NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Distributor Tariff Applications for the 2026/27 Financial Year

By

Moqhaka Local Municipality

THE DECISION

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

Table 1: Summary of the REC decision

Tariff Category	2026/27 approved % Increase
Home Light (Indigent) Urban/Rural	9,01%
Home Light (Indigent) Prepaid Rural	9,01%
Home Power (Other) Prepaid Urban	9,01%
Home Power (Other) Prepaid Rural	9,01%
Business Rate	9,01%
Pre-paid meters basic service charge (pm)	9,01%
Home Power (up to 80A) – Urban and Rural	9,01%
Home Power (Bulk) – Urban & Rural	9,01%
Business Rate 1<50KVA/KW<8000kWh – Urban & Rural	9,01%
Bulk Supplies – Demand in KVA – Urban	9,01%

Bulk Supplies – Demand in KVA – Rural and Urban	9,01%
Off Peak – Urban and Rural	9,01%
Unmetered – Urban and Rural (estimated consumption/month)	9,01%
Business Rate 1: <50KVA/KW<8000kWh – Urban & Rural	9,01%
Bulk Supplies: Demand in KVA – Urban & Rural	9,01%
Street Lighting	9,01%

Based on the information submitted and the analysis conducted, the REC decided at its meeting on 11 May 2026, that:

1. The tariffs that are based on the COS Report are approved as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026.
2. The Cost of Supply Report submitted by the municipality be noted.
3. The municipality is required to submit a report accounting for all the costs that have been noted in its COS study, to enable the Regulator to perform its independent verification/audit process by 31January 2027; and
4. The licensee is required to submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit it by 30 September 2026.

TABLE OF CONTENTS

The Decision 1
Table Of Contents 3
Abbreviations 5
1. Introduction 6
2. Legal And Regulatory Framework 7
3. Financial And Technical Performance 10
4. Determination Of Moqhaka's Tariffs Based On The Cost of Supply Adjusted Data 12
5. Public Participation 17
6. The Objectors And Other Intervening Parties 17
7. Tariff Analysis 17
8. Confidentiality 20
9. Conclusion 20

LIST OF TABLES

Table 1: Summary of the REC decision 1
Table 2: Customer Statistics (Data obtained from the latest D-forms – 2024/25 6
Table 3: Performance Indicators 11
Table 4: Energy Losses Analysis 11
Table 5: Municipality's Revenue Requirement 14
Table 6: Schedule of Tariffs 17

ABBREVIATIONS

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

1. INTRODUCTION

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

1.2. Moqhaka Local Municipality is a licensee situated in the Free State Province. Domestic customers account for 93% of its total electricity sales of 168 707 561 kWh with a total population of 154 732 residents. The licensee provides 50 kWh Free Basic Electricity to 10 650 indigent customers.

Table 2: Customer Statistics (Data obtained from the latest D-forms – 2024/25

Customer categories	**2024/25**			
	MWh	***% MWh***	***Customer numbers***	***Customer numbers***
Domestic(Prepaid)	65 554 328	39%	23 589	90%
Domestic(Conventional)	5 721 485	3%	904	3%
Agriculture	18 299 629	11%	36	0,1%
Manufacturing	52 155 577	31%	100	0,4%
Commercial Prepaid	7 914 967	5%	889	3%
Commercial Conventional	10 635 093	6%	545	2%
Street Lighting	3 523 542	2%		0,0%
Sold to other departments	4 902 841	3%	101	0,4%
TOTAL	**168 707 461**	**100%**	**26 164**	**100%**
Free Basic Electricity	**6 390 250**	**10%**	**10 650**	**45%**

1.3. NERSA received Moqhaka's tariff application together with its Cost of Supply (COS) on 31 March 2026.

1.4. Moqhaka LM implemented a 11,32% average price increase in 2025/26 FY and is applying for an average price increase of 9,01% for the 2026/27 FY.

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

1.6. NERSA followed the notice and comment consultation process. Moqhaka LM'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 11 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of Municipal electricity tariffs constitutes a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legislative framework, national policy directives and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator 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 ("EPP") for the South African Electricity Supply Industry, 2008.

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually in order to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/2027 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 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.

- Section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

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

2.3. Tariff Determination Principles under the ERA

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

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

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

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

2.4. Administrative Law Requirements

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

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

2.5.1. In addition to the statutory framework, the Energy Regulator must have regard to 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 2025/2026 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to the NERSA's compliance with the Court order. The court having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

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

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

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

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

2.9. Conclusion

2.9.1. The determination of municipal electricity tariffs by the Energy Regulator must therefore be undertaken within a comprehensive regulatory framework consisting of 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 2026/2027 financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Moqhaka 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. Moqhaka Local Municipality's electricity business operated at a deficit margin of -29,31% during the 2024/25 financial year, reflecting a further deterioration from the deficit margin of -4,54% recorded in the 2023/24 financial year. The decline in financial performance was primarily attributable to a substantial increase in operating expenditure, mainly driven by Eskom interest charges amounting to approximately R98,1 million, coupled with escalating electricity distribution and energy losses. These factors significantly increased the cost of electricity operations and eroded the municipality's ability to recover costs through electricity revenue collections.

Table 3: Performance Indicators

Performance Indicators: Obtained from the D-FORM		
Indicators	**2023/24**	**2024/25**
Percentage Surplus/ (Deficit)	-4,42%	-29,31%
Percentage Energy Losses	29,40	32,58

3.3. Moqhaka Local Municipality experienced a continued deterioration in the operational efficiency and financial sustainability of its electricity business during the 2024/25 financial year. Energy losses increased significantly from 29,4% to 32,58%, indicating persistent technical and non-technical challenges within the electricity distribution network. The rising losses, driven by ageing infrastructure, illegal connections, meter tampering, billing inaccuracies and faulty metering systems, resulted in substantial foregone electricity revenue, increasing from approximately R193,6 million in 2023/24 to R243,8 million in 2024/25.

Table 4: Energy Losses Analysis

Energy Losses Analysis	2023/24	2024/25
Purchases (kWh)	236 457 160	250 216 716
Sales (kWh)	166 939 757	168 707 461
Total Energy Losses (kWh)	69 517 403	81 509 255
Average Selling Price (Rands)	2,78	2,99
Total Foregone Revenue (Rands)	**193 598 943**	**243 796 337**

3.4. Moqhaka Local Municipality's electricity business experienced a significant deterioration in financial and operational performance during the 2024/25 financial year. The widening deficit margin, increasing Eskom-related obligations and rising energy losses indicate that the electricity function is operating under severe financial strain and is becoming progressively less sustainable. The continued escalation in technical and non-technical losses further undermined revenue generation and cash flow, while increasing operating costs placed additional pressure on the municipality's financial position.

3.5. The overall performance highlights the urgent need for the municipality to implement comprehensive revenue enhancement and loss-reduction interventions, strengthen billing and metering controls, improve electricity infrastructure maintenance and address outstanding Eskom debt obligations in order to restore the long-term financial viability and sustainability of the electricity business.

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

4.1. The municipality submitted its existing COS study which supports the tariffs application which will be 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 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."*

4.4. 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 2024/25 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 the Regulator considered and approved the 2026/27 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 2026/27 FY 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 2026/27 FY.

4.5. The total allowable revenue of R633,4 million is for the 2025/26 FY tariff review and is based on the cost of supply revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in **Error! Reference source not found.** below.

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

4.7. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27 cost (budgeted cost plus surplus) as requested by NERSA and total budgeted required revenue that amounted to R700 million for the 2026/27 FY tariff review process and NERSA adjusted by R9,2 million to R690 million mainly due to surplus factor.

Table 5: 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	168 707 461	178 829 909	193 136 301	-	193 136 301
Eskom bulk purchases	kWh	276 147 350	289 126 275	299 823 948	-	299 823 948
Independent Power Producers Conventional	kWh		-	-	-	-
Independent Power Producers Renewable Energy	kWh		-	-	-	-
Self Generation	kWh		-	-	-	-
Other			-	-	-	-
Total Energy Requirements	**kWh**	**276 147 350**	**289 126 275**	**299 823 948**		**299 823 948**
Total Losses	kWh	107 439 889	110 296 366	106 687 647		106 687 647
Technical losses	kWh	33 137 682	34 695 153	35 978 874	-	35 978 874
Non-technical losses	kWh	-74 302 207	-75 601 213	-70 708 773	-	-70 708 773
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	38,91%	38,15%	35,58%		35,58%
Cost drivers						
Energy purchases from Eskom	Rand	476 137 361	530 036 110	577 792 364	-	577 792 364
other energy purchases			-	-	-	-
total energy purchases		**476 137 361**	**530 036 110**	**577 792 364**	**0**	**577 792 364**
Cost of technical losses	Rand	57 136 483	63 604 333	69 335 084	0	69 335 084
Non-Technical Losses		-128 112 968	-138 594 713	-136 263 261	0	-136 263 261
Other energy purchases	Rand				-	-
Capital expenditure	Rand				-	-
Operational expenditure (incl. Depreciati	**Rand**	**97 553 647**	**126 804 712**	**131 496 485**	**-2525555,0**	**128 970 930**
General & Other	**0**	**95 365 860**	**124 369 268**	**128 970 930**	**0**	**128 970 930**
Salaries and allowances	Rand	26614240	41 709 011	43 252 244	0	43 252 244
Materials and supplies	Rand	169952	127 494	132 211	0	132 211
Contracted Services	Rand	36895163	38 465 168	39 888 379	0	39 888 379
Salaries, wages and allowances (exclu. Repairs and I	Rand				0	0
Payments to consultants (operational work)	Rand	1460566	12 511 715	12 974 648	0	12 974 648
Eskom debts interest	Rand				0	0
Current year depreciation	Rand	30225939	31 555 880	32 723 448	0	32 723 448
software	Rand				0	0
security	Rand				0	0
vehicle expense	Rand				0	0
insurance	Rand				0	0
other general expenditure	Rand				0	0
Commission Paid	Rand				0	0
Meter reading	Rand				0	0
Shared OPEX	**Rand**	**2 187 787**	**2 435 444**	**2 525 555**	**-2 525 555**	**0**
Bad debts (Allowance for Impairment)	Rand				0	0
FBE paid to Eskom	Rand	2187787	2 435 444	2 525 555	-2 525 555	0
Charges from other Municipal Departments	Rand				0	0
Operating Leases	Rand				0	
General expenses		**0**	**0**	**0**	**0**	**0**
1.Commission Expense	Rand				0	
2. Fleet Costs	Rand				0	
3.Other Expenses	Rand				0	0
	Rand				0	
Total Expediture before surplus		630 827 492	581 850 443	642 360 671	-2 525 555	639 835 116
Surplus	Rand	63 082 749	58 185 044	64 236 067	-6 650 907	57 585 160
Total Expenditure Including Surplus		693 910 241	640 035 487	706 596 739	-9 176 462	697 420 277
Other revenues	Rand	**-7 204 982**	**-6 599 316**	**-6 843 491**	**0**	**-6 843 491**
2. Other Revenue - Illegal Connections	Rand	0	0	0	-	**0**
Total Allowable Revenus	**Rand**	**686 705 259**	**633 436 171**	**699 753 248**	**-9 176 462**	**690 576 786**
increase required				***10,47%***	***9,02%***	

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

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

Bulk purchases

4.10. The licensee applied for a bulk purchase expenditure of R577,8 million which accounts for 93% of total costs inclusive of the 10,04% energy loss allowance in line with the act that requires only the prudently and efficiently incurred cost to be passed through to customers.

4.11. To get to the 2026/27 estimate, the licensee projected the year-to-date amount for 2025/26 since complete financial year data is unavailable, then made an estimate that this cost item would increase by 9,01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.12. The Eskom bills were analysed and there are no NMD exceedance penalties charged. Furthermore, the municipality did not include Eskom interests charge on the outstanding account.

Operating Expenditure (including depreciation)

4.13. The licensee applied for operational expenditure of R131,5 million including depreciation amounting to R327 million which was verified as highlighted in **Error! Reference source not found.** above.

4.14. The municipality adjusted the expenditure linked to the 2025/26 FY tariffs, increasing it from R126,8 million to a budgeted amount of R131,5 million, reflecting a 3% increase in costs.

4.15. Operational expenses include depreciation amounting to R32,7 million which was verified against asset values from financial position and a straight-line method utilised.

4.16. NERSA adjusted operating expenses on Free Basic Electricity (FBE) paid to Eskom of R2,5 million in the allowable revenue.

Surplus

4.17. Moqhaka LM Local Municipality's electricity revenue requirement included a surplus provision of approximately R64,2 million, calculated by applying a surplus factor of 10% to the electricity business operating expenditure, inclusive of bulk electricity purchase costs. In determining the allowable revenue requirement, the licensee included certain inefficient and non-allowable costs, specifically with energy losses.

4.18. The applied surplus margin of 10% was benchmarked against the established target range of 10%–20% prescribed in the approved NERSA Cost of Supply (COS) Framework, EPP Policy Position 1, D-Form submissions and the Trial Balance to ensure that the return remains commensurate with the level of risk associated with the electricity business. Risk considerations incorporated qualitatively included revenue collection risks, such as non-payment, indigent levels and bad debts. The municipality has budgeted R0 for bad debt write-offs in the 2026/27 financial year.

4.19. Operational risks, particularly those relating to high energy losses and ageing infrastructure and financial deficits. Municipal energy losses for the 2026/27 financial year are projected at 32,58%.

4.20. In recommending the surplus, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs set by the Regulator "must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return".

4.21. Following adjustments arising from inefficient cost, NERSA revised the surplus downwards by R64,2 million / 10% to 9% / R57,6 million.

Conclusion on Costs to Serve

4.22. While the COS study outcome reflected an average tariff increase of 49,9% for the licensee to achieve full cost reflectivity, the municipality adopted a 3-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.

4.23. Significantly higher tariffs could negatively impact on 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.

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

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/9252/MoqhakaLM2026_27RFD.pdf

Home Power (Other) Prepaid Urban	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
0 - 350 Kwh	2,3	9,01%	2,51	2,51	9,01%
>350 Kwh	3,34	9,01%	3,64	3,64	9,01%

Home Power(Other) Prepaid Rural	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
0 - 350 Kwh	2,3	9,01%	2,51	2,51	9,01%
51 >350 Kwh	3,34	9,01%	3,64	3,64	9,01%

Business Rate	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
Business Rate (Urban) 0 - 2000Kwh	4,17	9,01%	4,55	4,55	9,01%
Business Rate (Rural) 0 - 2000 Kwh	4,17	9,01%	4,55	4,55	9,01%

Pre-paid meters basic service charge (pm)	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
Residential	85,3	9,01%	92,99	92,99	9,01%
Business	524,95	9,01%	572,25	572,25	9,01%

Conventional Supplies

Home Power (up to 80 A) – Urban and Rural	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
(i) Service charge per month	373,27	9,01%	406,90	406,90	9,01%
0-350 Units	2,3	9,01%	2,51	2,51	9,01%
>350 Units	3,35	9,01%	3,65	3,65	9,01%

Home Power (Bulk) – Urban & Rural	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
(i) Service charge per month	2135,84	9,01%	2328,28	2328,28	9,01%
(ii) Units (c/kWh)	2,88	9,01%	3,14	3,14	9,01%

Business Rate 1<50KVA/KW<8000kWh – Urban & Rural	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*

(i) Service charge per month	961,63	9,01%	1048,27	1048,27	9,01%
(ii) Units (c/kWh)	3,34	9,01%	3,64	3,64	9,01%

Bulk Supplies – Demand in KVA – Urban	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
(i) Service Charge per month	2252	9,01%	2454,91	2454,91	9,01%
(ii) KVA (R/KVA)	505,21	9,01%	550,73	550,73	9,01%
(iii) Units (c/kWh)	1,55	9,01%	1,69	1,69	9,01%

Bulk Supplies – Demand in KVA – Rural and Urban	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
(i) Service charge per month	2630,17	9,01%	2867,15	2867,15	9,01%
(ii) KVA (R/KVA)	505,21	9,01%	550,73	550,73	9,01%
(iii) Units (c/kWh)	1,55	9,01%	1,69	1,69	9,01%

Off Peak – Urban and Rural	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
(i) Service charge per month	2630,17	9,01%	2867,15	2867,15	9,01%
(ii) KVA (R/KVA)	505,2	9,01%	550,72	550,72	9,01%
(iii) Units (c/kWh)	1,55	9,01%	1,69	1,69	9,01%

Unmetered – Urban and Rural (estimated consumption/month)	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
Basic Charge	152,83	9,01%	166,60	166,60	9,01%
(i) Units (c/kWh)	1,76	9,01%	1,92	1,92	9,01%

Business Rate 1: <50KVA/KW<8000kWh – Urban & Rural	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
(i) Service charge per month	978,93	9,01%	1067,13	1067,13	9,01%
(ii) Units (c/kWh)	3,8	9,01%	4,14	4,14	9,01%

Bulk Supplies: Demand in KVA – Urban & Rural	***2025/26 Approved Increase***	***2026/27 Proposed % Increase***	***2026/27 Proposed Increase***	***2026/27 Recommended***	***2026/27 Recommended % Increase***
(i) Service charge per month	2208,03	9,01%	2406,97	2406,97	9,01%
(ii) KVA (R/KVA)	495,87	9,01%	540,55	540,55	9,01%
(iii) Units (c/kWh)	1,53	9,01%	1,67	1,67	9,01%

Street Lighting	*2025/26 Approved Increase*	*2026/27 Proposed % Increase*	*2026/27 Proposed Increase*	*2026/27 Recommended*	*2026/27 Recommended % Increase*
(i) Units (c/kWh)	1,06	9,01%	1,16	1,16	9,01%

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. The Energy Regulator, having considered the Moqhaka LM application, supporting information, stakeholder inputs and applicable legal framework, approves the tariff adjustments as set out in this Reasons for Decision.

End.