NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

by

Langeberg Municipality

THE DECISION

At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered Langeberg Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year, as set out in the Tariff Analysis Section 7 from page 20 of the RfD document.

Based on the available information, public comments and the analysis performed, the REC, at its meeting held on 6 May 2026, decided:

1. to approve the tariffs that are based on the Cost Drivers as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;

2. to note the cost information submitted by the municipality;

3. that the municipality must submit, by 31 January 2027, an audited financial report accounting for all costs that have been noted, to enable the National Energy Regulator of South Africa to perform its independent verification audit; and

4. that the municipality must submit a specific, measurable, achievable, realistic and time-bound (SMART) energy loss reduction report on a quarterly basis, commencing from 30 September 2026, to enable NERSA to closely monitor the implementation thereof.

TABLE OF CONTENTS

THE DECISION....1

ABBREVIATIONS and acronyms....5

1. INTRODUCTION....6

2. LEGAL AND REGULATORY FRAMEWORK....7

3. FINANCIAL AND TECHNICAL PERFORMANCE....11

4. DETERMINATION OF LANGEBERG MUNICIPALITY's TARIFFS BASED ON THE COST OF SUPPLY ADJUSTED DATA....13

5. PUBLIC PARTICIPATION....18

6. THE OBJECTORS AND OTHER INTERVENING PARTIES....18

7. TARIFF ANALYSIS AND KEY FINDINGS....20

8. CONFIDENTIALITY....31

9. CONCLUSION....31

TABLE OF TABLES

Table 1: Customer Statistics (Data obtained from 2024/25 D-forms) 6
Table 2: Performance Indicators 11
Table 3: Energy Losses vs Revenue Impact Analysis 12
Table 4: Revenue Requirement Components 15
Table 5: Revenue Requirement Components 18
Table 6: Municipal Impact 21

ABBREVIATIONS AND ACRONYMS

COS	Cost of Supply
D-form	Distribution form
EPP	Electricity Pricing Policy for the South African Electricity Supply Industry, 2008
ERA	Electricity Regulation Act, 2006
ERTSA	Eskom Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IDP	Integrated Development Plan
IPP	Independent Power Producer
LED	Local Economic Development
LM	Langeberg Municipality
MFMA	Municipal Finance Management Act, 2003
MTREF	Medium-Term Revenue and Expenditure Framework
NERA	National Electricity Regulation Act, 2004
NERSA	National Energy Regulator of South Africa
NMD	Notified Maximum Demand
OPEX	Operating Expenditure
PAJA	Promotion of Administrative Justice Act, 2000
RCA	Regulatory Clearing Account
SSEG	Small-Scale Embedded Generation

1. INTRODUCTION

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

1.2. Langeberg Municipality (LM) is situated in the Western Cape. The municipality's customer base is predominantly domestic, with this category accounting for 27.88% of total electricity sales, closely followed by other consumers at 23.64%. LM provides qualifying indigent customers with 50 kWh of Free Basic Electricity (FBE) per month and maintains an indigent register. Details of the municipality's customer statistics are set out in Table 1 below.

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

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic (Prepaid)	61 849	24.31	17 063
Domestic (Conventional)	9 092	3.57	1 144
Agriculture	47 760	18.77	91
Manufacturing/Industrial	26 418	10.38	259
Commercial (Prepaid)	3 466	1.36	1 040
Commercial (Conventional)	25 314	9.95	259
Other Consumers	60 152	23.64	373
Streetlights	3 502	1.38	0
Sold to other departments	16 875	6.63	1
TOTAL	**254 428**	**100**	**20 230**
Free Basic Electricity (FBE)	4 572	6.44	4 801

1.3. NERSA received LM's tariff application on 31 March 2026. The application is based on an existing Cost of Supply (COS) study, valid from the 2025/26 to the 2029/30 financial years.

1.4. LM implemented an 11.32% average price increase in the 2025/26 financial year and is applying for an average price increase of 9.01% for the FY2026/27.

1.5. In accordance with NERSA's requirements, all tariff applications must include confirmation that the proposed tariffs have been approved by the municipal council and have undergone a customer consultation process.

1.6. For this application, the municipality confirmed that its council meeting had been held on 31 March 2026. The municipality submitted the council resolution and proof of customer consultation together with the tariff application on 31 March 2026.

1.7. NERSA followed its own public consultation process. On 31 March 2026, NERSA published LM's tariff application on its website, its various social media platforms, as well as in national and local newspapers, to solicit written comments from affected parties by 21 April 2026.

1.8. NERSA's decision was made on 6 May 2026, taking into consideration the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination and Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (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 NERSA evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

2.2. NERSA's Statutory Mandate

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of the NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy

Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.2.2. In particular:

- section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions;
- section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs; and
- section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

2.2.3. Municipalities distributing electricity do so under electricity distribution licences issued by NERSA and are therefore subject to the tariff approval framework established under the ERA.

2.3. Tariff Determination Principles under the ERA

2.3.1. When determining or approving electricity tariffs, the Energy Regulator must apply the principles contained in section 15(1) of the ERA.

2.3.2. Section 15(1) provides that the Energy Regulator:

a) must enable an efficient licensee to recover the full cost of the licensed activity;
b) must allow for a reasonable return commensurate with the risk of the licensed activity;
c) may provide incentives for continued improvement of technical and economic efficiency;
d) must avoid undue discrimination between customer categories;
e) may permit cross-subsidies of tariffs to certain classes of customers; and
f) may have regard to the need to ensure security of supply, diversity of supply and the promotion of renewable energy.

2.3.3. These statutory requirements form the core legal principles guiding the determination of electricity tariffs within the South African electricity supply industry.

2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

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

2.6. Cost of Supply Studies

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

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

2.6.3. Policy Position 23 therefore requires electricity distributors to undertake COS studies at least every five years, or when significant structural changes occur in the customer base or cost structure.

2.6.4. Such studies must be conducted in accordance with the methodology approved by NERSA and must accompany tariff structure applications submitted to NERSA.

2.7. Judicial Oversight of the Tariff Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process for the FY2025/26 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 help ensure municipal tariffs are approved on time and in line with the law, the Court issued a structural interdict to guide the process going forward.

2.7.4. NERSA subsequently launched a variation application, seeking to vary the timelines set by the Court on 4 December 2025, considering the practical difficulties which arose as they relate 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 FY2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

2.8.1. The following timelines are applicable in respect of the 2026/27 municipal tariff approvals:

- Written notice of bulk tariffs must be given by 6 March 2026.
- Municipal tariff applications must be submitted by 31 March 2026.
- Public participation processes must be concluded by 21 April 2026.
- NERSA decisions must be published by 11 May 2026.

2.8.2. Municipal tariff approvals from the FY2027/28 shall comply with the following timelines:

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

2.9. Conclusion

2.9.1. The determination of municipal electricity tariffs by the Energy Regulator must therefore be undertaken within a comprehensive regulatory framework comprising 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 stated in this document demonstrate how NERSA 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 LM, the assessment relied on the Distribution forms (D-forms) for the 2024/25 financial year submitted as part of the licensee's tariff application. The information contained in the D-forms was verified against the supporting source documents provided by the municipality, including the Trial Balance and Annual Financial Statements. As a result, the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

3.2. LM's electricity business operated at a surplus margin of 10.13%[1] in FY2024/25, a significant upturn from 6.38% in FY2023/24. This positive shift reflects enhanced financial performance, primarily driven by a substantial 24.77% increase in revenue over the period. However, the gains from higher revenue were partially offset by a pronounced 20% increase in total expenditure during FY2024/25, indicating rising cost pressures within the electricity business. Despite this erosion, the operation maintained its surplus margin, signalling a degree of financial resilience.

3.3. Table 2 below shows that LM's energy losses deteriorated from 5.76% in FY2023/24 to 16.89% in FY2024/25. The municipality mainly attributed the bump in its energy losses to theft, unaudited meters (faulty meters), customer bypassing and wearing out infrastructure. A decline in its credit collection rate exacerbated the energy loss position. The licensee submitted its energy loss reduction plan in the reporting period, and some of the measures identified and undertaken in order to reduce its losses include the following:

a) Conduct meter audits in the coming financial year
b) Identify and remove illegal connections
c) Identify and replace faulty, tampered and unregistered meters
d) Identify and rectify incorrect tariff codes
e) Impose fines to offenders.

Table 2: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
Performance Indicator	**FY2023/24 (Approved)**	**2024/25 (Actuals)**
Percentage Surplus (Deficit): (%)	6.38	10.13
Percentage Energy Losses: (%)	5.76	16.89

3.4. Based on the above information, the financial position of the municipality's electricity business is on an upward curve and remains stable, as evidenced by the moderate

[1] Percentage Surplus Formula = (Revenue from Electricity Sales Less Total Expenditure) divided by Revenue from Electricity Sales

operating surplus margin of 10.13%. Although not robust, this surplus margin is within a sustainable range. Continued expenditure control and efficiency improvements will be essential to strengthen long-term financial sustainability and safeguard future margins.

3.5. Table 3 below provides a revenue impact analysis under two energy loss scenarios: actual (16.89%) and when reduced to 12%.

Table 3: Energy Losses vs Revenue Impact Analysis

Parameters	Current Position FY2024/25	Scenario 1: Losses at 12% (Extrapolated D-Form Info)	Scenario 2: Losses at 6% (Extrapolated D-Form Info)
Energy Losses	16.89%	12%	6%
Surplus / Deficit Margin	10.13%	13.48%	17.26%
Revenue Impact of Energy Losses	R71 966 732.00	R27 495 684.20	R61 232 327.30

3.6. Under the current scenario, with actual electricity losses of 16.89%, the licensee records an operating surplus of approximately R71.97 million, which translates to a surplus margin of 10.13%, based on approved D-form inputs. This is still regarded as a stable surplus margin and suggests that the municipality is able to cover its operational costs.

3.7. Based on the scenario analysis one, should electricity losses be reduced to 12%, and assuming constant electricity purchases, operating costs, and tariff structures, total electricity sales revenue is projected to increase due to higher billable energy volumes. Under this scenario, the estimated revenue that could be recovered through loss reduction is projected to increase by approximately R27.50 million, equivalent to a 13.48% surplus margin, reflecting improved revenue retention relative to the current position.

3.8. Further reduction of energy losses to 6% are expected to strengthen the surplus position by a further R61.23 million, equivalent to a surplus margin of 17.26% subject to the sustainability and effectiveness of the implemented loss-reduction measures.

4. DETERMINATION OF LANGEBERG MUNICIPALITY'S TARIFFS BASED ON THE COST OF SUPPLY ADJUSTED DATA

4.1. The municipality submitted its existing COS study in support of its tariff application approved in the 2026/27 financial year. The municipality's cost of supply 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. Section 18.7 of the Cost of Supply Framework approved by NERSA in October 2023 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.

4.4. In line with section 18.7 mentioned above, Table 4 below was developed, and the definitions of the columns are as follows:

i. Column 1: represents the budgeted FY2024/25 costs submitted by the licensee as part of the COS revenue requirement and approved for tariff determination in FY2024/25.
ii. Column 2: reflects the actual FY2024/25 financial performance of the licensee, sourced from the D-forms and aligned with the audited annual financial statements.
iii. Column 3.1: indicates the variance between the FY2024/25 approved budgeted figures and the audited actual values;
iv. Column 3.2: expresses the same variance in percentage terms. A positive variance indicates that actual expenditure exceeded the approved budget, while a negative variance indicates underspending relative to the budget. In the latter case, a clawback may be applicable, whereas in the former case, a disbursement may be considered, subject to regulatory assessment.

v. Column 4: reflects the FY2025/26 revenue and electricity volume figures used as the baseline for determining the FY2026/27 tariffs (since at the time of the approval, the figures were estimates) when the Energy Regulator considered and approved the 2026/27 COS base tariffs. Once the 2025/26 financial year concludes, the actual figures will be verified against the audited annual financial statements.

vi. Column 5: contains the licensee's submitted FY2026/27 budgeted figures, which are subject to reasonableness testing for purposes of tariff determination for the control period under review.

vii. Column 6: shows the percentage movement between the FY2025/26 baseline figures and the FY2026/27 budgeted amounts and forms the primary basis for proposed tariff adjustments for FY2026/27.

viii. Column 7: is intended for NERSA's recommended adjustments after considering the reasons, facts, and evidence that the licensee has provided to motivate/justify for the approval of the budgeted figures.

ix. Column 8: is intended to capture NERSA's recommended adjustments after considering the reasons, facts, and supporting evidence submitted by the licensee in support of the requested budget figures for the FY2026/27.

4.5. The Total Allowable Revenue of R836.769 million in column 4 is for the FY2025/26 tariff review period and is the basis upon which the tariffs are adjusted for approval by the Energy Regulator as shown in Table 4 below.

4.6. The FY2024/25 variance between budgeted and actual Total Allowable Revenue in column 3 reflects higher than planned expenditure and higher than anticipated *other income* offsets, rather than regulatory adjustments. The municipality has incorporated these outcomes into the forward-looking FY2026/27 revenue requirement.

4.7. The COS study is valid for five years; however, municipalities need to reflect the adjustments in their cost drivers for each financial year under the existing COS (i.e. FY2026/27). NERSA utilised the budgeted figures to verify efficiencies and to ensure that municipalities do not over- or under-recover their operating overheads during the FY2026/27 tariff review process.

4.8. In determining the tariff adjustment applicable for the FY2026/27, the licensee submitted its FY2026/27 cost data, comprising budgeted operating costs plus surplus, as required by NERSA. The total budgeted revenue requirement submitted amounts to R927.30 million for the FY2026/27 tariff review process, inclusive of an energy loss adjustment of R21.10 million. This results in a 10.82% increase in allowable revenue for FY2026/27 relative to the previous financial period. The submitted application reflects a modest cost forecasting approach by the licensee, attributing its strategy to prioritising tariff affordability considerations over financial sustainability pressures, as well as the acknowledgment of continued migration of higher-end customers to

alternative energy sources, thereby constraining future sales growth and revenue recovery prospects.

Table 4: Revenue Requirement Components

Energy Balance	Unit	FY2024/25 Budgeted Costs (COS) (1)	FY2024/25 Actual Costs (2)	FY2024/25 Budget to Actual Variance (R) (3.1)	FY2024/25 Budget to Actual Variance (%) (3.2)	FY2025/26 Tariffs per submitted Municipal Budget (4)	FY2026/27 Budgeted Costs as per the Licensee (5)	FY2025/26 to FY2026/27 Variance (%) (6)	NERSA Adjustment (considering efficiencies) (7)	FY2026/27 Allowable Revenue (8)
Sales	kWh	254 428 276	254 428 276	-	0%	283 229 556	308 748 541	9%	-	308 748 541
Eskom bulk purchases	kWh	306 134 581	306 134 581	-	0%	343 850 361	374 831 279	9%	-	374 831 279
Independent Power Producers Conventional	kWh		-	-		-	-		-	-
Independent Power Producers Renewable Energy	kWh		-	-		-	-		-	-
Self Generation	kWh		-	-		-	-		-	-
Other			-	-		-	-		-	-
Total Energy Requirements	**kWh**	**306 134 581**	**306 134 581**	**0**	**0%**	**343 850 361**	**374 831 279**	**9%**		**374 831 279**
Total Losses	kWh		51 706 305			60 620 805	66 082 738			66 082 738
Technical losses	kWh		36 736 150			41 262 043	44 979 753		-	44 979 753
Non-technical losses	kWh		-14 970 156			-19 358 762	-21 102 985		-	-21 102 985
Allowed losses	%		**12.00%**			**12.00%**	**12.00%**			**12.00%**
Total Energy losses	%		16.89%			17.63%	17.63%			17.63%
Cost Drivers										
Energy purchases from Eskom	Rand	556 355 627	585 676 064	29 320 437	5%	651 974 594	654 560 689	0%	-	654 560 689
Other energy purchases			-	-		-	-	0%	-	-
Total energy purchases	Rand	**556 355 627**	**585 676 064**	**29 320 437**	**5%**	**651 974 594**	**654 560 689**	**0%**	**0**	**654 560 689**
Cost of technical losses	Rand	71 477 285	70 281 128	(1 196 157)	-2%	78 236 951	78 547 283	0%	0	78 547 283
Non-Technical Losses	Rand	-	-	-	0%	-	-	0%	-	-
Other energy purchases	Rand					-	-		-	-
Capital expenditure	Rand	-	-	-	0%	-	-	0%	-	-
Operational expenditure (incl. Depreciation)	**Rand**	**49 743 644**	**51 856 549**	**6 515 251**	**4%**	**54 967 942**	**58 519 593**	**6%**	**-**	**58 519 593**
General & Other	**Rand**	**39 064 558**	**34 545 059**	**(117 153)**	**-12%**	**36 617 763**	**38 516 063**	**5%**	**0**	**38 516 063**
Salaries and allowances	Rand	20 958 771	1 212 422	(19 746 349)	-94%	1 285 167	27 712 650	2056%	-	27 712 650
Materials and supplies	Rand	11 983 345	3 521 001	(8 462 344)	-71%	3 732 261	4 068 537	9%	-	4 068 537
Contracted Services	Rand	1 720 096	248 777	(1 471 319)	-86%	263 704	287 463	9%	-	287 463
Salaries, wages and allowances (excl. Repairs and Maintenance)	Rand	-	23 983 129	23 983 129	#DIV/0!	25 422 117	0	-100%	-	0
Payments to consultants (operational work)	Rand	4 402 346	-	-		-			-	0
Eskom debts interest	Rand		-	-		-	-		-	-
Current year depreciation	Rand	-	5 579 731	5 579 731	#DIV/0!	5 914 514	6 447 412	9%	-	6 447 412
Repairs and Maintenance	Rand		0	0					0	
Other creditors interests	Rand	-	0	0	#DIV/0!	0	0	#DIV/0!	0	0
									0	
Shared OPEX	**Rand**	**54 625 196**	**17 311 490**	**6 632 404**	**-68%**	**18 350 179**	**20 003 531**	**9%**	**0**	**20 003 531**
Bad debts (Allowance for Impairment)	Rand	10 679 086	17 311 490	6 632 404	62%	18 350 179	20 003 531	9%	-	20 003 531
FBE paid to Eskom	Rand		0	0	#DIV/0!	0	0	#DIV/0!	-	0
Charges from other Municipal Departments	Rand	-	0	0	#DIV/0!	0	0	#DIV/0!	-	0
General expenses		**43 946 110**	**0**	**0**	**-100%**	**0**	**0**	**#DIV/0!**	**0**	**0**
1.Insurance	Rand			-	#DIV/0!			#DIV/0!	-	0
2. Fleet Costs	Rand			-	#DIV/0!			#DIV/0!	-	0
3.Other Expenses	Rand			0	#DIV/0!			#DIV/0!	-	0
	Rand		-			-			0	0
Total Expediture before surplus	Rand	677 576 556	707 813 741	34 639 531	4%	785 179 488	791 627 565	**1%**	0	791 627 565
Surplus	Rand	67 757 656	71 966 732	4 209 077	6%	82 501 506	169 378 546	**105%**	-	169 378 546
Total Expenditure including Surplus	**Rand**	**745 334 211**	**779 780 473**	**38 848 608**	**5%**	**867 680 994**	**961 006 111**	**11%**	**-**	**961 006 111**
Other Income	Rand	**0**	**-28 144 013**	**(28 144 013)**	**0%**	**-30 917 183**	**-33 702 821**	**9%**	**0**	**-33 702 821**
5. Other Revenue - Illegal Connections	Rand		-	-		-	-		-	-
Total Allowable Revenue	**Rand**	**745 334 211**	**751 636 460**	**10 704 595**	**1%**	**836 763 811**	**927 303 290**	**11%**	**-**	**927 303 290**
Increase Required							***9.01%***			***9.01%***

4.9. It is important to test the efficiency and prudency of the costs in the FY2025/26, as this represents the most recently considered revenue in support of the approved tariffs during this period. This forms the basis on which costs for the FY2026/27 have been projected, using assumptions to calculate revenue requirements for that year.

4.10. Furthermore, NERSA has verified all expense items included in the revenue requirements 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 and expanded on below.

Bulk Purchases

4.11. For the FY2026/27, the licensee has applied for a bulk purchase expenditure of R654.56 million, which accounts for 76% of total costs, inclusive of the 12% energy loss allowance. Bulk purchases were verified against Eskom invoices in the FY2024/25.

4.12. To arrive at the FY2026/27 estimate, the licensee projected the full-year amount for the FY2025/26 and then estimated that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.13. Analysed Eskom bills showed no Notified Maximum Demand (NMD) exceedance penalties had been charged. Furthermore, the municipality did not include the Eskom interest charges on the outstanding account. All verifications have been satisfactory to NERSA, and therefore, this cost has been approved as applied for.

Operating Expenditure (including depreciation)

4.14. The licensee seeks an Operational Expenditure of R58.52 million for the 2026/27 financial year including depreciation. This represents 6% of the Total Costs, adjusted upward from R54.97 million in the 2025/26 financial year. This translates to a 6.46% increase from the previous year. The licensee cited a conservative adjustment approach in its budgeting, as it has seen several electricity users getting off the grid in recent times, among other factors.

4.15. The licensee's depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The asset base is valued at approximately R460 million as at FY2024/25, as reported in its D-forms and verified against its audited AFS and supporting financial information. The resulting depreciation and amortization provisions amounted to R5.6 million in FY2024/25, R5.9 million in FY2025/26 and projected at R6.4 million for the 2026/27 financial year.

4.16. The approach taken by the licensee is satisfactory to NERSA for forecasting operational expenditure. As a result, this cost has been approved as applied for.

Surplus

4.17. The licensee is projecting a dramatic surplus position of R169.38 million, which is based on an 18% return on OPEX including bulk purchases, and significantly increased by 105% from the previous year relative to Total Expenditure. This is due to some forecasted revenue adjustments, including cost containment measures that the municipality plans to undertake.

4.18. The surplus position represents the critical financial buffer against several risks, allowing the municipality to maintain service delivery without resorting to emergency borrowing.

4.19. The considerations that went into the municipality's surplus allowance included factors that support both cost reflectivity and financial sustainability, and the associated risk factors include financial liquidity and operational risks.

4.20. NERSA is of the view that the return applied for by the licensee is reasonable to keep the licensee sustainable, in line with the 10-20% target range as determined in the COS Methodology. The projected surplus level complies with the applicable principles. Thus, it is NERSA's decision to allow the revenue requirement as applied for.

Conclusion on Costs to Serve

4.21. While the COS study outcome reflected an average tariff increase of 17% for the licensee to achieve full cost reflectivity, the municipality adopted a three-year phase-in approach to implement tariff increases below the COS outcomes. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive the demand for its electricity services.

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

4.23. This approach will help protect the municipality's revenue base and support its financial sustainability, as required by legislation.

4.24. Furthermore, the Cost of Supply study is based on forecasts and, as such, does not guarantee that the results are in fact true costs to supply. Therefore, the licensee has reviewed the results and determined its own revenue requirements to ensure financial sustainability. In this regard, the municipality will be required to submit a report accounting for all unverified costs.

Page 18 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation, objections or comments, which names members of the public. We do not republish it.

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9222/LangebergMunicipality.pdf

Page 19 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation, objections or comments, which names members of the public. We do not republish it.

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9222/LangebergMunicipality.pdf

Page 20 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation, objections or comments, which names members of the public. We do not republish it.

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9222/LangebergMunicipality.pdf

Municipal Impact Analysis

7.1.5. Table 6 below illustrates the municipal impact in the event of either approval or rejection of its application.

Table 6: Municipal Impact

Application Item	Assessment
Profile	Mixed urban-agricultural economy with wine farming.
Proposed Increase	9.01%
Cost of Supply Results	17.00%
Customer Impact	Agriculture is highly price-sensitive due to usage, residential impact is moderate.
Revenue Impact (Approved)	Will present partial recovery, with approximately 8% under-recovery gap.
Revenue Impact (Rejected)	The COS gap widens year-on-year, especially with bulk purchases and other operating cost on the rise.
Regulatory Considerations	Municipality needs to achieve balancing between farm viability and cost recovery.

Clawback / Disbursement Mechanism

7.1.6. It is important to note that currently, there is no formal Regulatory Clearing Account (RCA) mechanism for municipalities. Although the FY2024/25 tariffs were set to recover costs based on approved forecasts, the lower actual expenditure resulted in a lower allowable revenue outcome in the year under review. Accordingly, (i) in the absence of a clawback or disbursement mechanism, the FY2024/25 over-recovery cannot be automatically clawed back; and (ii) the impact is addressed through forward-looking tariff determinations, subject to prudency, affordability, and actual cash collection assessments. The proposed 9.01% tariff increase is therefore forward-looking, and not retrospective, as discussed in section 4.6 above.

7.2. **TARIFF ANALYSIS**

1. Domestic - Indigent, 1 Phase <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	0.00	0%	0.00	0.00	0%
Block 2 (51 - 350 kWh)	238.57	9.01%	260.07	260.07	9.01%
Block 3 (351 - 600kWh)	335.73	9.01%	365.98	365.98	9.01%
Block 4 (>600 kWh)	392.37	9.01%	430.45	430.45	9.01%

2. Domestic - 1 Phase <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	195.11	9.01%	212.69	212.69	9.01%
Block 2 (51 - 350 kWh)	251.14	9.01%	273.77	273.77	9.01%
Block 3 (351 - 600kWh)	353.43	9.01%	385.27	385.27	9.01%
Block 4 (>600 kWh)	415.67	9.01%	453.12	453.12	9.01%

3. Domestic - 3 Phase <=80A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	195.11	9.01%	212.69	212.69	9.01%
Block 2 (51 - 350 kWh)	251.14	9.01%	273.77	273.77	9.01%
Block 3 (351 - 600kWh)	353.43	9.01%	385.27	385.27	9.01%
Block 4 (>600 kWh)	415.67	9.01%	453.12	453.12	9.01%

4. Domestic - Indigent, Conventional, 1 Phase <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	0.00	0%	0.00	0.00	0%
Block 2 (51 - 350 kWh)	238.57	9.01%	259.00	259.00	9.01%
Block 3 (351 - 600kWh)	335.73	9.01%	365.98	365.98	9.01%
Block 4 (>600 kWh)	392.37	9.01%	430.45	430.45	9.01%

5. Domestic - Conventional, 1 Phase <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	195.11	9.01%	212.69	212.69	9.01%
Block 2 (51 - 350 kWh)	238.57	9.01%	260.07	260.07	9.01%
Block 3 (351 - 600kWh)	335.73	9.01%	365.98	365.98	9.01%
Block 4 (>600 kWh)	394.87	9.01%	430.45	430.45	9.01%
Basic Charge (R/month)	372.52	9.01%	406.08	406.08	9.01%

6. Domestic - Conventional, 3 Phase <=80A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Block 1 (0 - 50kWh)	195.11	9.01%	212.69	212.69	9.01%
Block 2 (51 - 350 kWh)	238.57	9.01%	260.07	260.07	9.01%
Block 3 (351 - 600kWh)	335.73	9.01%	365.98	365.98	9.01%
Block 4 (>600 kWh)	394.87	9.01%	430.45	430.45	9.01%
Basic Charge (R/month)	954.58	9.01%	1,040.59	1,040.59	9.01%

7. Commercial - Prepayment, 1 Phase Business <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Business (c/kWh)	348.59	9.01%	380.00	380.00	9.01%

8. Commercial - Prepayment, 3 Phase Business <=80A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Business (c/kWh)	406.69	9.01%	443.33	443.33	9.01%

9. Commercial - Conventional, 1 Phase Business <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Business (c/kWh)	294.00	9.01%	320.49	320.49	9.01%
Basic Charge (R/month)	808.09	9.01%	880.90	880.90	9.01%

10. Commercial - Conventional, 3 Phase Business <=35A, <=70A, <=150A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Business: <=25kVA (<=35A) (c/kWh)	294.00	9.01%	320.94	320.94	9.01%
Basic Charge (R/moth)	1,616.18	9.01%	1,761.80	1,761.80	9.01%
Business: <=50kVA (<=70A) (c/kWh)	294.00	9.01%	320.94	320.94	9.01%
Basic Charge (R/moth)	2,020.22	9.01%	2,202.24	2,202.24	9.01%
Business: <=100kVA (<=150A) (c/kWh)	294.00	9.01%	320.94	320.94	9.01%
Basic Charge (R/moth)	2,383.86	9.01%	2,598.65	2,598.65	9.01%

11. Agriculture - Conventional, 1 Phase <=60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Agriculture (<=60A) (c/kWh)	294.00	9.01%	320.49	320.49	9.01%
Basic Charge (R/month)	730.57	9.01%	796.39	796.39	9.01%

12. Agriculture - Conventional, 3 Phase <=35A, <=70A, <=150A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Agriculture: <=25kVA (<=35A) (c/kWh)	294.00	9.01%	320.49	320.49	9.01%
Basic Charge (R/moth)	1,941.18	9.01%	2,116.08	2,116.08	9.01%
Agriculture: <=50kVA (<=70A) (c/kWh)	294.00	9.01%	320.49	320.49	9.01%
Basic Charge (R/moth)	2,278.72	9.01%	2,484.03	2,484.03	9.01%
Agriculture: <=100kVA (<=150A) (c/kWh)	294.00	9.01%	320.49	320.49	9.01%
Basic Charge (R/moth)	2,864.71	9.01%	3,122.82	3,122.82	9.01%

13. Industrial / Bulk - Normal Bulk, Large Power User <11kV	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Charge (R/moth)	3,671.55	9.01%	4,002.31	4,002.31	9.01%
Demand Charge (R/kVA)	428.39	9.01%	466.99	466.99	9.01%
Access Charge (R/kVA)	32.13	9.01%	35.02	35.02	9.01%
Energy Charge (c/kWh)	146.19	9.01%	159.36	159.36	9.01%

14. Industrial / Bulk - Normal Bulk, Large Power User =11kV	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Charge (R/moth)	3,671.55	9.01%	4,002.36	4,002.36	9.01%
Demand Charge (R/kVA)	428.39	9.01%	466.99	466.99	9.01%
Access Charge (R/kVA)	32.13	9.01%	35.02	35.02	9.01%
Energy Charge (c/kWh)	146.19	9.01%	159.36	159.36	9.01%

15. Industrial / Bulk - Normal Bulk, Large Power User <11kV (TOU)	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Monthly Charge per meter (R/month)	3,671.55	9.01%	4,002.36	4,002.36	9.01%
Network Demand Charge (R/kVA)	77.01	9.01%	83.95	83.95	9.01%
Network Access Charge (R/kVA)	61.43	9.01%	66.96	66.96	9.01%
Active Energy Charge per meter - TOU (c/kWh)					
High Demand (June to August):					
Peak	771.24	9.01%	840.73	840.73	9.01%
Standard	246.89	9.01%	269.13	269.13	9.01%
Off-peak	142.72	9.01%	155.58	155.58	9.01%
Low Demand (September to May):					
Peak	264.39	9.01%	288.21	288.21	9.01%
Standard	187.91	9.01%	204.84	204.84	9.01%
Off-peak	126.15	9.01%	137.52	137.52	9.01%
Reactive Energy Charge (c/kvarh)	32.64	9.01%	35.58	35.58	9.01%

16. Industrial / Bulk - Normal Bulk, Large Power User =11kV (TOU)	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Monthly Charge per meter (R/month)	3,671.55	9.01%	4,002.36	4,002.36	9.01%
Network Demand Charge (R/kVA)	70.84	9.01%	77.22	77.22	9.01%
Network Access Charge (R/kVA)	56.51	9.01%	61.60	61.60	9.01%
Active Energy Charge per meter - TOU (c/kWh)					
High Demand (June to August):					
Peak	763.52	9.01%	832.31	832.31	9.01%
Standard	244.41	9.01%	266.43	266.43	9.01%
Off-peak	141.29	9.01%	154.02	154.02	9.01%
Low Demand (September to May):					
Peak	261.74	9.01%	285.32	285.32	9.01%
Standard	185.99	9.01%	202.75	202.75	9.01%
Off-peak	124.88	9.01%	136.13	136.13	9.01%
Reactive Energy Charge (c/kvarh)	32.64	9.01%	35.58	35.58	9.01%

17. Street lighting - Departmental	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Charge (R/month)	0.00	0%	0.00	0.00	0%
Consumption: Energy Charge (c/kWh)	284.59	9.01%	310.23	310.23	9.01%
Maintenance: Fixed Charge (R/Luminaire/month)	90.02	9.01%	98.13	98.13	9.01%

18. Sportsgrounds - Prepaid, 1 Phase <=60A, 3 Phase <=80A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Prepaid Energy Charge: 1 Phase <=60A and 3 Phase <=80A (c/kWh)	353.35	9.01%	385.19	385.19	9.01%
Sport Energy Charge: 1 Phase <=60A c/kWh)	353.35	9.01%	385.19	385.19	9.01%
Basic Charge (R/moth)	367.66	9.01%	400.79	400.79	9.01%
Sport Energy Charge: 3 Phase <=80A c/kWh)	335.66	9.01%	365.90	365.90	9.01%
Basic Charge (R/moth)	955.90	9.01%	1,042.03	1,042.03	9.01%

19. Unmetered Points - Telkom <10A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Charge (R/moth)	3,023.15	9.01%	3,298.26	3,298.26	9.01%

20. Availability Fees	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Erven >/= 200m^2	371.54	9.01%	405.02	405.02	9.01%
Pre-paid Electricity Coupon (per coupon)	27.94	9.01%	30.46	30.46	9.01%

21. FEES: Bulk Consumers permanently exceeding their Notified Maximum Demand (NMD)	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Rate per kVA by which is exceeded monthly	380.05	9.01%	414.29	414.29	9.01%

Wheeling and Small-Scale Embedded Generation (SSEG) Tariffs

This is the wheeling arrangement between generators and off-takers, implemented in line with the LM Wheeling Guideline and with the approval by the Director: Engineering Services, Director: Financial Services, and the Municipal Manager.

The proposed SSEG export charge is disbursed back to the customer and applies to all tariff categories.

SSEGs: Feed-in Rates	***2024/25 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***% Increase***
Tariff Blocks	***c/kWh***				
Basic Charge (R/month)	3,257.22	9.01%	3,550.70	3,550.70	9.01%
Fees: Bulk Consumers permanently exceeding their Notified Maximum Demand (NMD) (R/kVA)	380.05	9.01%	414.29	414.29	9.01%
Net Billing Export Credit (c/kWh)	94.88	9.01%	103.43	103.43	9.01%
Streetlighting (consumption non-departmental)	284.59	9.01%	310.23	310.23	9.01%

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

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

End.