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

Pixley KaSeme Local Municipality

THE DECISION

1. At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered Pixley KaSeme 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 23-26) 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

Page 2 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/9341/PixleyLMRFD-2026-27.pdf

LIST OF TABLES

Table 1: Customer Statistics (Data obtained from 2024/25 D-forms) ..... **Error! Bookmark not defined.**

Table 2: Performance Indicators 8

Table 3: Energy Loss Analysis.....132

Table 4: Operational Expenditure Breakdown.....203

Table 5: Revenue Recovery by Customer Category …… .16

Table 6: Summary and Analysis of Stakeholders Comments…… 20

Table 7: Schedule Of tariffs ……..…… … 23

LIST OF FIGURES

Figure 1: Five steps of COS.....14
Figure 2: Cost breakdown by functions.....168
Figure 3: Cost breakdown by cost structure (Classification).....168
Figure 4: Costs allocated.....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 yearly, in accordance with the mandate of the Energy Regulator to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator to be implemented on 1 July of each financial year.

1.2. Dr Pixley-Ka-Isaka-Seme Local Municipality is a licensee in the Mpumalanga Province. The domestic customers are dominant, accounting for 50% of total sales of 38 580 MWh, while commercial customers account for 25% of total sales.

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

	2024/25			
Customer categories	***KWh***	***% KWh***	***Customer numbers***	***% Customer numbers***
Domestic (Prepaid)	16 107 107	42%	6 929	89,68%
Domestic (Conventional)	2 899 247	8%	258	3,34%
Commercial (Prepaid)	2 000 380	5%	349	4,52%
Commercial (Conventional)	7 861 149	20%	155	2,01%
Sold to other departments	9 712 667	25%	35	0,45%
TOTAL	**38 580 550**	**100%**	**7 726**	**100%**
Free Basic Electricity	1 438 600	7,57%	2 681	35%

1.3. NERSA received Pixley KaSeme's tariff application together with its revised Cost of Supply (COS) on 31 March 2026. The municipality indicated that the reason for the revision is to introduce the seasonal tariff for domestic customers and the changes in the Eskom bulk tariff structure to Muniflex.

1.4. 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.

1.5. NERSA followed the notice and comment consultation process as well as oral presentations. Pixley KaSeme's tariff applications were published on the NERSA website on 31 March 2026, and on social media platforms and national and local newspapers to solicit written comments from affected parties.

1.6. NERSA's decision was made on 4 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 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 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 the NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.2.2. In particular:

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

2.2.3. Municipalities distributing electricity do so under electricity distribution licences issued by 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 the 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 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 2025/2026 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 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; and
- 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; and
- 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 2026/27 municipal financial year.

3. Financial and Technical Performance

3.1. In evaluating the financial and technical performance of Pixley KaSeme 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 Mscoa, Billing/Revenue Report and Audited Annual Financial Statements. As a result, the data captured in the D-forms is considered reliable for the tariff analysis.

3.2. Pixley KaSeme Municipality's electricity business operated at a percentage surplus of 12,86% in the 2024/25 financial year, increasing from a surplus of 1,42% in the 2023/24 financial year. The surplus was mainly due to an increase in sales revenue, and this is attributable to the billing system audit conducted by the municipality and the timeous replacement of faulty meters.

3.3. Table 3 below reflects Pixley KaSeme Municipality's energy losses. The municipality's energy losses amounted to 16,22% in the 2024/25 financial year from 13,03% in the 2023/24 financial year. Energy losses are due to technical and non-technical network inefficiencies such as illegal connections, theft and an interdepartmental billing system.

3.4.

Table 2: Performance Indicators

Performance Indicators: Obtained from the D-Form		
Indicators	**2023/24**	**2024/25**
Percentage Surplus (Deficit)	1,42%	12,86%
Percentage energy Losses	13,03%	16,22%

3.5. Based on the above information, the municipality's operational and financial performance is partly satisfactory due to a surplus, even though an increase in energy loss is a concern. Follow-up engagements are required to obtain and assess strategies aimed at improving performance to acceptable and sustainable levels.

3.6. If the energy losses were capped at 12%, the municipality's surplus would have increased effectively, changing the surplus from 12,86% to 17,97%. The forgone revenue will be R8 362 331.

3.7. If losses were capped at 6%, the surplus would have increased from 12,86% to a surplus of 22,16%, and the foregone revenue would have been R16 038 872.

3.8. The municipality must continue implementing the plan submitted to NERSA to reduce the energy losses. This will assist in improving its financial and technical viability. NERSA will monitor to assess the implementation and effectiveness thereof, including enhancement of network maintenance and monitoring.

Table 3: Energy Loss Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price c/KWh	329,85		
Sales kWh	38 580 550,00	41 115 769,38	43 443 077,08
Purchases kWh	46 049 662	46 049 661,71	46 049 661,71
Losses kWh	7 469 111,71	4 933 892,33	2 606 584,63
Losses percentage	16,22%	12,00%	6,00%
Additional Energy (kWh)		2 535 219,38	4 862 527,08
Additional Revenue (Rands)		8 362 330,87	16 038 872,46
	D-Form Input	Energy Loss@12%	Energy Loss@ 6%
Total Revenue (Rands)	134 286 747,78	142 649 078,65	150 325 620,24
Total Expenses (Rands)	117 020 117,32	117 020 117,32	117 020 117,32
Net Profit (Loss)	17 266 630,46	25 628 961,33	33 305 502,92
Percentage Surplus/Deficit	**12,86%**	**17,97%**	**22,16%**

3.9. Based on the above information, inefficiencies in operating expenses continue to put pressure on the financial sustainability of the electricity business. The continued increase in losses indicates weaknesses in revenue protection, network management, metering, and operational efficiency.

3.10. 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 engaged further 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.

3.11. Accordingly, the analysis supports the need for the municipality to prioritise:

- The implementation of credible loss-reduction strategies;
- Strengthening revenue protection measures; and
- The improvement of metering and billing systems.

4. Determination of Pixley KaSeme's Tariffs Based on the Cost of Supply Study

4.1. The process followed in considering and approving Pixley's tariff application was supported by a Cost of Supply (COS) study.

4.2. Pixley 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 fairly and equitably. The study follows the NERSA COS framework and uses 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.

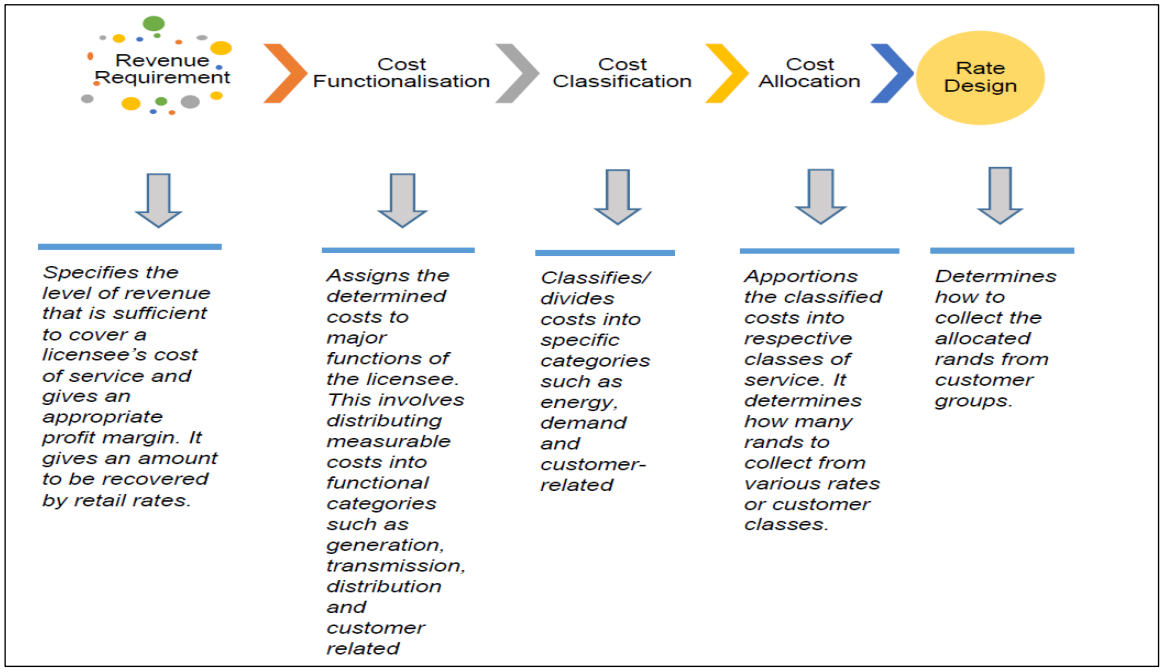


Figure 1: Five Steps of COS

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 R165,1 million (Wires (24%) and Retail (76%)) for the 2024/25 financial year. This revenue requirement is made up of the following components:

4.5.1.2. Eskom Bulk Purchases comprises 69% (excluding cost of losses) of total revenue requirement at an amount of R165,1 million, and this is the largest cost driver of the municipality's electricity department.

4.5.1.3. Energy Loss Allowance of 12% (norm) amounting to R16,5.0 million. When combined with Eskom purchases: 69% + 10% = 79% and equals R130,9 million of the total revenue requirement.

4.5.1.4. Operational Expenditure (OPEX) 12% of total value: R20,2 million. This includes salaries, maintenance, repairs, administration and so on.

4.5.1.5. The remaining 9% includes depreciation, return on assets and others.

Table 4: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement Components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	36 010 545	129 151 425	165 161 970	100%
Energy purchases from Eskom - net of cost of losses	-	114 440 861	114 440 861	69%
Energy purchases from Eskom - cost of losses	15 360 739	1 184 245	16 544 984	10%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. depreciation)	17 796 559	2 431 618	20 228 178	12%
Other revenues	- 420 440	- 646 338	- 1 066 778	-1%
Surplus	3 273 686	11 741 039	15 014 725	9%
Non-allowable costs	4 515 678	2 373 340	6 889 018	
Cost of losses disallowed	4 515 678	2 373 340	6 889 018	
TOTAL COSTS	**40 526 222**	**131 524 765**	**172 050 987**	
	24%	**76%**		

4.5.1.6. 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.

4.5.1.7. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function.

Bulk Purchases

4.5.1.8. From the submitted COS, Pixley KaSeme applied for bulk purchase expenditure amounting to R114,4 million, representing 76% of total costs. The bulk purchase figure was verified against Eskom invoices for the 2024/25 financial year.

4.5.1.9. 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).

4.5.1.10. The methodology applied by Pixley in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

4.5.1.11. Pixley KaSeme has applied for operational expenditure totalling R20,2 million, representing 12% of overall costs, as reflected in Table 3 above.

4.5.1.12. The municipality reported an asset value of R381 million, as recorded in the 2024/25 assets register submitted and verified against the D-form and the audited Annual Financial Statement.

4.5.1.13. The municipality uses the straight-line method to calculate its infrastructure depreciation.

4.5.1.14. Depreciation amounted to R7,2 million in the 2024/25 financial year. The projected depreciation for 2025/26FY is R7,3 million, increasing to R7,6 million in the 2026/27FY budget.

Table 5: Operational Expenditure Breakdown

Cost Drivers	2024/25 Actuals	2025/26 Budget	2026/27 Applied for	Recommended Opex
General & Other	**R 17 237 484**	**R 17 814 621**	**R 20 097 807**	**R 20 097 807**
Salaries and allowances	R 3 078 949	R 3 094 344	R 3 249 061	R 3 249 061
Materials and supplies		R 2 300 000	R 2 415 000	R 2 415 000
Contracted Services	R 5 095 612	R 5 121 090	R 5 377 144	R 5 377 144
Salaries, wages and allowances (Excl. Repairs and Maintenance)	R 1 319 550	R 1 326 148	R 1 392 455	R 1 392 455
Payments to consultants (operational work)	R0,00	R0,00	R0,00	R0,00
Eskom debts' interests	R 480 500	R0,00	R0,00	R0,00
Other creditors interests	R0,00	R0,00	R0,00	R0,00
Current year depreciation	R 7 262 873	R 7 299 187	R 7 664 147	R 7 664 147
NMD exceedance penalties	R0,00	R0,00	R0,00	R0,00
Shared OPEX	**R 958 525**	**R 126 021**	**R 130 371**	**R 130 371**
Bad debts written-off	R 921 363	R 87 000	R 91 350	R 91 350
FBE paid to Eskom	R0,00	R0,00	R0,00	R0,00
Charges from other Municipal Depa	R0,00	R0,00	R0,00	R0,00
General Expenses	R 37 162	R 39 021	R 39 021	R 39 021
Total	**R 18 196 009**	**R 17 940 642**	**R 20 228 178**	**R 20 228 178**

Surplus

4.5.1.15. Pixley KaSeme has requested a surplus of R15 million, calculated using a surplus factor of 9% applied to operating expenditure, inclusive of bulk purchases, for both the wires (24%) and retail (76%) components of the business.

4.5.2. 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 adequately address infrastructure refurbishment, 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:

- Funding future infrastructure refurbishment and replacement;
- Strengthening cash flow and working capital requirements;
- Mitigating financial risks associated with bulk electricity price increases and revenue under-collection;
- Supporting the long-term financial viability of the electricity undertaking.

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

- The effectiveness of revenue collection;
- The management of technical and non-technical energy losses;
- The containment of operating expenditure; and
- The municipality's ability to manage Eskom-related debt obligations and avoid additional interest charges and penalties.

4.5.4. The return proposed by Magareng 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 of surplus.

4.5.5. 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 detail on these stages is provided below.

4.5.6. **Cost Functionalisation**

4.5.6.1. Pixley KaSeme has categorised its revenue requirement of R165,1 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.

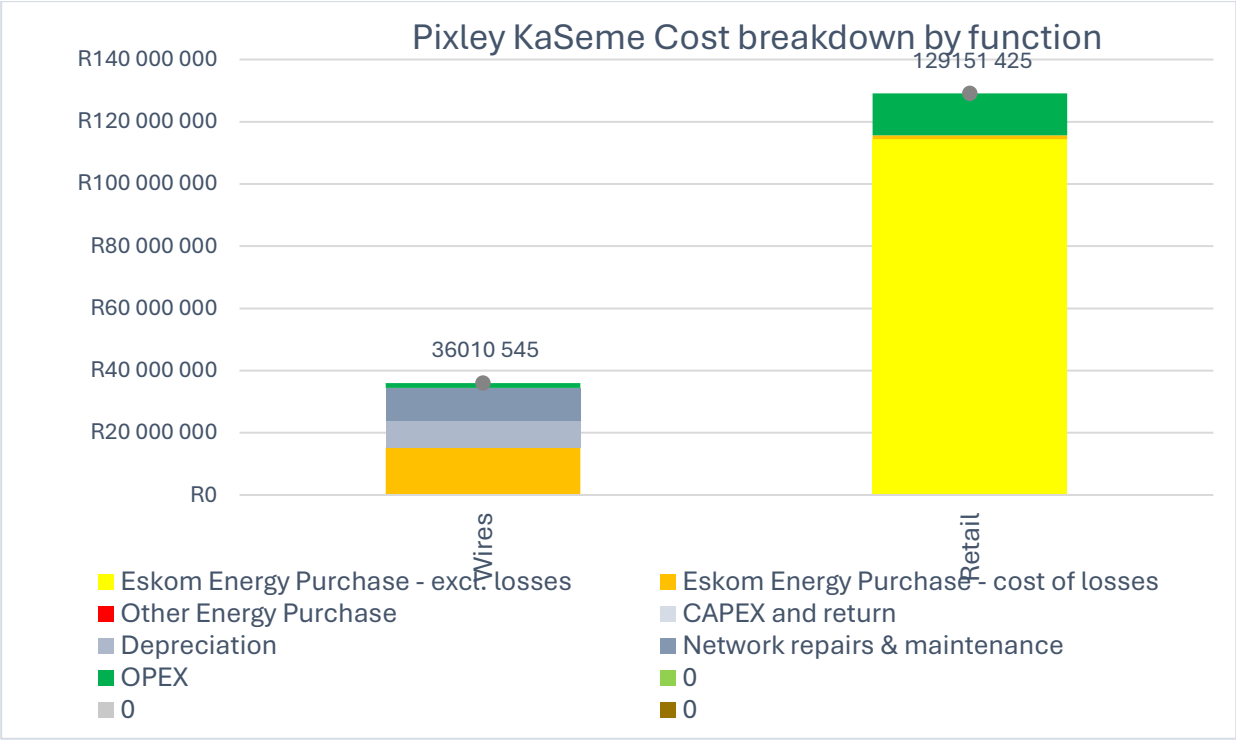


Figure 2*:* Cost breakdown by functions

4.5.6.2. 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.

4.5.7. Cost Classification

4.5.7.1. Pixley KaSeme 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 functionalization upon verification.

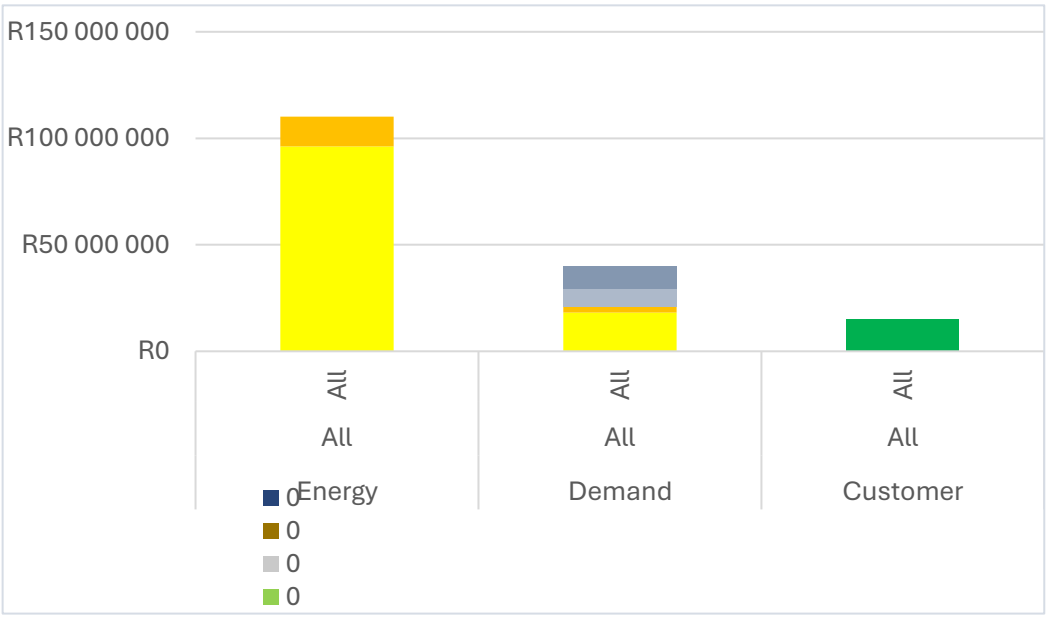


Figure 3*:* Cost breakdown by cost structure (Classification)

4.5.7.2. Energy purchases constitute energy-driven costs, with the highest expenditure 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 in 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.

4.5.8. Cost Allocation

4.5.8.1. 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.

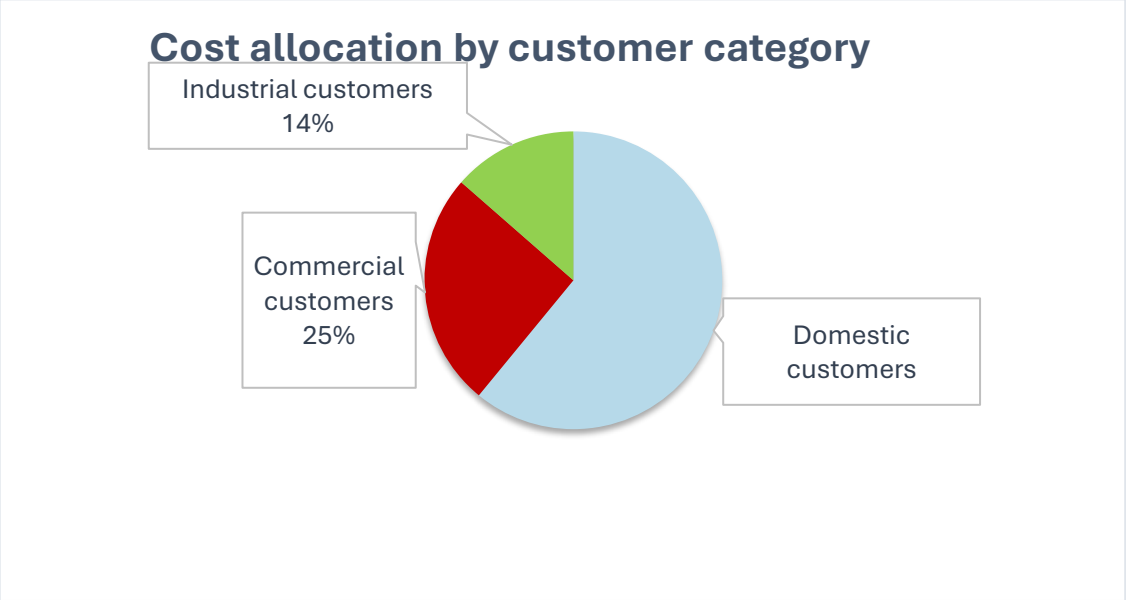


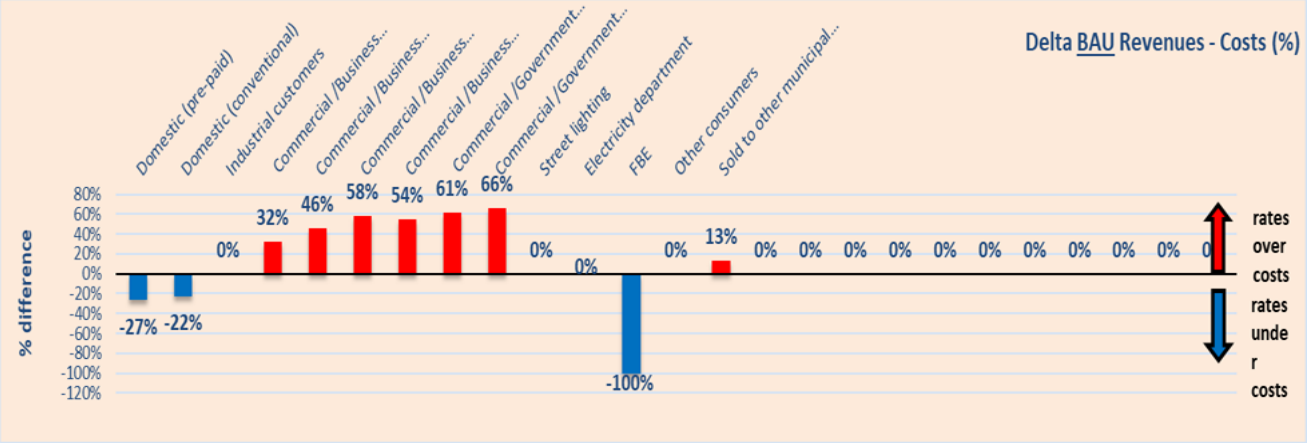
Figure 4: Costs allocated

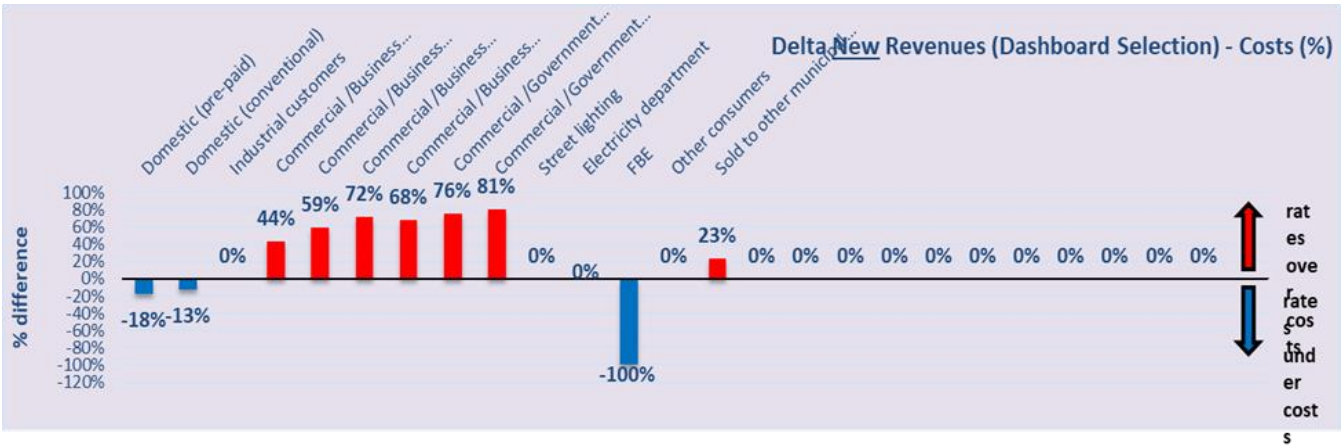
4.5.9. Rate Design

4.5.9.1. Table 6 below reflects the outcome of the COS study, indicating that the category requires upward adjustments, while the rest, including commercial customers, warrant downward adjustments. A comparison between the cost of supply and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in Table 6 below.

4.5.9.2. 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. However, the municipality has adopted a less aggressive approach, opting instead for a proposed uniform tariff increase of 10,2% across all customer categories and adjusting the industrial time of use.

Table 6: 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% on mainly domestic customers for 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 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 4% to reach cost reflectivity, as illustrated in Figure 4 below. A 4% cost reflectivity resulted from the licensee's level of subsidy among its customer categories.

Page 19 withheld by Unmapped Dataworks.

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

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9341/PixleyLMRFD-2026-27.pdf

Page 20 withheld by Unmapped Dataworks.

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

The whole decision is on NERSA's website: https://www.nersa.org.za/file/9341/PixleyLMRFD-2026-27.pdf

Page 21 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/9341/PixleyLMRFD-2026-27.pdf

	regulator-approved figures to maintain public confidence.	may adjust the proposed tariffs accordingly. NERSA also takes note of the concerns raised regarding transparency and public participation. The Regulator is committed to ensuring that all relevant and material information is considered in its decision-making process and that stakeholders are afforded a fair opportunity to be heard. The final approved tariffs will be communicated following the completion of NERSA's assessment process.

7.2. The tariff application was approved by Pixley KaSeme municipal council in the meeting held on 20 March 2026.

7.3. According to the licensee, public consultations were conducted.

8. Tariff Analysis:

8.1. NERSA independently assessed and scrutinised the municipality's Cost of Supply (COS), tariff modelling assumptions, revenue requirement, customer allocations, losses, and expenditure assumptions to determine prudency, compliance with the approved framework, and alignment with affordability and sustainability considerations. The Energy Regulator did not merely rely on information submitted but applied an independent regulatory assessment in determining the approved tariff outcome.

Table 8: Schedule of Tariffs

Residential						
2- Prepaid Residential Consumers (Cents in a Rand)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Block 1 (0- 50kWh)	1,9769	10,20%	2,1786	2,1786	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Block 2 (51-350kWh)	2,4993	10,20%	2,7543	2,7543	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Block 3 (351- 600kWh)	3,4829	10,20%	3,8381	3,8381	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Block 4 (>600kWh)	4,108	10,20%	4,527	4,527	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
From 0 kWh to 50 kWh-Winter	**NEW**		2,5093	2,5093	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 51 kWh to 350 kWh-Winter	**NEW**		3,1683	3,1683	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 351 kWh - 600 kWh-Winter	**NEW**		4,4102	4,4102	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 601 kWh upwards-Winter	**NEW**		4,9821	4,9821	0,00%	Introduction of a seasonal charge in line with Eskom RTP
3- Domestic/Residential Consumers (Conventional)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Block 1 (0- 50kWh)	1,9769	10,20%	2,1786	2,1786	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Block 2 (51-350kWh)	2,4993	10,20%	2,7543	2,7543	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Block 3 (351- 600kWh)	3,4829	10,20%	3,8381	3,8381	10,20%	The proposed tariff increase is aligned with the revised COS

						and is considered sufficient to meet the required revenue.
Block 4 (>600kWh)	4,1027	10,20%	4,5211	4,5211	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Basic charge	287,5785	10,20%	316,9115	316,9115	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
From 0 kWh to 50 kWh- Winter	**New**		2,5093	2,5093	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 51 kWh to 350 kWh- Winter	**New**		3,1683	3,1683	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 351 kWh - 600 kWh- Winter	**New**		4,4102	4,4102	0,00%	Introduction of a seasonal charge in line with Eskom RTP
From 601 kWh upwards- Winter	**New**		4,8512	4,8512	0,00%	Introduction of a seasonal charge in line with Eskom RTP
Basic charge			316,91	316,9132	0,00%	Introduction of a seasonal charge in line with Eskom RTP
Business/ Commercial						
4. 1 Commercial /Business Consumers/Schools - Conventional (0 -500kWh)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Basic Charge (R/month):	589,56	10,20%	649,69	649,69	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Summer	3,7658	10,20%	4,1499	4,15	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	4,8956	10,20%	5,3949	5,39	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
4.1.2 Commercial /Business Consumers/Schools - Conventional (> 500kWh)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**

Energy charge (R/kWh): Summer	4,0116	10,20%	4,4208	4,4208	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	5,2151	10,20%	5,747	5,747	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
4.2.1 Commercial /Business Consumers - Prepaid (0 - 500kwh)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Energy charge (R/kWh): Summer	4,065	10,20%	4,4796	4,4796	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	5,2845	10,20%	5,8235	5,8235	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
4.1.2 Commercial /Business Consumers - Prepaid (> 500kWh)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Energy charge (R/kWh):	4,4059	10,20%	4,8553	4,8553	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	5,7277	10,20%	6,3119	6,3119	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
4.2.1 Commercial /Government Department & Schools - Prepaid (0 - 500kwh)	**2025/26 Approved**	**Proposed % Increase**	**2026/267 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Energy charge (R/kWh): Summer	4,065	10,20%	4,4796	4,4796	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	5,2845	10,20%	5,8235	5,8235	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.

4.2.2 Commercial /Government Department & Schools - Prepaid (0 - 500kwh)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key findings
Energy charge (R/kWh): Summer	4,4059	10,20%	4,8553	4,8553	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	5,7277	10,20%	6,3119	6,3119	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Industrial	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Basic Charge (R/month):	342,0179	10,20%	376,9038	376,9038	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Demand Charge (R/kVA)	304,0125	10,20%	335,0217	335,0217	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Summer	2,4068	10,20%	2,6523	2,6523	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
Energy charge (R/kWh): Winter	3,1288	10,20%	3,448	3,448	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.
	2025/26 Approved	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**Recommended % Increase**	**Analysis and Key findings**
Vacant stands (basic charge)	589,5642	10,20%	649,6998	649,6998	10,20%	The proposed tariff increase is aligned with the revised COS and is considered sufficient to meet the required revenue.

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 the review of Pixley KaSeme's tariff application for the 2026/27 financial year.

End.