NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Applications for the 2026/27 Financial Year

by

Kgatelopele Local Municipality

THE DECISION

1. At its meeting held on 27 May 2026, the Regulator Executive Committee (REC) considered Kgatelopele Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in section 8 (Page 20-26) below.

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

   2.1. to approve the tariffs that are based on the Cost of Supply (COS) report as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
   2.2. to note the COS report submitted by the municipality;
   2.3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study, to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification/audit process by 31 January 2027.
   2.4. The Municipality 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.

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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

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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 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 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 2026/27 municipal financial year.

2.2. Statutory Mandate of the Energy Regulator

2.2.1. NERSA is established as a juristic person in terms of section 3 of 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 in terms of 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 the Energy Regulator and are therefore subject to the tariff approval framework established under the ERA.

2.3. Tariff Determination Principles under the ERA

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

2.3.2. Section 15(1) provides that the Energy Regulator:
a) must enable an efficient licensee to recover the full cost of the licensed activity;
b) must allow for a reasonable return commensurate with the risk of the licensed activity;
c) may provide incentives for continued improvement of technical and economic efficiency;
d) must avoid undue discrimination between customer categories;
e) may permit cross-subsidies of tariffs to certain classes of customers; and
f) may have regard to the need to ensure security of supply, diversity of supply and the promotion of renewable energy.

2.3.3. These statutory requirements form the core legal principles that guide the determination of electricity tariffs in the South African electricity supply industry.

2.4. Administrative Law Requirements

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

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

2.5.1. In addition to the statutory framework, the Energy Regulator must have regard to the EPP. The EPP establishes national policy principles for electricity tariff

setting, including cost-reflectivity, transparency, economic efficiency, and equity.

2.5.2. Policy Position 1 of the EPP provides that the revenue requirement for a regulated licensee must be set at a level that covers the full costs 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 costs of rendering electricity services accurately and that the average level of tariffs must be set to recover the approved revenue requirement.

2.6. COS 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 the Energy Regulator.

2.7. Judicial Oversight of the Tariff Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA’s public participation process relating to the 2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the court on 4 December 2025, having considered the practical difficulties which arose as it relates 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 with respect to the 2026/27 municipal tariff approvals:

a. Written notice of bulk tariffs by 6 March 2026
b. Municipal tariff applications to be submitted by 31 March 2026
c. Public participation processes to be concluded by 21 April 2026
d. The publication of NERSA decisions by 27 May 2026

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

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

2.9. **Conclusion**

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

2.9.2. The reasons set out in this Reasons for Decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of the Kgatelopele Local Municipality, 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. Kgatelopele Municipality's electricity business operated at a percentage deficit of 17,15% in the 2024/25 financial year, increasing from a surplus of 0,99% in the

2023/24 financial year. The deterioration was mainly due to a surge on expenses mainly driven by Eskom's interest of R3,5 million as well as high energy losses.

Table 2 (a): Performance Indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/24**	**2024/25**
Percentage Surplus (Deficit)	**0,99%**	**-17,15%**
Percentage Energy Losses	**32,04**	**28,11**

3.3. If the energy losses were capped at 12%, the Municipality's deficit would have decreased effectively, changing the deficit from -17,15% to a surplus of 23,02%. The forgone revenue will be R8,3 million.

3.4. Losses capped at 6%, the deficit would have decreased from -17,15% to a surplus of 26,88% and the foregone revenue of R10,7 million.

3.5. The Municipality must continue implementing the plan submitted to NERSA to reduce the energy losses and should also pay its Eskom account to avoid interest penalties. This will assist in improving its financial and technical viability. NERSA will monitor and assess the implementation and effectiveness of the plan to enhance the network maintenance and monitoring.

Table 3 (b): Energy Loss Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average selling price c/KWh	288,66		
Sales kWh	11 871 619,00	14,745,266,07	15 579 903,77
Purchases kWh	16 514 698,00	16 514 698,00	16 514 698,00
Losses kWh	4 643 079,00	1 769 431,93	934 794,23
Losses percentage	28,11%	12,00%	6,00%
Additional energy (kWh)		2 873 647,07	3 708 284,77
Additional revenue (Rands)		8 295 069,64	10 704 334,83
	D-Form Input	Energy Loss@12%	Energy Loss@ 6%
Total revenue (Rands)	37 352 337,00	45 647 406,64	48 056 671,83
Total expenses (Rands)	43 758 492,00	35 138 262,65	35 138 262,65
Net profit (Loss)	-6 406 155,00	10 509 143,99	12 918 409,18
Percentage surplus/deficit	**-17,15%**	**23,02%**	**26,88%**

3.6. Based on the above-mentioned information, inefficiencies in operating expenses continue to put pressure on the financial sustainability of the electricity business. The continued high energy losses indicate weaknesses in revenue protection, network management, metering, and operational efficiency. Had these losses been effectively managed and reduced, the Municipality's financial position and surplus levels would have improved considerably. The Municipality will therefore be further engaged to implement urgent loss-reduction interventions, strengthen technical and non-technical loss management measures, and improve operational efficiencies to restore the sustainability of its electricity business.

3.7. Accordingly, the analysis supports the need for the Municipality to prioritise the:

a) implementation of credible loss-reduction strategies;
b) strengthening of revenue protection measures; and

c) improvement of metering and billing systems.

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

4.1. The process followed in considering and approving Kgatelopele's tariff application was supported by a COS study.

4.2. Kgatelopele utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer's class in a fair and equitable manner. The study follows the NERSA COS framework and utilises the latest available audited data which is based on the 2024/25 financial year.

4.3.

4.4. below details the five steps considered in the determination of the COS study.

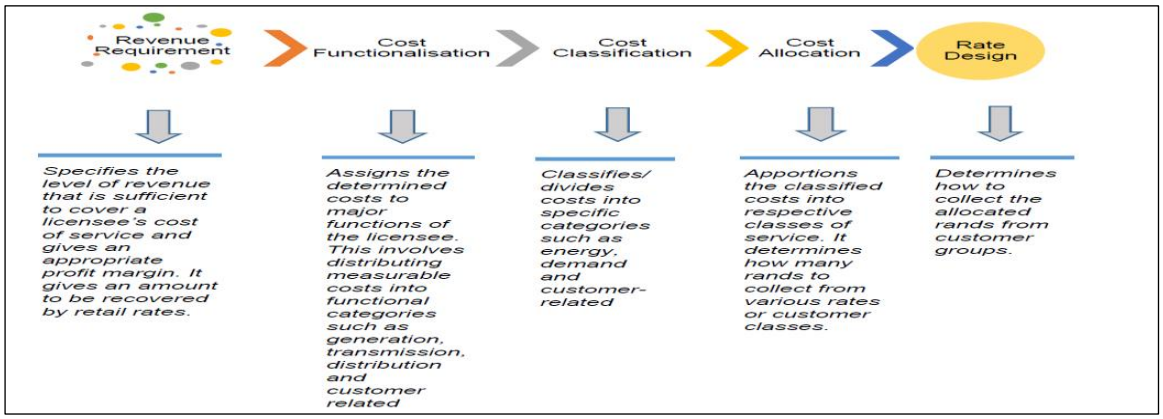


Figure 1: Five Steps of COS

4.5. The following steps are undertaken to analyse the COS study:

4.5.1. Revenue Requirement

4.5.1.1. To be fully cost-reflective, the licensee's COS reflected revenue requirements are R63,4 million (wires (24%) and Retail (76%)) for the 2024/25 financial year. This revenue requirement is made up of the following components.

4.5.1.1.1. Eskom Bulk Purchases accounts for 70% (excluding cost of losses) of the Municipality's total revenue requirement at an amount of R44,7 million and this is the largest cost driver of the Municipality's electricity department.

4.5.1.1.2. Energy Loss Allowance of 11% (norm) amounting to R6,9 million. When combined with Eskom purchases: 70% +11% = 81% and totals R51,7 million of the total revenue requirement.

4.5.1.1.3. Operational Expenditure (OPEX) accounts for 17% of the total value of R10,7 million. This includes salaries, maintenance, repairs, administration and other costs.

Table 4: **Revenue Requirement Components**

Revenue Requirement components	Total cost (R) Wires	Retail	Total	NERSA Adjustments	NERSA Recommendation	% of Total
Allowable costs	16 645 560	48 269 741	64 915 301		63 463 301	100%
Energy purchases from Eskom - net of cost of losses		44 716 822	44 716 822		44 716 822	70%
Energy purchases from Eskom - cost of losses	6 049 212	908 079	6 957 291		6 957 291	11%
Other energy purchases	-	-	-			0%
Capital expenditure			-			0%
Operational expenditure (incl. Depreciation)	9 633 357	2 407 224	12 040 580	(1 320 000)	10 720 580	17%
Other revenues	*- 314*	*- 2 823*	- 3 137			0%
Surplus	*963 304*	*240 440*	1 203 744	(132 000)	1 071 744	2%
Not allowable costs	2 875 440	3 427 872	6 303 312			
Cost of losses disallowed	2 875 440	3 427 872	6 303 312			
TOTAL COSTS	**17 113 776**	**54 104 837**	**71 218 613**	**(1 452 000)**	**69 766 613**	
	24%	**76%**				

4.5.1.2. The efficiency of costs for the 2024/25 financial year (base year) has been assessed, as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for the 2026/27 financial year, applying stated assumptions to determine the revenue requirement for that period.

4.5.1.3. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. The inefficiency such as Eskom debt interest of R1,3 million was not taken into consideration in the determination of the revenue requirement.

Bulk Purchases

4.5.1.4. From the submitted COS Kgatelopele applied for bulk purchase expenditure amounting to R44 million (excluding losses), representing 69% of total costs. The bulk purchase figure was verified against Eskom invoices for the 2024/25 financial year, trial balance, and Audited Annual Financial Statements (AFS).

4.5.1.5. To derive the 2026/27 bulk purchase estimate, the 2025/26 COS amount was escalated by 9,01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.5.1.6. The methodology applied by Kgatelopele in forecasting bulk purchase costs is deemed reasonable. The bulk purchase expenditure has, accordingly, been recommended for approval as submitted.

Operational Expenditure

4.5.1.7. The licensee applied for operational expenditure, including depreciation of R12 million as highlighted in Table 4 above.

4.5.1.8. The Municipality reported an asset value of R127 million, as recorded in the 2024/25 financial year in the submitted assets register and the audited AFS do not have a breakdown of the assets of the respective Municipality businesses.

4.5.1.9. The Municipality uses the straight-line method to calculate their infrastructure depreciation.

4.5.1.10. Depreciation amounted to R2,7 million in the 2024/25 financial year. The projected depreciation for 2025/26 financial year is R3,5 million, increasing to R3,8 million in the 2026/27 financial year budget.

Table 5: Operational Expenditure Breakdown

Cost Drivers	2024/25 Actuals	2025/26 Budget	2026/27 Appliad for	NERSA Adjustment	Recommended Opex
General & Other	R 8 700 920	R 9 468 646	R 10 415 511	-R 1 320 000	R 9 095 511
Salaries and allowances	R 1 577 865	R 1 587 873	R 1 746 660		R 1 746 660
Materials and supplies	R -	R -	R -		R -
Contracted Services	R 800 706	R 3 200 000	R 3 520 000		R 3 520 000
Payments to consultants (operational	R -	R -	R -		R -
Eskom debts' interests	R 3 524 487	R 1 200 000	R 1 320 000	-R 1 320 000	R -
Other creditors interests	R -	R -	R -		R -
Current year depreciation	R 2 797 862	R 3 480 773	R 3 828 850		R 3 828 850
NMD exceedance penalties	R -	R -	R -		R -
Shared OPEX	R 1 280 325	R 1 477 336	R 1 625 070	R -	R 1 625 070
Bad debts written-off	R 391 714	R 499 434	R 549 377		R 549 377
Charges from other Municipal Depart	R 712 983	R 745 068	R 819 575		R 819 575
General Expenses	R 175 628	R 232 834	R 256 117		R 256 117
Total	R 9 981 245	R 10 945 982	R 12 040 580	-R 1 320 000	R 10 720 580

4.5.1.11. The Municipality applied for a total operating expenditure of R12 million for the 2026/27 financial year. Following the prudency and efficiency assessment, NERSA identified certain costs that were considered inefficient and therefore not allowable for tariff determination purposes.

4.5.1.12. The disallowed costs relate primarily to Eskom debt interest amounting to R1,3 million. This cost is excluded from the allowable revenue determination as it does not constitute efficient operating expenditure recoverable from electricity consumers.

4.5.1.13. After applying the adjustments totalling R1,3 million, the recommended operating expenditure for the 2026/27 financial year amounts to R10,7 million.

4.5.1.14. The assessment indicates that contracted services, interdepartmental charges, and bad debt provisions continue to constitute a significant portion of the Municipality's operating cost structure and should therefore be continuously monitored to ensure operational efficiency and the long-term financial sustainability of the electricity business.

Surplus

4.5.1.15. Kgatelopele has requested a surplus of R1 203 744, calculated using a surplus factor of 2% applied to operating expenditure, including bulk purchases, for both the wires (24%) and retail (76%) components of the business. NERSA adjusted the surplus downward by R132 000, resulting in a recommended surplus of R1 071 744.

4.5.1.16. In recommending a surplus, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision, together with the COS methodology, NERSA is required to ensure that Kgatelopele recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.5.1.17. The recommended surplus represents approximately 2% of the total allowable revenue of R63,4 million. This indicates that the Municipality is not generating an excessive margin from electricity tariffs but rather maintaining a relatively modest operating buffer within the electricity business.

4.5.1.18. The surplus forms an important component of the Municipality's electricity business sustainability as it contributes towards:

a) funding future infrastructure refurbishment and replacement;

b) strengthening cash flow and working capital requirements;

c) mitigating financial risks associated with bulk electricity price increases and revenue under-collection; and

d) supporting the long-term financial viability of the electricity undertaking.

4.5.1.19. However, the Municipality's ability to realise the approved surplus remains dependent on several operational and financial factors, including:

e) The effectiveness of revenue collection.

f) The management of technical and non-technical energy losses

g) The containment of operating expenditure

h) The Municipality's ability to manage Eskom-related debt obligations and avoid additional interest charges and penalties

4.5.1.20. The inclusion of a surplus indicates that the Municipality made provision for a reasonable margin to support the sustainability of the electricity business, future operational requirements, and financial viability. However, the relatively low surplus margin may be insufficient to address infrastructure refurbishment adequately, increasing operational costs and the financial impact of excessive energy losses. The surplus forms an important component of the Municipality's electricity business sustainability as it contributes towards:

i) funding future infrastructure refurbishment and replacement;

j) strengthening cash flow and working capital requirements

k) mitigating financial risks associated with bulk electricity price increases and revenue under-collection; and

l) supporting the long-term financial viability of the electricity undertaking;

4.5.1.21. However, the Municipality's ability to realise the approved surplus remains dependent on several operational and financial factors, including:

m) The effectiveness of revenue collection

n) The management of technical and non-technical energy losses

o) The containment of operating expenditure

p) The Municipality's ability to manage Eskom-related debt obligations and avoid additional interest charges and penalties

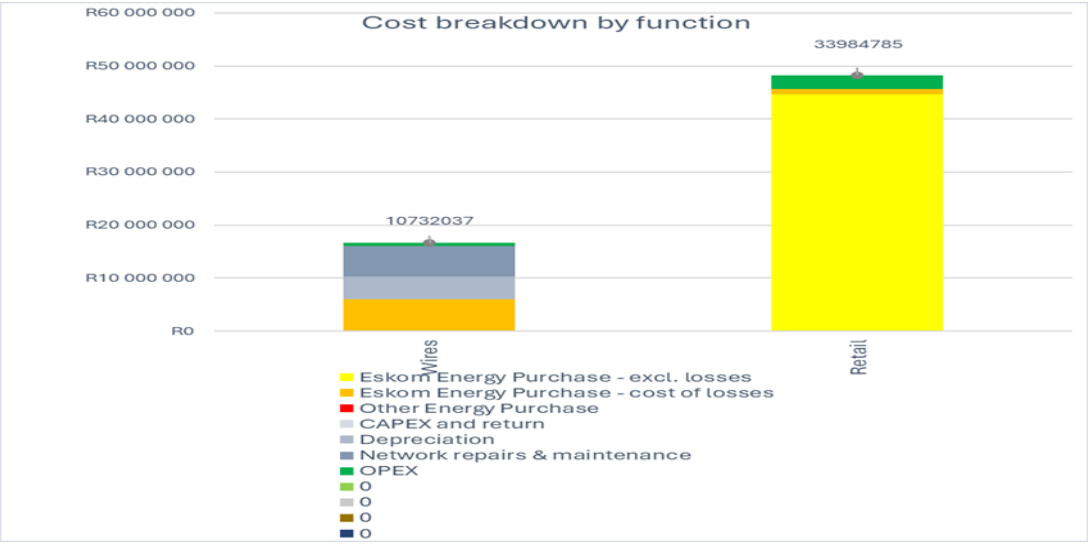
4.5.1.22. The return proposed by Kgatelopele is considered reasonable, as it falls below the established target range of 10–20%. This implies that the licensee should scrutinise its operating expenses to enable a tolerable range on surplus.

4.5.1.23. The decision to approve the revenue requirement as submitted will be applied in the subsequent stages, namely cost functionalisation, cost classification, cost allocation, and rate setting. These stages have been verified and confirmed to align with the approved revenue requirement. Further details on these stages are provided below.

4.5.2. Cost Functionalisation

4.5.2.1. Kgatelopele has categorised its revenue requirement of R44,7 million into two primary functional components, namely the wires business (24%) and the retail business (76%), in accordance with the NERSA COS framework, as illustrated in Figure 2 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

Figure 2*: Costs Breakdown by Functions*



4.5.2.2. These costs, upon verification, are consistent with the approved revenue requirements. Network repairs and maintenance constitute the predominant

cost drivers within the wires business, while energy purchases represent the primary cost driver within the retail business.

4.5.3. Cost Classification

4.5.3.1. Kgatelopele classified its costs into energy, demand and customer-related cost components, in accordance with the NERSA COS framework. The costs align with revenue requirements and cost functionalisation upon verification.

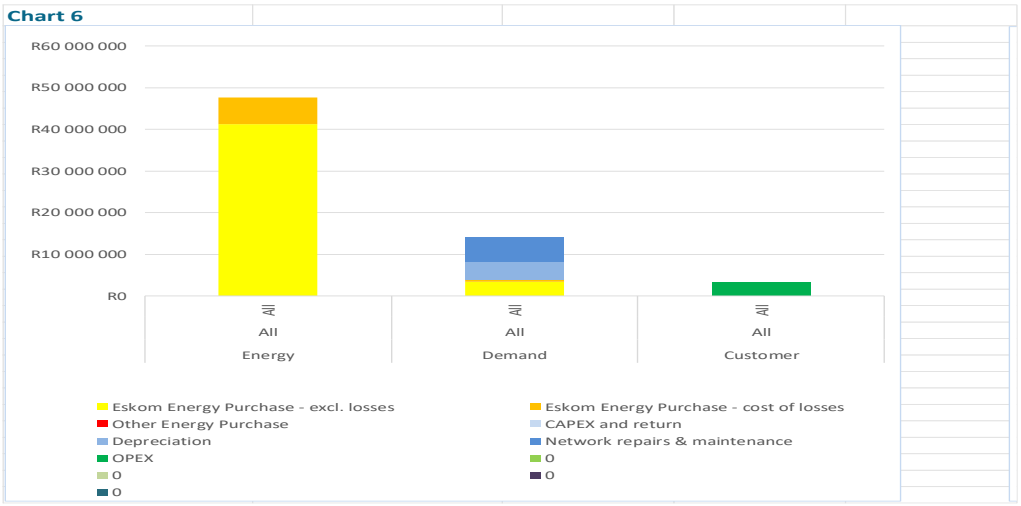
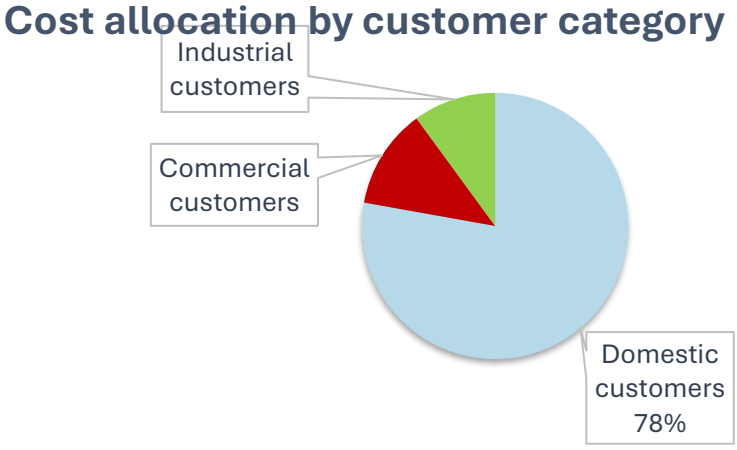


Figure 3*: Costs Breakdown by Cost Structure (Classification)*

4.5.3.2. Energy purchases constitute energy-driven costs, with the highest expenditures incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season. Demand-driven costs are similarly concentrated during the summer period. Customer-driven costs are primarily associated with “Other OPEX,” which includes expenses related to the provision of electricity distribution services to customers.

4.5.4. Cost Allocation

4.5.4.1. In this step, the licensee’s revenue requirement is allocated across customer categories in accordance with the NERSA COS framework. Upon verification, the allocation is found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation.

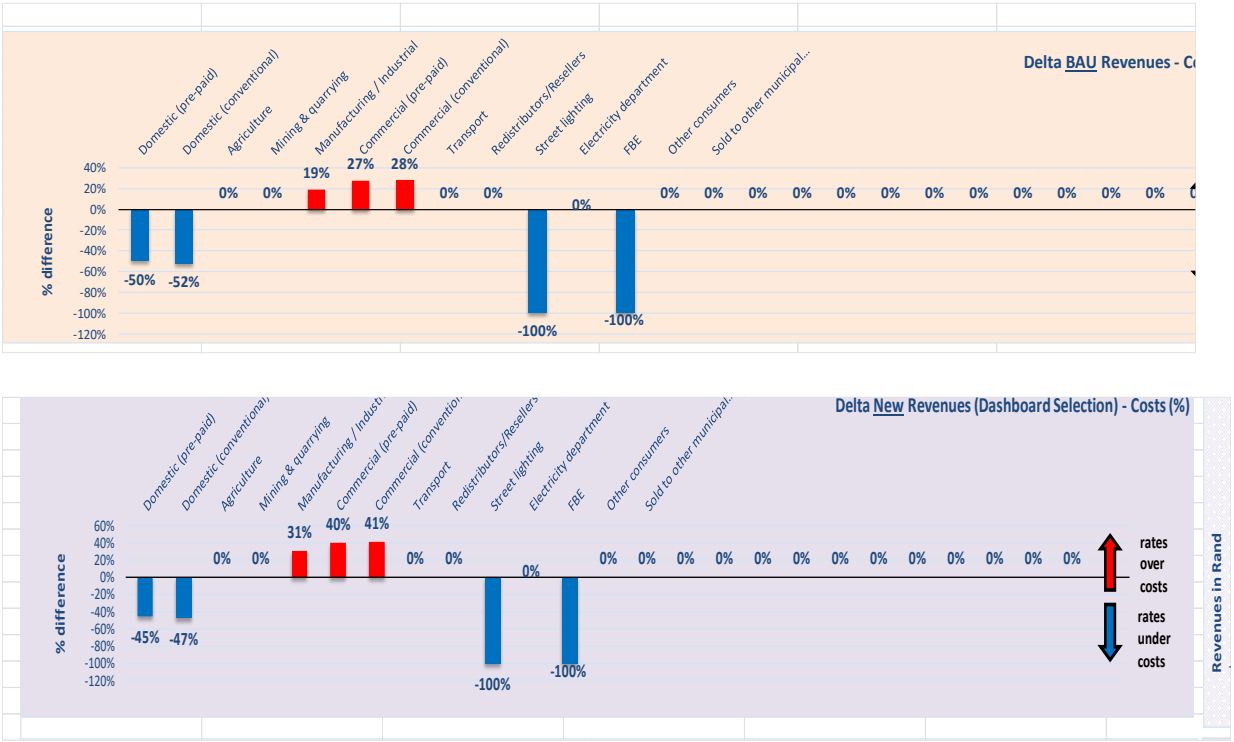


4.5.5. Rate Design

4.5.5.1. Table 4 below reflects the outcome of the COS study, indicating that the category requires upward adjustments, while the rest, including commercial customers, warrant decreases. A comparison between the COS and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in Table 4 below.

4.5.5.2. To achieve full cost-reflectivity, the Municipality would be required to implement differentiated tariff adjustments across customer categories mentioned in section 4.4.5.1

Figure 4: Revenue Recovery by Customer Category



5. Conclusion on the COS

5.1. While the outcome of the COS study indicated an average tariff adjustment of 18% to 100% for mainly domestic customers to enable a licensee to achieve full cost-reflectivity, a municipality may elect to implement such adjustments on a phased basis, including applying an increase below the COS-derived level.

5.2. This approach is intended and will ensure the safeguarding of the Municipality's revenue base and support its financial sustainability, in line with applicable legislative requirements.

5.3. The COS study is based on forecast assumptions and, as such, does not guarantee that the projected outcomes will materialise. Accordingly, the licensee

retains the discretion to review the results and determine its own revenue requirements to ensure financial sustainability. In this regard, the Municipality will be required to submit a report accounting for all costs that remain unverified.

5.4. The COS study results indicate a required increase of 61,3% to reach cost-reflectivity, as illustrated in Figure 5 below. A 61,3% cost-reflectivity resulted from the licensee's level of subsidy among its customer categories.

5.5. The licensee applied for an average increase of 10% as per the COS's rate design for the 2026/27 financial year.

Figure 5: Rate Design

	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	39 942 833	64 415 867	**43 937 117**
		Delta =	- 20 478 750
Average increase in rates	**10,0%**		
Average increase in rates to reach overall cost-reflectivity	61,3%		
Share of total cost recovered with the new rates	**68,2%**		
Share of total costs recovered (existing rates)	**62,0%**		

5.6. In its evaluation and assessment of the tariff applications, the following principles are applied:

5.7. Costs were assessed for reasonableness and accuracy, noting that certain cost items were considered excessive and insufficiently substantiated by the licensees.

5.8. The costs will be subject to a detailed audit and independent verification process, to be undertaken under the direction of NERSA at a later stage.

5.9. NERSA reserves the right to implement a claw-back mechanism, where necessary, to address any discrepanciess identified through the verification process.

6. Public Participation

6.1. NERSA received Kgatelopele's tariff application on 31 March 2026 and published both the application and COS on the NERSA website, social media platforms (Facebook, X and LinkedIn) and national and local newspapers, along with an invitation to stakeholders to submit written comments by 21 April 2026 in line with the court judgement of 20 February 2026.

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/9285/KgatelopeleLM-RFD2026-27.pdf

						been recommended as proposed.
Basic Charges	34,27	39,14	14,20%	39,14	14,20%	
Basic Charges (Indigent) - Only for the first prepaid meter	FREE					
Domestic Households (Conventional)	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Low Season						
Block 1 (0-50 kWh)	1,88	1,71	-9,16%	1,71	-9,16%	The Municipality is applying for a reduction of -9,16% for all the block tariffs. The tariff has been recommended as proposed.
Block 2 (51-350 kWh)	2,42	2,20	-9,16%	2,20	-9,16%	
Block 3 (351-600 kWh)	3,43	3,12	-9,16%	3,12	-9,16%	
Block 4 (>600 kWh)	4,03	3,66	-9,16%	3,66	-9,16%	
Basic Charge	34,27	39,14	14,20%	39,14	14,20%	The Municipality is applying for a reduction of 14,20% for all the block tariffs. The tariff has been recommended as proposed.
Basic Charge on Vacant Stands	741,35	815,48	10,00%	815,48	10,00%	The Municipality is applying for a reduction of 10% for all the block tariffs. The tariff has been recommended as proposed.
High Season						
Block 1 (0-50 kWh)	1,88	2,80	48,65%	2,26	20%	The Municipality is applying for an average tariff of 48,65%; however, the increase was reduced to an average tariff of 20%. The tariff has been recommended as proposed.
Block 2 (51-350 kWh)	2,42	3,60	48,65%	2,91	20%	
Block 3 (351-600 kWh)	3,43	5,10	48,65%	4,12	20%	
Block 4 (>600 kWh)	4,03	5,99	48,65%	4,84	20%	
Basic Charge	34,27	39,14	14,20%	39,14	14,20%	

Basic Charge on Vacant Stands	741,35	815,48	10,00%	815,48	10,00%	The Municipality is applying for a reduction of 10% for all the block tariffs. The tariff has been recommended as proposed.
Business Prepaid - Single Phase	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Low Season						
Basic Charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of 25%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
High Season						
Basic charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average of 25%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	The Municipality is applying for a reduction of -19,30% for all the block tariffs. The tariff has been recommended as proposed.
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Business Prepaid - Three Phase	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	
Low Season						
Basic Charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of 25% averagef. The

						tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	The Municipality is applying for a reduction of -19,30% for all the block tariffs. The tariff has been recommended as proposed.
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	
High Season						
Basic Charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of 25%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	The Municipality is applying for a reduction of -19,30% for all the block tariffs. The tariff has been recommended as proposed.
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	
Business Conventional - Single Phase	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Low Season						
Basic charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of 25%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	
Energy Charge	3,73	4,19	12,22%	4,19	12,22%	

High Season						
Basic Charge	487,19	743,34	52,58%	608,99	25%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of 25%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Business Conventional - Three Phase	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Low Season						
Basic Charge	487,19	752,05	54,36%	608,99	25%	
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to 10% average tariff. The tariff has been recommended as proposed.
High Season						
Basic Charge	487,19	752,05	54,36%	608,99	25%	
Demand KVA Meters (per KVA)	292,02	235,66	-19,30%	235,66	-19,30%	
Energy Charge	3,94	4,15	5,42%	4,15	5,42%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	
Industrial Conventional and Prepaid	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key Findings**
Low Season						
Basic Charge Conventional & Prepaid	1 006,89	1 422,62	41,29%	1107,58	10%	

Demand KVA Meters (per KVA)	292,02	319,69	9,47%	319,68	9,47%	
Energy Charge	3,17	3,64	15,06%	3,48	10%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	The Municipality is applying for an average tariff of 52,58%; however, the increase was reduced to an average tariff of10%. The tariff has been recommended as proposed.
High Season						
Basic Charge Conventional & Prepaid	1 006,89	1 422,62	41,29%	1 107,58	10%	The Municipality is applying for an average tariff of 21,94 %; however, the increase was reduced to an average tariff of 10%. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	319,69	9,47%	319,68	9,47%	
Energy Charge	3,17	3,64	15,06%	3,48	10%	
Basic Charge on Vacant Stands	487,19	743,34	52,58%	535,91	10%	
Schools, Public Benefit Organisation, Own use	**2025/26 Approved**	**2026/27 Proposed**	**Proposed % Increase**	**2026/27 Recommended**	**Recommended % Increase**	
Prepaid						
Low Season						
Basic Charge	439,23	483,15	10,00%	483,15	10%	The Municipality is applying for a 10% increase. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	321,23	10,00%	321,23	10%	
Energy Charge	3,73	4,10	10,00%	4,10	10%	
High Season						
Basic Charge Conventional & Prepaid	439,23	483,15	10,00%	483,15	10%	The Municipality is applying for a 10% increase. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	321,23	10,00%	321,23	10%	
Energy Charge	3,73	4,10	10,00%	4,10	10%	

Schools, Public Benefit Organisation, Own use	2025/26 Approved	2026/27 Proposed	Proposed % Increase	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Conventional						
Low Season						
Basic Charge	439,23	483,15	10,00%	483,15	10%	The Municipality is applying for a 10% increase. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	321,23	10,00%	321,23	10%	
Energy Charge	3,73	4,10	10,00%	4,10	10%	
High Season						
Basic Charge Conventional & Prepaid	439,23	483,15	10,00%	483,15	10%	The Municipality is applying for a 10% increase. The tariff has been recommended as proposed.
Demand KVA Meters (per KVA)	292,02	321,23	10,00%	321,23	10%	
Energy Charge	3,73	4,10	10,00%	4,10	10%	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

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

End.