulk tariffs by 6 March 2026;
b) municipal tariff applications to be submitted by 31 March 2026;
c) public participation processes to be concluded by 21 April 2026
d) publication of NERSA decisions by 11 May 2026.

2.8.2. Municipal tariff approvals from 2027/28FY 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 must be submitted to NERSA by 20 March each year;
c) municipal tariff approvals and the tariff reasons for the decision document, be approved and published by 5 May of each year.

2.9. **Conclusion**

2.9.1. The determination of municipal electricity tariffs by the Energy Regulator must therefore be undertaken within a comprehensive regulatory framework comprising the NERA, ERA, PAJA, EPP and the binding judicial directives issued by the High Court in AfriForum NPC v NERSA (Case No. 2025/137620).

2.9.2. The reasons 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 2026/27FY municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Oudtshoorn, the assessment relied on the Distribution forms (D-forms) for the 2024/25FY 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 the Annual Financial Statements. As a result, the data captured in the D-forms is considered reliable for the tariff analysis.

3.2. Table 2 below indicates that Oudtshoorn's electricity business recorded a decline in percentage surplus from 9.48% in the 2023/24FY to 7.65% in the 2024/25FY.

3.3. The energy losses increased from 6.93% in the 2023/24FY to 7.26% in the 2024/25FY, as highlighted in Table 2 below. The municipality is encouraged to keep energy losses to a minimum.

Table 2: Performance Indicators

Performance indicators	***Municipality 2024/25 D-forms Information***	***Municipality 2023/24 D-forms Information***
Percentage surplus: (%)	7.65	9.48[3]
Energy Losses: (%)	7.25	6.93

3.4. Based on the above information, the licensee's electricity department demonstrates satisfactory financial and operational performance, as evidenced by the recorded surplus and relatively low energy losses. The surplus indicates prudent financial management and cost recovery, while the low energy losses suggest effective network maintenance and operational efficiency. Collectively, these factors point to a stable and sustainable electricity service function.

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

4.1. The municipality submitted its existing COS study, which supports the tariffs application, which will be approved in the 2026/27FY. The municipality's cost of supply study included all requirements of NERSA's approved COS framework (i.e. Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

[3] Total Electricity Purchases divided by Total Expenditure

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. Oudtshoorn Municipality's 2026/27FY tariff application is based on an existing COS study. The study is valid for five years and has been adjusted to reflect key cost drivers for the 2026/27FY in line with Section 18.7 of the COS Framework.

4.4. The municipality applied a cost-plus methodology rather than a rate-of-return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows:

4.4.1. Efficient and prudent operating expenditure (OPEX)

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

4.4.3. Plus, a reasonable surplus margin

4.5. Section 18.7 of the 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.

4.6. In line with section 18.7 mentioned above, **Error! Reference source not found.** below was developed and the definition of the columns is as follows:

i. Column 1 is the actual 2024/25FY licensee performance and is sourced from the D-forms that are based on the audited annual statements.

ii. Column 2 is for the 2025/26FY revenues and electricity volume that are the base for 2026/27FY tariffs. The figures were tested for reasonableness (since at the time of approval, the figures were estimates) when the Regulator considered and approved the 2026/27FY 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 2026/27FY 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 2026/27FY.

4.7. The total allowable revenue of R446.6 million is for the 2025/26FY tariff review and is based on cost-of-supply revenue and the volumes used to determine the tariffs approved by the Energy Regulator, as shown in Table 3 below.

4.8. The COS study is applicable for five years; however, municipalities need to reflect the adjustments in their cost drivers for the 2026/27FY. NERSA used the budgeted figures submitted by the licensee to assess the reasonableness as well as the licensee's current operational requirement to ensure that municipalities do not over- or under-recover during the 2026/27FY tariff review process.

4.9. To determine an increase applicable for the 2026/27FY, the licensee submitted its 2026/27FY cost (budgeted cost plus surplus) as requested by NERSA and the total budgeted required revenue that amounted to R490.2 million for the 2026/27FY tariff review process.

Table 3: 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	125 291 677	136 567 928	148 859 041	-	148 859 041
Eskom bulk purchases	kWh	136 159 597	148 413 961	161 771 217	-	161 771 217
Total Energy Requirements	**kWh**	**136 159 597**	**148 413 961**	**161 771 217**		**161 771 217**
Total Losses	kWh	10 867 920	11 846 033	12 912 176		12 912 176
Technical losses	kWh	10 867 920	11 846 033	12 912 176	-	12 912 176
Non-technical losses	kWh	0	0	0	-	0
Allowed losses	%	**7,98%**	**7,98%**	**7,98%**		**7,98%**
Total Energy losses	%	7,98%	7,98%	7,98%		7,98%
Cost drivers						
Energy purchases from Eskom	Rand	289 499 437	315 277 700	343 968 000	-	343 968 000
Other energy purchases			-	-	-	-
Total energy purchases		**289 499 437**	**315 277 700**	**343 968 000**	**0**	**343 968 000**
Cost of technical losses	Rand	10 867 920	11 846 033	12 912 176	0	12 912 176
Non-Technical Losses					0	0
Operational expenditure (incl. Depreciation)	**Rand**	**58 277 151**	**81 370 959**	**92 934 123**	**-309 606**	**92 624 517**
General & Other	0	54 093 196	63 170 900	75 856 000	0	75 856 000
Salaries and allowances	Rand	16 441 599	19 809 300	23 549 900	0	23 549 900
Materials and supplies	Rand	3 863 632	5 339 800	13 256 700	0	13 256 700
Contracted Services	Rand	6 095 297	5 646 100	6 689 500	0	6 689 500
Current year depreciation	Rand	21 131 912	21 131 900	22 188 500	0	22 188 500
insurance	Rand	70 961	100 000	103 700	0	103 700
other general expenditure	Rand	4 272 733	8 896 600	7 737 400	0	7 737 400
Commission Paid	Rand	2 217 062	2 247 200	2 330 300	0	2 330 300
Shared OPEX	Rand	4 183 956	18 200 059	17 078 123	-309 606	16 768 517
Bad debts (Allowance for Impairment)	Rand	1 977 536	15 152 200	13 870 500	0	13 870 500
FBE paid to Eskom	Rand	251 922	284 042	309 606	-309 606	0
Operating Leases	Rand	79 817	79 817	79 817		79 817
General expenses		**1 874 681**	**2 684 000**	**2 818 200**	**0**	**2 818 200**
Fleet Costs	Rand	1 874 681	2 684 000	2 818 200	0	2 818 200
Total Expediture before surplus		358 644 508	408 494 692	449 814 299	0	449 504 693
Surplus	Rand	20 685 323	51 183 300	58 222 000	0	58 222 000
Total Expenditure Including Surplus		379 329 831	459 677 992	508 036 299	0	507 726 693
Other revenues	Rand	**-16 696 993**	**-13 280 200**	**-17 745 000**	**0**	**-17 745 000**
Reconnection fees	Rand	468 730	506 800	506 800	0	506 800
Free Basic Electricity (Equitable share)	Rand	14 234 636	9 600 000	9 620 800	0	9 620 800
Interest earned	Rand	1 393 627	2 026 400	2 101 400	0	2 101 400
Other Revenue - Government Grants and Subsidies	Rand	600 000	1 147 000	5 516 000	0	5 516 000
Total Allowable Revenus	**Rand**	**362 632 838**	**446 397 792**	**490 291 299**	**0**	**489 981 693**
increase required				***9,83%***	***9,76%***	

4.10. It is important to test the efficiency and prudence of the costs in the 2025/26FY since these are the most recently considered revenues in support of the approved tariffs during this period. This forms the basis for projecting costs for the 2026/27FY using assumptions to calculate revenue requirements for that year.

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

Bulk purchases

4.12. The licensee applied for a bulk purchase expenditure of R343.9 million, which accounts for 70% of total costs, inclusive of the 7.98% energy loss allowance in line with the Act which requires only the prudently and efficiently incurred costs to be passed through to customers.

4.13. To arrive at the 2026/27FY estimate, the licensee projected the year-to-date amount for 2025/26FY since complete financial year data is unavailable and estimated that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.14. The Eskom bills were analysed, and no NMD exceedance penalties were charged. Furthermore, the municipality is up to date with its Eskom bulk account and therefore does not incur interest charges.

Operating expenditure (including depreciation)

4.15. The licensee applied for operational expenditure, including depreciation of R92.9 million as highlighted in Table 3 above.

4.16. The municipality adjusted the expenditure linked to the 2025/26FY tariffs, increasing it from R81.3 million to a budgeted amount of R92.9 million, reflecting a 14% increase in costs.

General Costs and Other

4.17. Salaries and allowances under the Electricity Department comprise employee-related costs incurred for staff involved in the operation, maintenance, administration and management of the electricity function. These costs typically include basic salaries, overtime, standby and travel allowances and other employee benefits for technical, operational, administrative and managerial personnel within the department. The charges applied for increased by 19% from R19.8 million in the 2025/26FY to R23.5 million in the 2026/27FY.

4.18. The Materials & supplies line item includes cables, transformers, switchgear, meters, poles, streetlight components, protective equipment, maintenance materials, network repair items, electrical consumables and replacement parts for the network. These costs are necessary to ensure continuity and reliability of supply and therefore form part of the prudent cost of service. The charges applied

for increased by 148% from R5.3 million in the 2025/26FY to R13.3 million in the 2026/27FY. The municipality indicated that this increase is primarily attributable to the planned implementation of the Smart Energy Street Lights Project. As part of this project, the Electro-Technical Department intends to replace the existing streetlights with LED streetlights. The required materials and equipment for the project have been budgeted for and recorded as inventory items within the municipality's stores. Accordingly, the increase in materials and supplies expenditure is mainly driven by this initiative.

4.19. Contracted services form part of the municipality's prudent operating costs and are necessary to support the operation, maintenance, repair and technical management of the electricity network. The municipality indicated that it contracted consultants for engineering services and construction contractors for electrification and network upgrades. The charges applied for increased by 18% from R5.6 million in the 2025/26FY to R6.7 million in the 2026/27FY.

4.20. Insurance expenses comprise costs incurred to provide financial protection for the Electricity Department's assets, operations and liabilities against potential risks and losses. These expenses typically include premiums for the insurance of electricity infrastructure, vehicles, equipment, buildings, public liability, employee-related risks and other operational assets against events such as damage, theft, accidents, fire and natural disasters. The charges applied for increased by 3% from R100 thousand in the 2025/26FY to R103 thousand in the 2026/27FY.

4.21. Commission paid comprises payments made to third parties or agents for services rendered in support of the Electricity Department's operations. These expenses typically include commissions paid for revenue collection services, vending and sales of prepaid electricity tokens, debt collection activities, or other outsourced services where compensation is based on a percentage or agreed fee structure. The charges applied for increased by 4% from R2.2 million in the 2025/26FY to R2.3 million in the 2026/27FY.

4.22. Other general expenses comprise miscellaneous operational and administrative costs incurred in the day-to-day functioning of the Electricity Department that are not specifically classified under other expenditure categories. These expenses may include office consumables, communication costs, printing and stationery, subscriptions, minor repairs, staff-related administrative costs and other incidental expenses necessary to support the effective operation of the electricity undertaking. The charges applied for decreased by 13% from R8.8 million in the 2025/26FY to R7.7 million in the 2026/27FY.

Depreciation

4.23. Depreciation is a key component of operational expenditure, as it enables the recovery of electricity infrastructure costs over the useful life of the assets. An adequate depreciation provision is essential to ensure the long-term sustainability of the electricity undertaking and to facilitate the future refurbishment and replacement of ageing network infrastructure.

4.24. The municipality reported an asset value of R221 793 253, as reflected in its submitted D-forms for the 2024/25FY. This amount was verified against the audited AFS, the trial balance and supporting financial information.

4.25. Depreciation amounted to R21 131 912 in the 2024/25FY calculated using the straight-line method over the useful lives of the respective assets. This amount was extracted from the submitted 2024/25FY D-Form and verified against the audited 2024/25FY Annual Financial Statements. The projected depreciation for 2025/26FY is R21 131 900, increasing to R22 188 500 in the 2026/27FY budget, reflecting approximately 5% growth.

Shared Operating Expenditure

4.26. Bad debts (Allowance for Impairment) comprise a provision made for amounts owed by customers that may not be recoverable. This operating expense is recognised to account for the risk of non-payment of electricity revenue and is typically based on the municipality's historical collection trends, ageing of debtor accounts and expected credit losses. The applied amount of R13.8 million represents 3% of the applied revenue requirement.

4.27. FBE paid to Eskom refers to the cost associated with FBE units supplied to qualifying indigent households, where the municipality purchases the electricity from Eskom in bulk. Municipalities provide a certain amount of free electricity (for example, 50 kWh per month) to registered indigent customers as part of government social support programmes. Even though customers receive the electricity for free, the municipality still has to pay Eskom for electricity it purchased in bulk. The charges applied for increased by 9% from R284 thousand in the 2025/26FY to R309 thousand in the 2026/27FY. The FBE payments to Eskom have been disallowed, as these costs are considered to be funded through the Free Basic Electricity allocation under the Equitable Share, thereby ensuring that customers are not burdened with avoidable costs.

4.28. Operating lease expenses comprise costs incurred by the Electricity Department for the rental or leasing of assets used in its operations without obtaining ownership of those assets. These expenses typically include lease payments for office buildings, vehicles, equipment, machinery, printers and other operational assets required to support the provision and administration of electricity services. The charges applied for remained constant at R79 thousand in the 2025/26FY and 2026/27FY.

4.29. Fleet costs under operating expenditure comprise expenses associated with the operation, management, maintenance and administration of the municipality's vehicle fleet used to deliver electricity services. These costs typically include fuel and oil, vehicle maintenance and repairs, tyres, licensing and registration fees, insurance, tracking services, lease payments, fleet management services and other transportation-related costs incurred in support of operational and technical activities. The charges applied for increased by 5% from R2.6 million in the 2025/26FY to R2.8 million in the 2026/27FY.

Surplus

4.30. The municipality applied for a surplus of R58 million, which is based on a 12% return on OPEX, including bulk purchases. The applied surplus was assessed against the municipality's financial performance, operational requirements, cost-reflectivity principles and the affordability impact on consumers.

4.31. The Energy Regulator notes that maintaining an appropriate level of surplus is necessary to mitigate financial and operational risks associated with the electricity business. An inadequate surplus may expose the municipality to risks such as:

4.31.1. insufficient cash flow to fund operations and maintenance activities;

4.31.2. deterioration of network infrastructure due to underinvestment;

4.31.3. increased reliance on borrowing or cross-subsidisation from other municipal functions;

4.31.4. inability to respond effectively to network failures and emergency repairs; and

4.31.5. the weakening of the long-term financial sustainability of the electricity undertaking.

4.32. To ensure that the surplus is not excessive or detrimental to consumers, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision, together with the COS methodology, NERSA is required to ensure that Oudtshoorn

recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.33. NERSA is satisfied that the surplus applied for by Oudtshoorn is reasonable and supports the financial sustainability of the electricity business, as it falls within the established target range of 10–20% in accordance with the approved NERSA Cost of Supply Framework.

4.34. The applied surplus is considered proportionate to the risks associated with an inadequate surplus, particularly within the context of a municipal distributor that is not profit-maximising but is required to remain financially sustainable. Accordingly, NERSA has decided to approve the revenue requirement as applied for.

Conclusion on Costs to Serve

4.35. While the COS study outcome reflected an average tariff increase of 22.50% for the licensee to achieve full cost-reflectivity, the municipality adopted a two-year phase-in approach to implement tariff increases below the COS outcomes. Some considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive the demand for electricity services.

4.36. Significantly higher tariffs could negatively impact the licensee by reducing customer demand and sales. The licensee also considered the broader affordability impact on customers in determining the pace of its tariff adjustments.

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

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

4.39. The cost adjustment tool (Table 3 above) indicates a justified increase of 9.83% for the 2026/27FY before accounting for inefficiencies. The Free Basic Electricity (FBE) costs paid to Eskom, amounting to approximately R309 thousand, were disallowed on the basis that these costs are funded through the Free Basic Electricity allocation under the Equitable Share and, therefore, should not be recovered from customers through tariffs.

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DETAILS OF TARIFFS APPLIED FOR						
2. Domestic Single Prepaid = 20Amp	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	334.58	366.37	9.50%	366.37	9.50%	The COS study indicates that this tariff category is under-recovering by approximately 23%, reflecting a significant gap between current tariff levels and the cost of service. The licensee has proposed an energy charge increase of 9.50% for FY2026/27, which has been retained as the recommended tariff. While this adjustment is directionally appropriate and contributes toward improving cost recovery, it remains materially below the level required to fully address the under-recovery. The proposed increase represents a partial correction toward cost-reflectivity. However, given the magnitude of the under-recovery, a full adjustment in a single financial year may result in tariff shock and adverse affordability impacts on residential consumers. Accordingly, the proposed increase may be considered reasonable within a phased approach, balancing the need to improve cost recovery with the objective of maintaining affordability and tariff stability for households.

DETAILS OF TARIFFS APPLIED FOR						
3) Domestic Single Prepaid = 30Amp & 30Amp Indigent/Pensioners	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	329.21	360.49	9.50%	360.49	9.50%	The COS study indicates that this tariff category is under-recovering by approximately 23%, reflecting a significant gap between current tariff levels and the cost of service. The licensee has proposed an energy charge increase of 9.50% for FY2026/27, which has been retained as the recommended tariff. While this adjustment is directionally appropriate and contributes toward improving cost recovery, it remains materially below the level required to fully address the under-recovery. The proposed increase represents a partial correction toward cost-reflectivity. However, given the magnitude of the under-recovery, a full adjustment in a single financial year may result in tariff shock and adverse affordability impacts on residential consumers. Accordingly, the proposed increase may be considered reasonable within a phased approach, balancing the need to improve cost recovery with the objective of maintaining affordability and tariff stability for households

DETAILS OF TARIFFS APPLIED FOR						
4) Domestic Single-phase Conventional	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	305.17	334.16	9.50%	334.16	9.50%	The COS study indicates that this tariff category is under-recovering by approximately 17%**,** reflecting a material gap between current tariff levels and the cost of service. The licensee has proposed adjustments across all tariff components, including a 9.50% increase in the energy charge, as well as corresponding increases in the basic charge and ampere (capacity-related) charge for FY2026/27. These adjustments have been retained as the recommended tariffs. While the proposed increases are directionally aligned with improving cost recovery, they remain below the level required to fully eliminate the under-recovery identified in the COS. However, implementing full adjustment in a single year may result in affordability constraints for residential consumers. Accordingly, the proposed tariff adjustments may be considered reasonable and appropriate within a phased approach, as they advance cost-reflectivity while maintaining tariff stability and affordability.
Basic Charge (R/month)	73.34	80.30		80.30		
Amp Charge (R/Amp)	9.77 (R293.10/30 Amp)	10.70 (R321/30Amp)		10.70 (R321/30Amp)		

5) Domestic Single -Prepaid 30Amp	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	305.17	334.16	9.50%	334.16	9.50%	The COS study indicates that this tariff category is under-recovering by approximately 23%, reflecting a significant gap between current tariff levels and the cost of service. The licensee has proposed an energy charge increase of 9.50% for FY2026/27, which has been retained as the recommended tariff. While this adjustment is directionally appropriate and contributes toward improving cost recovery, it remains materially below the level required to fully address the under-recovery. The proposed increase represents a partial correction toward cost-reflectivity. However, given the magnitude of the under-recovery, a full adjustment in a single financial year may result in tariff shock and adverse affordability impacts on residential consumers. Accordingly, the proposed increase may be considered reasonable within a phased approach, balancing the need to improve cost recovery with the objective of maintaining affordability and tariff stability for households.
Basic Charge (R/month)	73.34	80.30		80.30		
Amp Charge (R/Amp) (R293.10/ 30Amp)	9.77	10.70 (R321/30Amp)		10.70 (R321/30Amp)		

6. Commercial Three-Phase Prepaid <80 Amp	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	290.45	318.04	9.50%	318.04	9.50%	The COS study indicates that this tariff category is significantly over-recovering by approximately 44%**,** reflecting a substantial divergence between current tariff levels and the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and ampere-based capacity charge, which have been retained as the recommended tariffs. The proposed increase aligns with the Eskom bulk supply adjustment and broader sectoral cost pressures faced by the municipality. In this context, it is recognised that immediate and full correction of over-recovery may result in tariff instability and revenue shortfalls, potentially impacting the financial sustainability of the electricity service. A phased approach to cost alignment is therefore considered appropriate.
Basic Charge (R/month)	131.43	143.92		143.92		
Amp Charge (R/Amp)	14.87 (R2 676.60/60 Amp)	16.28 (2 930.40/60Amp)		16.28 (2 930.40/60Amp)		

7. Commercial Three-Phase Conventional <80 Amp	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % increase***	***Analysis and Key findings***
Energy charge (c/kWh)	290.45	318.04	9.50%	318.04	9.50%	The COS study indicates that this tariff category is significantly over-recovering by approximately 27%, reflecting a substantial divergence between current tariff levels and the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and ampere-based capacity charge, which have been retained as the recommended tariffs. The proposed increase aligns with the Eskom bulk supply adjustment and broader sectoral cost pressures faced by the municipality. In this context, it is recognised that immediate and full correction of over-recovery may result in tariff instability and revenue shortfalls, potentially impacting the financial sustainability of the electricity service. A phased approach to cost alignment is therefore considered appropriate.
Basic Charge (R/month)	131.43	143.92		143.92		
Amp Charge (R/Amp)	14.87 (R2 676.60/60Amp)	16.28 (2 930.40/60Amp)		16.28 (2 930.40/60Amp)		

8. Three-Phase Municipal Properties and Community grounds <80 Amp	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	290.45	318.04	9.50%	318.04	9.50%	The COS study indicates that this tariff category is under-recovering by approximately 17%, reflecting a material gap between current tariff levels and the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as corresponding adjustments to the basic charge and ampere-based capacity charge, which have been retained as the recommended tariffs for FY2026/27. While the proposed increases are directionally aligned with improving cost recovery, they remain below the level required to fully eliminate the under-recovery identified in the COS. However, given that this tariff applies to municipal properties and community-related services, affordability and fiscal sustainability considerations within the municipality are relevant. Accordingly, the proposed increases may be considered reasonable and appropriate within a phased approach, as they advance cost-reflectivity while maintaining budgetary stability and avoiding abrupt increases in municipal operating costs.
Basic Charge (R/month)	131.43	143.92		143.92		
Amp Charge (R/Amp)	14.87 (R2 676.60/ 60Amp)	16.28 (2 930.40/6 0Amp)		16.28 (2 930.40/60Amp)		

9. Irrigation Pump	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	234.69	256.98	9.50%	256.98	9.50%	The COS study indicates that this tariff category is revenue neutral, implying that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and demand charge, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.
Basic Charge (R/month)	877.55	960.92		960.92		
Demand Charge (R/kVA)	33.68 (R2 694.40/80Amp)	36.88 (R2 950.40/80Amp)		36.88 (R2 950.40/80Amp)		

10. Industrial Bulk LV (400V) Thermal	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic Charge (R/month)	1 714.51	1 877.39	9.50%	1 877.39	9.50%	The proposed 9.50% increase across all tariff components is supported by the COS, which indicates that this tariff category is under-recovering by approximately 20%. The adjustment, therefore, represents a necessary step toward improving cost-reflectivity and reducing the existing revenue shortfall. The uniform increase applied to the basic, energy, demand and access charges is considered reasonable and appropriate, as it: • Contributes to progressive correction of under-recovery; • Aligns with bulk supply cost increases and broader cost pressures; and • Maintains tariff stability and predictability for customers. While the increase does not fully eliminate under-recovery, it reflects a phased approach to cost alignment, balancing financial sustainability with customer impact considerations. Accordingly, the proposed 9.50% increase is approved, as it is justified by COS outcomes and supports the gradual recovery of efficient costs.
Energy charge (c/kWh)	206.99	226.66		226.66		
Demand charge (R/kVA)	442.86	484.93		484.93		
Access Charge (R/kVA)	25.86	28.32		28.32		

11. Street Lighting and Telephone Booths	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	272.66	298.56	9.50%	298.56	9.50%	The proposed 9.50% increase in the energy charge is supported by the COS, which indicates that this tariff category is under-recovering by approximately 13%. The adjustment, therefore, contributes toward improving cost-reflectivity and reducing the existing revenue gap. The increase aligns with bulk supply cost pressures and reflects a measured, phased approach to addressing under-recovery, thereby balancing the need for financial sustainability with customer impact considerations. While the adjustment does not fully eliminate the under-recovery, it represents a reasonable progression toward cost-reflective tariffs without introducing tariff instability. Accordingly, the proposed 9.50% increase is approved, as it is justified by COS outcomes and supports the gradual recovery of efficient costs.

12. Streetlights, Outdoor Network signs	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	303.42	332.24	9.50%	332.24	9.50%	The proposed 9.50% increase in the energy charge is supported by the COS, which indicates that this tariff category is under-recovering by approximately 13%. The adjustment, therefore, contributes toward improving cost-reflectivity and reducing the existing revenue gap. The increase aligns with bulk supply cost pressures and reflects a measured, phased approach to addressing under-recovery, thereby balancing the need for financial sustainability with customer impact considerations. While the adjustment does not fully eliminate the under-recovery, it represents a reasonable progression toward cost-reflective tariffs without introducing tariff instability. Accordingly, the proposed 9.50% increase is approved, as it is justified by COS outcomes and supports the gradual recovery of efficient costs.

13. Availability Charge	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic charge (R/month)	488.76	535.20	9.50%	535.20	9.50%	The COS study indicates that this tariff category is revenue neutral, implying that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and demand charge, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.

14. Industrial Bulk LV (400V) Blok	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic Charge (R/month)	1 714.51	1 877.39	9.50%	1 877.39	9.50%	The proposed 9.50% increase across all tariff components is supported by the COS, which indicates that this tariff category is under-recovering by approximately 20%. The adjustment, therefore, represents a necessary step toward improving cost-reflectivity and reducing the existing revenue shortfall. The uniform increase applied to the basic, energy, demand and access charges is considered reasonable and appropriate, as it: • Contributes to progressive correction of under-recovery; • Aligns with bulk supply cost increases and broader cost pressures; and • Maintains tariff stability and predictability for customers. While the increase does not fully eliminate under-recovery, it reflects a phased approach to cost alignment, balancing financial sustainability with customer impact considerations. Accordingly, the proposed 9.50% increase is approved, as it is justified by COS outcomes and supports the gradual recovery of efficient costs.
Energy charge (c/kWh)	206.99	226.66		226.66		
Access Charge (R/kVA)	25.86	28.32		28.32		
Demand charge (R/kVA)	456.10	499.43		499.43		

15. Geyser Control	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic Charge (R/month)	142.85	156.42	9.50%	156.42	9.50%	The COS study indicates that this tariff category is revenue neutral, implying that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and demand charge, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.

16. Flood Lights	**2025/26 Approved**	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
125kWh (R/month)	137.78	150.87	9.50%	150.87	9.50%	The COS study indicates that this tariff category is revenue neutral, implying that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases across all tariff components, including a 9.50% increase in the energy charge, as well as adjustments to the basic charge and demand charge, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.
250kWh (R/month)	275.56	301.74		301.74		
400kWh (R/month)	440.90	482.78		482.78		

17. Special Bulk Users TVG (11OOOV): LOAD FACTOR > 50 %						
	2025/26 Approved	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic Monthly: R/month	3 112.50	3 408.19	9.50%	3 408.19	9.50%	The proposed tariff reflects a uniform increase of 9.50% across all components, including the basic charge, time-of-use (TOU) energy charges (low and high season), demand charge, access charge and reactive energy charge. The COS indicates that this tariff category is under-recovering by approximately 17% and the proposed adjustment therefore contributes toward reducing the existing revenue shortfall and improving cost-reflectivity. The application of a uniform percentage increase, rather than differentiated adjustments based on cost drivers, suggests that the municipality has not yet fully aligned the tariff structure with COS principles. The approach is acceptable, because it maintains tariff stability and predictability for large industrial customers, aligns with bulk supply cost increases and supports the financial sustainability of the electricity service.
***Low Season* Energy *charges*:**						
Peak(c/kWh)	269.13	294.69		294.69		
Standard c/kWh	201.40	220.53		220.53		
Off-peak(c/kWh)	147.93	161.98		161.98		
***High Season* Energy charges:**						
Peak c/kWh	707.57	774.79		774.79		
Standard c/kWh	253.09	277.13		277.13		
Off-peak c/kWh	162.19	177.60		177.60		
Demand charge R/kVA	116.90	128.01		128.01		
Access Charge (R/kVA)	68.89	75.43		75.43		
Reactive energy charge [R/kVArh	0.0070	0.0076		0.0076		

18. Bulk TOU (11000V)						***Analysis and Key Findings***
	2025/26 Approved	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	
Basic Monthly: R/month	4 110.46	4 500.96	9.50%	4 500.96	9.50%	The proposed tariff reflects a uniform 9.50% increase across all components, including the basic charge, time-of-use (TOU) energy charges (low and high season), demand charge, access charge and reactive energy charge. The COS indicates that this tariff category is under-recovering by approximately 17% and the proposed adjustment therefore contributes toward reducing the existing revenue shortfall and improving cost-reflectivity. The application of a uniform percentage increase, rather than differentiated adjustments based on cost drivers, suggests that the municipality has not yet fully aligned the tariff structure with COS principles. The approach is acceptable, because it maintains tariff stability and predictability for large industrial customers, aligns with bulk supply cost increases and supports the financial sustainability of the electricity service.
***Low Season* Energy *charges*:**						
Peak(c/kWh)	247.72	271.25		271.25		
Standard c/kWh	183.59	201.04		201.04		
Off-peak(c/kWh)	131.70	144.21		144.21		
***High Season* Energy charges:**						
Peak c/kWh	673.21	737.17		737.17		
Standard c/kWh	233.01	255.14		255.14		
Off-peak c/kWh	160.23	175.45		175.45		
Demand charge R/kVA	206.97	226.64		226.64		
Access Charge (R/kVA)	175.94	192.65		192.65		
Reactive energy charge [R/kVArh	0.0695	0.0761		0.0761		

19. Bulk TOU (400V) for pilot only						
	2025/26 Approved	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Basic Monthly: R/month	2 018.37	2 210.11	9.50%	2 210.11	9.50%	The Cost of Supply (COS) study indicates that this tariff category is under-recovering by approximately 17%, reflecting a material gap between current tariff levels and the cost of service. The licensee has proposed a uniform increase of 9.50% across all tariff components, including the basic monthly charge, Time-of-Use (TOU) energy charges (low and high season), as well as demand, access and reactive energy charges, which have been retained as the recommended tariffs for FY2026/27. While the proposed increases are directionally aligned with improving cost recovery, they remain below the level required to fully address the 17% under-recovery. However, given that this is a pilot tariff, a more gradual adjustment is appropriate to allow for customer adaptation, demand response behaviour and validation of the tariff design. Accordingly, the proposed increases may be considered reasonable and appropriate within a phased approach, balancing the need to improve cost recovery with the objectives of tariff stability, customer responsiveness and policy learning associated with the pilot.
Low Season Energy charges:						
Peak(c/kWh)	255.48	279.75		279.75		
Standard c/kWh	189.28	207.26		207.26		
Off-peak(c/kWh)	135.93	148.85		148.85		
High Season Energy charges:						
Peak c/kWh	694.12	760.06		760.06		
Standard c/kWh	240.40	263.24		263.24		
Off-peak c/kWh	165.25	180.95		180.95		
Demand charge R/kVA	220.16	241.07		241.07		
Access Charge (R/kVA)	187.13	204.91		204.91		
Reactive energy charge[R/kVArh]	0.0655	0.0717		0.0717		

20.Domestic & Industrial Bulk (400v) -Feed in Tariff						
	2025/26 Approved	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
***Low Season* Energy charges:**			9.50%		9.50%	The COS study indicates that this tariff category is revenue neutral**,** suggesting that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases of approximately 9.50% across all Time-of-Use (TOU) energy components, including low- and high-season peak, standard and off-peak periods, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.
Peak(c/kWh)	189.03	206.99		206.99		
Standard c/kWh	129.80	142.13		142.13		
Off-peak(c/kWh)	82.05	89.84		89.84		
***High Season* Energy charges:**						
Peak c/kWh	580.55	635.70		635.70		
Standard c/kWh	175.41	192.07		192.07		
Off-peak c/kWh	109.33	119.71		119.71		

21.Commercial and Bulk user TVG (11000V), TVG (400V) & Special Bulk Users TVG (11OOOV): Load Factor > 50%-Feed in Tariff						
	2025/26 Approved	**2026/27 Proposed**	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
***Low Season* Energy charges:**			9.50%		9.50%	The COS study indicates that this tariff category is revenue neutral**,** suggesting that current tariff levels are appropriately aligned with the cost of service. The licensee has proposed increases of approximately 9.50% across all Time-of-Use (TOU) energy components, including low- and high-season peak, standard and off-peak periods, which have been retained as the recommended tariffs for FY2026/27. The proposed increase is considered in the broader context of overall revenue requirements and tariff rebalancing across customer categories, particularly because other tariffs are under-recovering. The tariff is subject to ongoing monitoring to prevent sustained over-recovery in this category.
Peak(c/kWh)	186.96	204.72		204.72		
Standard c/kWh	128.38	140.57		140.57		
Off-peak(c/kWh)	81.15	88.86		88.86		
High Season Energy charges:						
Peak c/kWh	574.20	628.75		628.75		
Standard c/kWh	173.49	189.97		189.97		
Off-peak c/kWh	108.13	118.40		118.40		

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. From a conspectus of the facts and evidence presented to the REC, supporting information, stakeholder inputs and applicable legal framework, it is appropriate to consider and approve Oudtshoorn's tariff application as set out in this Reasons for Decision for the 2026/27FY.

End