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

Tswaing Local Municipality

THE DECISION

At its meeting held on 8 May 2026, the Regulator Executive Committee (REC) considered the Tswaing Local 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 section 6 of this document.

Based on the available information and the analysis performed, the REC decided:

a) to approve the tariffs that are based on the cost drivers, as recommended in the tariff analysis section, for implementation by the licensee with effect from 1 April 2026;
b) to note the cost drivers submitted by the licensee;
c) that the licensee must submit a report accounting for all the costs noted in its cost of supply study, to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification/audit process by 31 January 2027; and
d) that the licensee must submit quarterly progress reports on the efficiency improvement measures taken to reduce high energy losses and deficits to enable NERSA to monitor the implementation thereof by 30 September 2026.

TABLE OF CONTENTS

THE DECISION 1
ABBREVIATIONS AND ACRONYMS 4
1. INTRODUCTION 5
2. LEGAL AND REGULATORY FRAMEWORK 6
3. FINANCIAL AND TECHNICAL PERFORMACE 10
4. DETERMINATION OF TLM'S TARIFFS BASED ON THE EXISTING COS STUDY 12
5. PUBLIC PARTICIPATION 16
6. TARIFF ANALYSIS 17
7. CONFIDENTIALITY 20
8. CONCLUSION 20

LIST OF TABLES

Table 1: Customer statistics (data obtained from the latest D-forms – 2024/25FY 5
Table 2: Performance indicators 10
Table 3: Assessment of energy losses and revenue impact – 2024/25FY 11
Table 4: Revenue requirement components 13
Table 5: Operating expenditure 15

ABBREVIATIONS AND ACRONYMS

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

1. INTRODUCTION

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

1.2. The Tswaing Local Municipality (TLM) is located in the North West. The licensee has 21,385 customers, of which 35,19% attributed to commercial customers. The licensee applied for an increase of 11.30% in 2025/26FY financial year and is proposing an increase of 12.00% for 2026/27FY.

1.3. 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)	5 493	21,57%	6 271
Domestic(Conventional)	2 521	9,90%	2 506
Agriculture	126	0,49%	292
Manufacturing	8 233	32,33%	4
Commercial	8 960	35,19%	11 535
Street Lighting	35	0,14%	23
General(other)	96	0,38%	754
TOTAL	**25 464**	**100,00%**	**21 385**

1.4. NERSA received TLM's tariff application together with its cost of supply (COS) study on 31 March 2026.

1.5. In considering the application, NERSA followed the notice and comment consultation process. TLM's tariff application was published on the NERSA website and social media platforms, as well as in national and local newspapers, on 31 March 2026 to solicit written comments from affected parties.

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 the Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

2.1.3. In addition, the municipal tariff approval process has recently been the subject of judicial scrutiny in the High Court of South Africa (Gauteng Division, Pretoria) in AfriForum NPC v National Energy Regulator of South Africa and Others (Case No. 2025/137620), which resulted in structural directives governing the timing and conduct of NERSA's tariff approval process.

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

2.2. NERSA's Statutory Mandate

2.2.1. NERSA is established as a juristic person in terms of section 3 of NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. Therefore, NERSA's electricity regulatory mandate is primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.2.2. In particular:

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

2.2.3. Municipalities distributing electricity do so under electricity distribution licences issued by 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 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 PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and the public

be afforded a reasonable opportunity to make representations before a final decision is taken.

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

2.5.3. Policy Position 2 states that electricity tariffs must accurately reflect the efficient cost of providing electricity services, and that the average tariff level 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 relating to the 2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application seeking to vary the timelines set by the Court on 4 December 2025, in light of 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 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

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

a) Written notice of bulk tariffs must be communicated by 6 March 2026.
b) Municipal tariff applications must be submitted by 31 March 2026.
c) Public participation processes must be concluded by 21 April 2026.
d) Publication of NERSA decisions by 11 May 2026.

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

a) Written notice of bulk electricity tariffs must be communicated by 31 January each year.
b) Municipal tariff applications must be submitted to NERSA by 20 March each year.
c) Municipal tariff approvals and the 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 NERSA must therefore be undertaken within a comprehensive regulatory framework consisting of the NERA, ERA, PAJA, EPP and the binding judicial directives issued by the High Court in AfriForum NPC v NERSA (Case No. 2025/137620).

2.9.2. The reasons stated in this reasons for decision 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 PERFORMACE

3.1. Level of Reliability of Information

3.1.1. In evaluating the financial and technical performance, NERSA relied on the 2024/25 Distribution forms (D-forms) information provided in analysing the licensee's tariff application. The D-forms' information was validated by NERSA against the relevant source documents submitted by the municipality (i.e. the trial balance/audited annual financial statement [AFS]). Hence, the information provided in the D-forms is considered reasonable for the analysis of the tariffs.

Table 2: Performance indicators

Performance indicators	**2024/25**	**2023/24**
Percentage surplus/(Deficit): **(%)**	5.80	5.62
Energy Losses: (**%**)	28.35	34.98

Percentage Surplus

3.2. The surplus has improved from 5,62% in 2023/24FY to 5,80% in 2024/25FY. TLM's attributes this improvement to the reduction of energy losses and the increase in total income by 10%.

Energy Losses

3.3. TLM's energy losses have decreased from 34.98% in the 2023/24 financial year to 28.35% in 2024/25FY. The municipality indicated that the main contributors to the high energy losses are energy dissipation in cables, transformers and equipment, as well as theft, tampering, faulty meters and billing inefficiencies.

3.4. The municipality submitted the energy losses reduction plan with the following intervention measures:

a) Identify overloaded transformers and feeders.
b) Replace undersized conductors and transformers.
c) Improve revenue collection through accurate metering and reduced theft.
d) Enhance network reliability and system efficiency.
e) Conduct meter verification.
f) Replace faulty, bypassed, or obsolete meters.

3.5. Table 3 below reflects the revenue impact analysis under two energy loss scenarios, namely:

3.5.1. the actual losses of 28.35%, representing the current operating position; and

3.5.2. a reduced loss level of 12% and 6%, reflecting an efficient and regulatory-aligned scenario, for assessment purposes.

Table 3: Assessment of energy losses and revenue impact – 2024/25FY

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	195,69		
Sales kWh	25 463 581,70	31 274 266,82	33 406 603,20
Purchases kWh	35 538 939,57	35 538 939,57	35 538 939,57
Losses kWh	10 075 357,87	4 264 672,75	2 132 336,37
Losses percentage	**28,35%**	**12,00%**	**6,00%**
Additional Energy (kWh)		5 810 685,12	7 943 021,50
Additional Revenue (Rands)		11 370 815,26	15 543 542,30
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 110 001 358,00	R 121 372 173,26	R 125 544 900,30
Total Expenses (Rands)	R 103 621 250,69	R 103 621 250,69	R 103 621 250,69
Net Profit (Loss)	R 6 380 107,31	R 17 750 922,57	R 21 923 649,61
Percentage Surplus/Deficit	**5,80%**	**14,63%**	**17,46%**

3.6. NERSA notes that the licensee reported energy losses of 28.35% (10 075 357.87 MWh), which are significantly above prudent industry norms. NERSA's analysis indicates that reducing losses to 12.00% would generate approximately R11 370 815.26 in additional revenue and increase the surplus from 5.80% to 14.63%. A further reduction to 6.00% would generate approximately R15 543 542.30 in additional revenue and increase the surplus to 17.46%. NERSA, therefore, finds that effective energy loss reduction measures are critical to improving the financial sustainability of the electricity distribution business and reducing the need for future tariff increases.

General Conclusion on the Financial and Technical Indicators

3.7. In conclusion, the municipality has demonstrated an improvement in its financial performance. However, the municipality remains in a low surplus position, indicating that revenue from electricity operations is still insufficient to fully recover the costs of rendering the electricity service. Although energy losses decreased, the municipality should continue implementing measures to manage and reduce losses.

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

4.1. The licensee submitted its existing COS study, supporting the tariff application for 2026/27 financial year. The licensee's COS study included all requirements of NERSA's approved COS Framework (i.e. revenue requirement, cost functionalisation, cost classification, cost allocation and rate setting).

4.2. The revenue requirement for Tswaing was determined using a cost-plus methodology in accordance with the NERSA COS Framework. Aligned to the NERSA COS Framework, costs were built up from verified bulk purchases (Eskom invoices) and verified electricity-related operating costs (tested against D-forms, trial balance and audited AFS).

4.3. Section 18.7 of the October 2023 NERSA COS Framework states:

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

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

i. Column 1 is the actual 2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for 2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when NERSA considered and approved the 2026/27 COS 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 2026/27 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.

4.5. The licensee applied for a total revenue requirement of R 139 567 576 for 2026/27FY. Following the assessment of the COS study, D-forms and supporting financial information, NERSA made adjustments amounting to R14 304 612, resulting in an approved revenue requirement of R125 262 964, as shown in Table 4 below.

Table 4: Revenue requirement components

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	25 464 792	26 738 032	28 074 933	-	28 074 933
Eskom bulk purchases	kWh	35 509 792	34 285 281	35 149 545	-	35 149 545
Total Energy Requirements	**kWh**	**35 509 792**	**34 285 281**	**35 149 545**		**35 149 545**
Total Losses	kWh	10 045 000	7 547 249	7 074 612		7 074 612
Technical losses	kWh	4 261 175	4 114 234	4 217 945	-	4 217 945
Non-technical losses	kWh	-5 783 825	-3 433 015	-2 856 667	-	-2 856 667
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	28,29%	22,01%	20,13%		20,13%
Cost drivers						
Energy purchases from Eskom	Rand	84 518 062	95 268 760	103 962 475	-	103 962 475
total energy purchases		**84 518 062**	**95 268 760**	**103 962 475**	**-**	**103 962 475**
Non-Technical Losses						
Operational expenditure (incl. Depreciation)	**Rand**	**15 741 296**	**16 395 909**	**31 631 906**	**(14 304 612,26)**	**17 327 294**
General & Other	0	13 245 142	13 774 948	14 601 445	-	14 601 445
Salaries and allowances	Rand	4 629 889	4 815 085	5 103 990		5 103 990
Materials and supplies	Rand	3 689 818	3 837 411	4 067 655	-	4 067 655
Contracted Services	Rand	1 610 000	1 674 400	1 774 864	-	1 774 864
Current year depreciation	Rand	3 315 435	3 448 052	3 654 936	-	3 654 936
Shared OPEX	Rand	2 496 154	2 620 962	17 030 461	-	2 725 849
Bad debts (Allowance for Impairment)	Rand	2 491 498	2 616 073	2 720 716	-	2 720 716
Charges from other Municipal Departments	Rand	4 656	4 889	5 133	-	5 133
General expenses		**0**	**0**	**14 304 612**	**(14 304 612,26)**	**0**
6.Eskom Interest	Rand		-	14 304 612	(14 304 612)	0
Total Expediture before surplus		**100 259 358**	**111 664 669**	**135 594 381**	**-**	**121 289 768**
Surplus	Rand	3 007 781	3 349 940	4 067 831		3 638 693
Total Expenditure Including Surplus		103 267 139	115 014 609	139 662 212	-	124 928 461
Other revenues	Rand	**-86 663**	**-90 130**	**-94 636**	**-**	**-94 636**
Reconnection fees	Rand	73 977	76 936	80 783	-	80 783
New connections	Rand	12 686	13 193	13 853	-	13 853
Total Allowable Revenus	**Rand**	**103 180 476**	**114 924 479**	**139 567 576**	**(14 304 612)**	**125 262 964**
increase required				***21,44%***	***9,00%***	

4.6. Figures were verified using Eskom invoices and verified electricity-related operating costs (tested against 2024/25 D-forms, trial balance and audited AFS). Only prudently incurred and efficiently verified costs, supplemented by a reasonable surplus margin, are recommended for approval. This forms the basis for projecting costs for the 2026/27 financial year, using assumptions to calculate revenue requirements.

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

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

Bulk Purchases

4.9. For 2026/27FY, the licensee has applied for a bulk purchase expenditure of R103 962 475, which accounts for 93% of total costs, inclusive of the 12% energy loss allowance. Bulk purchases were verified against the 2024/25 Eskom invoices.

4.10. To get to the 2026/27 estimate, the licensee provided the year-to-date figures for 2025/26, then estimated that this cost item would increase by 9,01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

Operating Expenditure (Including Depreciation)

4.11. The Tswaing Local Municipality applied for operational expenditure of R31 631 906, as shown in Table 5 below.

Table 5: Operating expenditure

Cost drivers	Units	2024/25FY Actuals	2025/26FY Budgeted	2026/27FY Applied	NERSA Adjustments	2026/27FY Recommended
General costs and other	**R**	**13 245 142**	**13 774 948**	**14 601 445**	**-**	**14 601 445**
Salaries and allowances	R	4629889	4815085	5 103 990	-	5 103 990
Materials and supplies	R	3689818	3837411	4 067 655	-	4 067 655
Contracted Services	R	1610000	1674400	1 774 864	-	1 774 864
Current year depreciation	R	3 315 435	3 448 052	3 654 936	-	3 654 936
Shared OPEX	**R**	**2496154**	**2620961,7**	**17 030 461**	**(14 304 612,26)**	**2 725 849**
Bad debts (Allowance for Impairment)	**R**	2 491 498	2 616 073	2 720 716		2 720 716
Charges from other Municipal Departments	**R**	4 656	4 889	5 133		5 133
Eskom Interest	**R**	-	-	14 304 612	(14 304 612,26)	-
Total Opex	**R**	**15 741 296**	**16 395 909**	**31 631 906**	**(14 304 612,26)**	**17 327 294**

4.12. The licensee applied for total operational expenditure of R31 631 906 for 2026/27FY, compared to R16 395 909 budgeted in 2025/26FY. The significant increase was primarily attributable to the inclusion of Eskom interest charges of R14 304 612 under shared operating expenditure.

4.13. Upon assessment, NERSA found the Eskom interest charges to be inefficient and not prudently incurred for tariff-setting purposes. Accordingly, the full amount of R14 304 612 was disallowed. Following this adjustment, the allowable operational expenditure was reduced to R17 327 294.

4.14. NERSA notes that the remaining operational expenditure, comprising salaries and allowances, materials and supplies, contracted services, depreciation, bad debt provision and charges from other municipal departments, was reasonable and necessary for the efficient operation of the electricity distribution business.

Surplus

4.15. The licensee applied for a surplus of R4 067 831, representing approximately 3.0% of total expenditure before surplus. Following the disallowance of R14 304 612 relating to Eskom interest charges, the allowable surplus was reduced to R3 638 693, which remains within a reasonable range to support the financial sustainability of the electricity distribution business.

4.16. NERSA is of the view that the approved surplus provides a limited financial buffer to accommodate unforeseen operational expenditure, asset maintenance requirements and working capital needs. However, the municipality remains exposed to significant financial risks arising from high energy losses of 20.13%. These losses reduce revenue recovery and constrain the municipality's ability to generate sufficient surpluses to fund network refurbishment and service delivery improvements.

Page 16 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/9183/TswainglocalMunicipality_ReasonsforDecisionontariffapplication

Page 17 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/9183/TswainglocalMunicipality_ReasonsforDecisionontariffapplication

11. Households with flats	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Energy Charge (c/kWh)	299,10	9,00%	326,02	326,02	9,00%	The municipality proposed 9% increase for the Households with Flats tariff, and the same 9% increase was recommended. The tariff adjustment is considered reasonable as it is aligned with the Eskom bulk electricity increase and supports the municipality's cost recovery requirements

Commercial Customers

3. Commercial Business(inc industrial, guest house and home business	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Basic Charge (R/month)	981,48	12,00%	1099,26	1064,91	8,50%	The municipality proposed a 12% increase for the Commercial Business tariff; however, an 8.5% increase was recommended. The reduced increase will lessen the financial impact on businesses, particularly small and medium enterprises, and may support economic activity, business sustainability and employment retention within the municipal area
Energy Charge (c/kWh)	341,68	12,00%	382,68	370,72	8,50%	

4. Commercial Prepayment	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Energy Charge (c/kWh)	419,35	12,00%	469,67	454,99	8,50%	The municipality initially proposed a 12% increase for the Commercial Prepayment tariff, but an 8.5% increase was recommended. The lower increase will reduce operating cost pressures on prepaid commercial customers and improve affordability for businesses relying on prepaid electricity systems

7. Churches, Clubs and old age homes	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Basic Charge (R/month)	332,8304	12,00%	372,77	361,12	8,50%	Churches, Clubs and Old Age Homes tariff; however, an 8.5% increase was recommended. The reduced increase will lessen the financial burden on community-based institutions, non-profit organisations and old age homes that provide essential social and welfare services. The lower increase may assist these institutions in maintaining affordability and operational sustainability while continuing to serve vulnerable groups within the community.
Energy Charge (c/kWh)	315,728	12,00%	353,62	342,57	8,50%	

9. Departmental meters	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Energy Charge (c/kWh)	219,65	12,00%	246,01	239,42	9,00%	Departmental Meters tariff; however, 9% increase was recommended. The reduced increase will lessen the financial impact on municipal departments and public service operations that rely on electricity for service delivery activities. The lower increase may assist the municipality in managing internal operational costs and reducing pressure on departmental budgets.

10. Vacant stands	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Basic Charge (R/month)	335,104	12,00%	375,31	365,26	9,00%	The municipality proposed a 12% increase for the Vacant Stands tariff; however, 9% increase was recommended. The reduced increase will lessen the financial burden on property owners with undeveloped stands while still enabling the municipality to recover a portion of the fixed costs associated with maintaining electricity infrastructure availability.

Industrial Customers

5. INDUSTRIAL Town & Small Holdings	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Basic Charge (R/month)	2214,09	12,00%	2479,78	2402,29	8,50%	The municipality proposed a 12% increase for the Industrial Town and Small Holdings tariff; however, an 8.5% increase was recommended. The reduced increase will lessen the financial burden on industrial customers, particularly energy-intensive users, and may support business continuity, productivity and local economic growth
Energy Charge (c/kWh)	196,51	12,00%	220,09	213,21	8,50%	
Demand Charge (R/kVA)	245,25	12,00%	274,68	266,09	8,50%	

8. Agricultural	2025/26FY Approved	2026/27FY Proposed % Increase	2026/27FY Proposed tariffs	2026/27FY Recommended tariffs	2026/27FY Recommended %increase	Analysis and key findings
Basic Charge (R/month)	1004,80	12,00%	1125,38	1090,21	8,50%	The municipality proposed a 12% increase for the Agricultural tariff; however, an 8.5% increase was recommended. The reduced increase will lessen the financial burden on agricultural customers, particularly farmers and agri-processing operations that are highly dependent on electricity for irrigation, production and storage activities. The lower increase may assist in supporting agricultural sustainability, food production and local economic activity within the municipal area.
Energy Charge (c/kWh)	352,83	12,00%	395,17	382,82	8,50%	

7. CONFIDENTIALITY

7.1. None.

8. CONCLUSION

8.1. 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 TLM's tariff application for the 2026/27 financial year, as set out in this reasons for decision document.

End.