NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

George Local Municipality

THE DECISION

At its meeting held on 8 May 2026, the Regulator Executive Committee (REC) considered George Local Municipality'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 Table 1 below.

Table 1: Summary of the REC Decision

Tariff Category	2026/27 Approved % Increase
1. Domestic - Indigent consumer Prepaid (No back dwellers)	7.88%

2. Domestic - Indigent consumer Prepaid (Plus one back dwellers)	7.88%
3. Domestic - Indigent consumer Prepaid (Plus two back dwellers)	7.88%
4. Domestic consumer - 1 or 3 Phase capacity from 20 Amp	7.88%
5. Domestic – Single Phase consumer capacity equals to 20 Amps	7.88%
6. Commercial – Small General Consumer: Only Pre-paid meters limited to 20 Amps	7.88%
7. Commercial – Normal General Consumers: From 20 Amps	7.88%
8. Time of Use: Domestic Flex Tariff	7.88%
9. Time of Use: Commercial Flex Tariff	7.88%
10. Bulk Time of Use: Low Voltage Consumers	7.88%
11. Bulk Time of Use: Medium Voltage Consumers	7.88%
12. Bulk Time of Use: Medium Voltage at HV /MV Consumers	7.88%
13. Wheeling Tariff	7.88%
15. Bulk Residential 1: Up to 100kVA (LV)	0.00%
16. Bulk Residential 2: Above 100kVA (MV)	0.00%
17. Agricultural 1 - 10 kVA to 25 kVA	7.88%
18. Agricultural 2 - 16 kVA to 16 kVA	7.88%
19. Agricultural 3 - 10 kVA to 16 kVA	7.88%
20. Agricultural 4 - Above 50 kVA up to 100 kVA	7.88%
21.Street Lighting	7.88%
22. Municipal and Non-Municipal Street Lighting, Security cameras, Sports fields and Facilities	7.88%
23. Availability Charges	7.88%

Based on the information submitted and the analysis conducted, the REC decided:

1. to approve the tariffs based on the COS study, as recommended in the tariff analysis section, for implementation by the Municipality with effect from 1 July 2026;
2. to note the COS study, as submitted by the Municipality; and
3. that the Municipality must submit a report accounting for all costs identified in its COS study to enable the National Energy Regulator of South Africa to perform its

independent verification or audit process by 31 January 2027.

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ABBREVIATIONS

COS	Cost of Supply
D-form	Distribution form
ERTSA	Eskom Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
IBT	Inclining Block Tariff
IPP	Independent Power Producer
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 for implementation on 1 July of each financial year.

1.2. The George Local Municipality (George or 'the Municipality') is situated in the Western Cape. The customer base of the Municipality consists predominantly of commercial customers who account for 51.54% of total electricity sales. The Municipality provides its indigent customers with a minimum of 80 kWh of Free Basic Electricity (FBE) per month and reports that it maintains an indigent register. Customer statistics are highlighted in Table 2 below.

Table 2: Customer statistics (data obtained from the latest D-forms – 2024/25FY)

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	172 564	42.98	55 388
Domestic Conventional	5 998	1.49	806
Agriculture	1 322	0.33	36
Manufacturing	8 055	2.01	1149
Commercial	206 958	51.54	3 695
Street Lighting	6 642	1.65	0
TOTAL	**401 539**	**100**	**61 074**
[1]FBE	11 796	7[2]	14 994

1.3. NERSA received Geroge's tariff application together with its existing Cost of Supply (COS) study based on the cost-plus methodology, on 31 March 2026.

1.4. The Municipality implemented an average price increase of 10.90% in 2025/26 financial year and is applying for an average price increase of 7.88% for the 2026/27 financial year.

1.5. For this application, the Municipality has indicated that the tariff application was approved by Council. The Council meeting at which this application was approved

[1] This information is already included in the customer statistics table above under domestic prepaid/conventional category

[2] Percentage of Domestic MWh

was held on 31 March 2026, and the Council resolution was submitted to NERSA. Proof of customer consultation was also submitted on 31 March 2026.

1.6. NERSA followed the notice-and-comment consultation process. The Municipality's tariff application was published on the NERSA website on 31 March 2026, on social media platforms and in national and local newspapers to solicit written comments from affected parties.

1.7. NERSA's decision was made on 8 May 2026, taking into consideration the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of Municipal electricity tariffs constitutes a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legislative framework, national policy directives and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ('the ERA'), the Promotion of Administrative Justice Act, 2000 (Act No. 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 2026/2027 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 under the ERA.

2.2.2. In particular, the Energy Regulator exercises this authority through the following powers conferred by ERA:

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.
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 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 Electricity Pricing Policy (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 applied consistently 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

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

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

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

2.9. **Conclusion**

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

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of the 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. Table 3 below indicates that the Municipality's electricity business recorded an increase in percentage surplus from 16.40% in the 2023/24 financial year to 18.91% in the 2024/25 financial year.

3.3. Energy losses decreased slightly from 9.88% in the 2023/24 financial year to 9.73% in the 2024/25 financial year, as shown in Table 3 below. The Municipality is encouraged to maintain energy losses at these low levels.

Table 3: Performance indicators

Performance indicators	***Municipality 2024/25 D-forms Information***	***Municipality 2023/24 D-forms Information***
Percentage surplus: (%)	18.91	16.40[3]
Energy Losses: (%)	9.73	9.88

3.4. Based on the above information, the licensee's electricity department demonstrates satisfactory financial and operational performance, as reflected in the increased surplus and relatively low energy losses. The surplus indicates sound financial management and effective cost recovery, while the low level of energy losses suggests efficient network operations and maintenance. Collectively, these factors lead to a stable and sustainable electricity service.

[3] Total Electricity Purchases divided by Total Expenditure

4. DETERMINATION OF GEORGE LOCAL MUNICIPALITY'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

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 whenever 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, the table below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual 2024/25 financial year 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 financial year revenues and electricity volume that are the base for 2026/27 financial year 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 financial year 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 financial year 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 or 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 the 2026/27 financial year.

4.5. The total allowable revenue of R1 322 billion is for the 2025/26 financial year 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 Table 4 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 financial year. 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 financial year tariff review process.

4.7. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27 financial year cost (budgeted cost plus surplus) as requested by NERSA, and total budgeted required revenue that amounted to R1 496 billion for the 2026/27 financial year tariff review process.

Table 4: 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	401 539 850	421 616 843	421 616 843	-	421 616 843
Eskom bulk purchases	kWh	444 832 855	467 074 498	467 074 498	-	467 074 498
Total Energy Requirements	**kWh**	**444 832 855**	**467 074 498**	**467 074 498**		**467 074 498**
Total Losses	kWh	43 293 005	45 457 655	45 457 655		45 457 655
Technical losses	kWh	2 108 369	2 213 788	2 213 788	-	2 213 788
Non-technical losses	kWh	41 184 636	43 243 867	43 243 867	-	43 243 867
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	9,73%	9,73%	9,73%		9,73%
Cost drivers						
Energy purchases from Eskom	Rand	887 017 769	987 428 180	1 032 287 765	-	1 032 287 765
other energy purchases		-	-	-	-	-
total energy purchases		**887 017 769**	**987 428 180**	**1 032 287 765**	**0**	**1 032 287 765**
Cost of technical losses	Rand	4 204 188	4 680 102	4 892 723	0	4 892 723
Non-Technical Losses		82 124 113	91 420 563	95 573 866	0	95 573 866
Operational expenditure (incl. Depreciati	**Rand**	**136 081 650**	**221 214 577**	**363 010 774**	**0,0**	**363 010 774**
General & Other	**0**	**169 743 955**	**198 181 704**	**236 698 336**	**0**	**236 698 336**
Salaries and allowances	Rand	73 643 867	85 800 618	94 353 001	0	94 353 001
Materials and supplies	Rand	13 685 613	14 018 100	18 159 976	0	18 159 976
Contracted Services	Rand	13 835 332	17 570 190	28 293 247	0	28 293 247
Salaries, wages and allowances (exclu. Repairs and	Rand	16 165 727	18 834 282	19 755 278	0	19 755 278
Payments to consultants (operational work)	Rand	1 584 028	1 641 250	3 501 250	0	3 501 250
Current year depreciation	Rand	38 723 075	49 077 024	62 199 458	0	62 199 458
Other creditors'interest	Rand	12 106 313	11 240 240	10 436 125	0	10 436 125
Shared OPEX	**Rand**	**-33 662 305**	**23 032 873**	**126 312 439**	**0**	**126 312 439**
Bad debts (Allowance for Impairment)	Rand	2 587 547	1 244 530	1 306 757	0	1 306 757
FBE paid to Eskom	Rand	34 612	66 460	72 448	0	72 448
Charges from other Municipal Departments	Rand	-84 606 750	-30 708 000	-11 145 461	0	-11 145 461
General expenses		**48 322 286**	**52 429 883**	**136 078 695**	**0**	**136 078 695**
1. Gen Exp - Fuel & Oil	Rand	2 418 745	2 725 930	3 072 128	0	3 072 128
2. Gen Exp - Prepaid Elec Vendors	Rand	25 317 761	25 633 800	26 180 800	0	26 180 800
3. Gen Exp - Insurance premiums	Rand	1 267 009	1 273 330	1 279 682		1 279 682
4. Gen Exp - Operating Leases	Rand	52 748	80 950	124 230		124 230
5. Gen Exp - Telephone, Fax, Telegraph	Rand	418 698	263 200	165 452	0	165 452
6. Gen Exp - Other Exp	Rand	18 847 324	22 452 673	105 256 403	0	105 256 403
Total Expediture before surplus		1 027 303 607	1 304 743 422	1 495 765 128	0	1 495 765 128
Surplus	Rand	102 730 361	100 383 908	11 107 256	0	11 107 256
Total Expenditure Including Surplus		1 130 033 968	1 405 127 329	1 506 872 383	0	1 506 872 383
Other revenues	Rand	**-75 977 677**	**-82 521 030**	**-80 044 708**	**0**	**-80 044 708**
New connections	Rand	5 410 605	6 193 554	7 089 801	0	7 089 801
Free Basic Electricity (Equitable share)	Rand	41 436 245	48 618 620	46 297 474	0	46 297 474
1.Interest earned	Rand	2 862 887	1 880 280	1 234 926	0	1 234 926
2. Availability Charges	Rand	9 517 584	4 516 858	2 143 612		2 143 612
3. Government Grants and Subsidies	Rand	2 490 057	5 558 530	5 876 530		
4. Other Income	Rand	14 260 299	15 753 188	17 402 365	-	**17 402 365**
Total Allowable Revenue	**Rand**	**1 054 056 291**	**1 322 606 299**	**1 426 827 676**	**0**	**1 426 827 676**
Increase required				***7,88%***	***7,88%***	

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 R1 032 billion which accounts for 72% of total costs inclusive of the 9.73% 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 financial year estimate, the Licensee projected the year-to-date amount for 2025/26 financial year since complete financial year data is unavailable, then applied a 9.01% increase to the cost item in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.12. The Eskom bills were analysed and there were 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 including depreciation R267 million as highlighted in Table 4 above.

4.14. The Municipality adjusted the expenditure linked to the 2025/26 financial year tariffs, increasing it from R221 million to a budgeted amount of R363 million, reflecting a 25% increase in costs.

4.15. Depreciation amounted to R38 723 075 in the 2024/25 financial year. The projected depreciation for the 2025/26 financial year is R49 077 024, increasing to R62 199 458 in the 2026/27 financial year budget, reflecting a growth of approximately 27%.

Surplus

4.16. The Municipality applied a cost-plus methodology, and not a rate of return (ROR) approach. Accordingly, no Regulatory Asset Base (RAB) was required or utilised in determining the revenue requirement. Under the cost-plus methodology, the allowable revenue is derived as follows:

a) Efficient and prudent operating expenditure (OPEX).

b) Plus, depreciation (as a proxy for asset consumption and future replacement).

c) Plus, a reasonable surplus margin.

4.17. The licensee applied for a surplus of R11.107 million which is based on a 0.78% return on OPEX including bulk purchases.

4.18. To ensure that the surplus is not excessive or detrimental to consumers, verification was undertaken by benchmarking the applied surplus margin of 10% against the established target range of 10–20%, in line with the approved NERSA Cost of Supply framework, EPP Policy Position 1, D-Form, and the trial balance.

4.19. Although the return proposed by the Municipality falls below the established target range of 10–20, it is considered reasonable,

4.20. To ensure that the surplus is commensurate with the level of risk, qualitative risk considerations were incorporated, including revenue collection risks (such as non-payment and bad debts), operational risks (including energy losses, ageing infrastructure and consideration of customer affordability), and broader financial sustainability requirements.

4.21. Therefore, the applied surplus is considered modest and commensurate with these risks, particularly in the context of a municipal distributor that is not profit-maximising but must remain financially viable. Thus, it is NERSA's decision to allow the revenue requirement as applied for.

Conclusion on Costs to Serve

4.22. While the COS study outcome reflected an average tariff increase of 18.5% for the licensee to achieve full cost reflectivity, the Municipality adopted a three-year phase in approach to implement tariff increases below the COS outcomes. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive the demand for its electricity services

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3. Domestic - Indigent consumer Prepaid (Plus two back dwellers)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Tariff Blocks	***c/kWh***					
Block 1 (0-1200kWh)	234.70	280.70	7.88%	280.70	7.88%	The COS study indicates that the domestic indigent tariff structure is under-recovering by approximately 120%. However, the proposed increase remains below the 18.50% required for full cost recovery as indicated by the study. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Accordingly, the proposed tariffs are considered prudent and reasonable.
Block 2 (>1200kWh)	339.60	371.11	-1.46%	371.11	-1.46%	

4. Domestic consumer - 1 or 3 Phase capacity from 20 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	299.30	322.88	7.88%	322.88	7.88%	The COS study indicates that the current domestic tariff structure is over-recovering by approximately 10%. Notwithstanding this, the proposed increase of 7.88% remains well below the 18.50% adjustment identified by the study as necessary to achieve full cost reflectivity. While the increase does not fully correct the identified imbalance, it represents a measured and responsible step towards aligning tariffs with
Basic charge (R/month)	107.14	115.58	7.88%	115.58	7.88%	
Capacity charge (R/Amp)	6.47	6.98	7.88%	6.98	7.88%	

						underlying costs. This phased approach supports a smoother transition to cost-reflective tariffs, thereby avoiding abrupt tariff shocks that could place undue financial pressure on customers. At the same time, it contributes to improving the long-term sustainability and credibility of the tariff structure. Accordingly, the proposed adjustment appropriately balances the need for customer affordability, and revenue stability. Accordingly, the proposed tariffs are considered reasonable and defensible.

5. Domestic – Single Phase consumer capacity equals to 20 Amps	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	344.00	371.11	7.88%	371.11	7.88%	The COS study indicates that the commercial tariff structure is over-recovering by approximately 25%. However, the proposed increase remains below the 18.50% required for full cost recovery as indicated by the study. A phased approach toward achieving full cost reflectivity is recommended to support long-term financial sustainability while avoiding tariff shock for residential customers. Accordingly, the proposed tariffs are considered prudent and reasonable.

6. Commercial – Small General Consumer: Only Pre-paid meters limited to 20 Amps	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	414.80	447.49	7.88%	447.49	7.88%	The COS study indicates that the current commercial tariff structure is over-recovering by approximately 5%. However, the proposed increase of 7.88% remains significantly below the 18.50% adjustment identified as necessary to achieve full cost reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.

7. Commercial – Normal General Consumers: From 20 Amps	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	336.30	362.80	7.88%	362.80	7.88%	The COS study indicates that this tariff category is currently over-recovering. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Basic charge (R/month)	98.07	105.80	7.88%	105.80	7.88%	
Capacity charge (R/Amp)	10.76	11.61	7.88%	11.61	7.88%	

8. Time of Use: Domestic Flex Tariff	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	107.94	116.45	7.88%	116.45	7.88%	The COS study indicates that the domestic flex tariff structure is under-recovering by approximately 15%. However, the proposed increase remains below the 18.50% adjustment identified as necessary to achieve full cost recovery. While the proposed increase does not fully eliminate the under-recovery, it reflects a considered and balanced approach to improving cost reflectivity. A phased adjustment is appropriate in this instance, as it supports gradual alignment with underlying costs while avoiding undue tariff shocks that could adversely affect vulnerable customers. Accordingly, the proposed tariffs are prudent, reasonable, and well-justified for approval.
Capacity charge (R/kVA)	6.52	7.03	7.88%	7.03	7.88%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	733.85	791.68	7.88%	791.68	7.88%	
Standard	274.20	295.81	7.88%	295.81	7.88%	
Off-peak	182.91	197.32	7.88%	197.32	7.88%	
Low Demand (September to May)						
Peak	304.53	328.53	7.88%	328.53	7.88%	
Standard	216.67	233.74	7.88%	233.74	7.88%	
Off-peak	145.77	157.26	7.88%	157.26	7.88%	

9. Time of Use: Commercial Flex Tariff	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	399.44	430.92	7.88%	430.92	7.88%	The COS study indicates that the tariff structure is under-recovering by approximately 42%. However, the proposed increase remains below the 18.50% required for full cost recovery as indicated by the study. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Accordingly, the proposed tariffs are considered prudent and reasonable.
Capacity charge (R/kVA)	10.76	11.61	7.88%	11.61	7.88%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	733.85	791.68	7.88%	791.68	7.88%	
Standard	274.20	295.81	7.88%	295.81	7.88%	
Off-peak	182.91	197.32	7.88%	197.32	7.88%	
Low Demand (September to May)						
Peak	304.53	328.53	7.88%	328.53	7.88%	
Standard	216.67	233.74	7.88%	233.74	7.88%	
Off-peak	145.77	157.26	7.88%	157.26	7.88%	

10. Bulk Time of Use: Low Voltage Consumers	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	829.84	895.23	7.88%	895.23	7.88%	The COS study indicates that this tariff category is currently over-recovering by 10%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Access charge (R/kVA)	90.63	97.77	7.88%	97.77	7.88%	
Demand charge (R/kVA)	190.29	205.28	7.88%	205.28	7.88%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	747.47	806.37	7.88%	806.37	7.88%	
Standard	283.55	305.89	7.88%	305.89	7.88%	
Off-peak	191.25	206.32	7.88%	206.32	7.88%	
Low Demand (September to May)						
Peak	299.01	322.57	7.88%	322.57	7.88%	
Standard	231.30	249.53	7.88%	249.53	7.88%	
Off-peak	176.70	190.62	7.88%	190.62	7.88%	
Reactive energy charge (c/kVArh)	30.25	32.63	7.88%	32.63	7.88%	

11. Bulk Time of Use: Medium Voltage Consumers	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	4 077.26	4 398.55	7.88%	4 398.55	7.88%	The COS study indicates that this tariff category is currently over-recovering by 15%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Access charge (R/kVA)	94.65	102.11	7.88%	102.11	7.88%	
Demand charge (R/kVA)	137.94	148.81	7.88%	148.81	7.88%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	685.53	806.37	7.88%	806.37	7.88%	
Standard	260.85	305.89	7.88%	305.89	7.88%	
Off-peak	178.35	206.32	7.88%	206.32	7.88%	
Low Demand (September to May)						
Peak	267.57	288.65	7.88%	288.65	7.88%	
Standard	205.26	221.43	7.88%	221.43	7.88%	
Off-peak	165.55	178.60	7.88%	178.60	7.88%	
Reactive energy charge (c/kVArh)	30.25	32.63	7.88%	32.63	7.88%	

12. Bulk Time of Use: Medium Voltage at HV /MV Consumers	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	7 000.12	7 551.73	7.88%	7 551.73	7.88%	The COS study indicates that this tariff category is currently over-recovering by 10%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Access charge (R/kVA)	79.55	85.82	7.88%	85.82	7.88%	
Demand charge (R/kVA)	110.13	118.81	7.88%	118.81	7.88%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	651.55	702.89	7.88%	702.89	7.88%	
Standard	246.13	265.53	7.88%	265.53	7.88%	
Off-peak	167.27	180.45	7.88%	180.45	7.88%	
Low Demand (September to May)						
Peak	252.96	272.89	7.88%	272.89	7.88%	
Standard	193.50	208.75	7.88%	208.75	7.88%	
Off-peak	155.03	167.25	7.88%	167.25	7.88%	
Reactive energy charge (c/kVArh)	30.25	32.63	7.88%	32.63	7.88%	

13. Wheeling Tariff	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key findings*
Medium < 500 kVA Additional Basic charge: (R/month)	New	716.19	New	716.19	New	The proposed wheeling tariff introduces an additional basic charge applicable to customers already on the relevant George TOU tariffs. Generators within the George network will continue to be billed at the applicable TOU tariff for their own consumption. The inclusion of the basic charge is appropriate, as it ensures recovery of network-related costs and supports revenue neutrality for the Municipality, while facilitating third-party energy transactions through wheeling. Overall, the tariff is well-structured, promotes efficient network use, and balances cost recovery with market participation. It is therefore considered appropriate, justified, and supported for approval.
Large < 2 000 kVA Additional Basic charge: (R/month)	New	3 583.62	New	3 583.62	New	
Very Large > 2 000 kVA Additional Basic charge: (R/month)	New	7 165.91	New	7 165.91	New	

14. Small Scale Embedded Generation (SSEG) Feed-In Tariff	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy Charge (c/kWh)						The SSEG tariff supports energy security, promotes the uptake of renewable energy, and enables more efficient use of the municipal network within the Municipality. The proposed Export Energy Charge of 103 c/kWh provides pricing stability, avoids tariff shocks, and remains aligned with cost-reflective principles. Under this structure, the Municipality will procure electricity at a significantly lower cost compared to the current average Eskom Municflex purchase tariff of 211.90 c/kWh. The tariff framework strikes an appropriate balance between customer incentives and municipal financial sustainability, while supporting the controlled integration of embedded generation. Furthermore, the proposed increase of 47.14% is not expected to have a material impact on customers. Accordingly, the tariff is considered appropriate.
High Demand (June to August):						
Peak	(70.00)	(103.00)	47.14%	(103.00)	47.14%	
Standard	(70.00)	(103.00)	47.14%	(103.00)	47.14%	
Off-peak	(70.00)	(103.00)	47.14%	(103.00)	47.14%	
Low Demand (September to May)						
Peak	(70.00)	(103.00)	47.14%	(103.00)	47.14%	
Standard	(70.00)	(103.00)	47.14%	(103.00)	47.14%	
Off-peak	(70.00)	(103.00)	47.14%	(103.00)	47.14%	

15. Bulk Residential 1: Up to 100 kVA (LV)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	New	403.99	New	403.99	New	The proposed tariff introduces a new bulk metered Time-of-Use (TOU) structure applicable to estates, complexes, and apartments, comprising basic and access charges, together with differentiated energy charges across peak, standard, and weekend periods. This represents a positive shift towards enhanced cost reflectivity, as pricing is more closely aligned with the temporal cost of supply and network utilisation. The clear differentiation between peak and off-peak periods provides effective price signals to encourage load shifting and support demand-side management initiatives. Although no direct percentage increase is specified, the tariff design reflects a balanced approach between financial sustainability and customer affordability. The structure is transparent, equitable, and consistent with established TOU principles. Overall, the introduction of this tariff is appropriate, well-justified, and supported for approval.
Access charge (R/kVA)	New	15.41	New	15.41	New	
Demand charge (R/kVA)	New	0.00	New	0.00	New	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	New	760.42	New	760.42	New	
Standard	New	243.36	New	243.36	New	
Off-peak	New	185.90	New	185.90	New	
Low Demand (September to May)						
Peak	New	357.11	New	357.11	New	
Standard	New	231.87	New	231.87	New	
Off-peak	New	185.90	New	185.90	New	

16. Bulk Residential 2: Above 100 kVA (MV)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic Monthly charge (R/month)	New	1 005.97	New	1 005.97	New	The proposed tariff introduces a new bulk metered Time-of-Use (TOU) structure applicable to estates, complexes, and apartments, comprising basic and access charges, together with differentiated energy charges across peak, standard, and weekend periods. This represents a positive shift towards enhanced cost reflectivity, as pricing is more closely aligned with the temporal cost of supply and network utilisation. The clear differentiation between peak and off-peak periods provides effective price signals to encourage load shifting and support demand-side management initiatives. Although no direct percentage increase is specified, the tariff design reflects a balanced approach between financial sustainability and customer affordability. The structure is transparent, equitable, and consistent with established TOU principles. Overall, the introduction of this tariff is appropriate, well-justified, and supported for approval.
Access charge (R/kVA)	New	59.59	New	59.59	New	
Demand charge (R/kVA)	New	28.41	New	28.41	New	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	New	747.89	New	747.89	New	
Standard	New	230.83	New	230.83	New	
Off-peak	New	173.37	New	173.37	New	
Low Demand (September to May)						
Peak	New	344.58	New	344.58	New	
Standard	New	219.34	New	219.34	New	
Off-peak	New	173.37	New	173.37	New	

17. Agricultural 1 - 10 kVA to 16 kVA	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key findings*
Energy charge (c/kWh)	326.70	352.44	7.88%	352.44	7.88%	The COS study indicates that this tariff category is currently over-recovering by 40%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Basic charge (R/month)	447.93	483.23	7.88%	483.23	7.88%	

18. Agricultural 2 - Above 16 kVA up to 25 kVA	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key findings*
Energy charge (c/kWh)	326.70	352.44	7.88%	352.44	7.88%	The COS study indicates that this tariff category is currently over-recovering by 15%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Basic charge (R/month)	757.85	817.57	7.88%	817.57	7.88%	

19. Agricultural 3 - Above 25 kVA up to 50 kVA	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	326.70	352.44	7.88%	352.44	7.88%	The COS study indicates that this tariff category is currently over-recovering by 30%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Basic charge (R/month)	1 515.73	1 635.17	7.88%	1 635.17	7.88%	

20. Agricultural 4 - Above 50 kVA up to 100 kVA	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Energy charge (c/kWh)	326.70	352.44	7.88%	352.44	7.88%	The COS study indicates that this tariff category is currently over-recovering by 13%. However, the proposed increase of 7.88% remains well below the 18.50% required to achieve full cost reflectivity. While the adjustment does not fully address the imbalance, it represents a measured step toward better cost alignment. This phased approach limits tariff shocks and supports the long-term sustainability of the tariff structure. Accordingly, the proposed adjustment balances customer affordability with revenue stability.
Basic charge (R/month)	1 680.08	1 812.47	7.88%	1 812.47	7.88%	

21. Street Lighting	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key findings*
Energy charge (c/kWh)	396.10	427.31	7.88%	427.31	7.88%	The COS study indicates that the tariff structure is under-recovering by approximately 30%. However, the proposed increase remains below the 18.50% required for full cost recovery as indicated by the study. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Accordingly, the proposed tariffs are considered prudent and reasonable.
Lamp charge (R/month)	133.80	144.34	7.88%	144.34	7.88%	

22. Municipal and Non-Municipal Street Lighting, Security cameras, Sports fields and Facilities	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key findings*
Energy charge (c/kWh)	396.10	427.31	7.88%	427.31	7.88%	The COS analysis indicates that this tariff category is revenue neutral. The proposed increase of 7.88% is considered appropriate, as it aligns with underlying cost drivers while maintaining stability within the tariff structure. The adjustment reflects a measured and phased approach, supporting sustainable revenue recovery without imposing excessive increases on
Basic charge (R/month)	133.80	144.34	7.88%	144.34	7.88%	

						this customer category. Given the essential nature of services such as street lighting, security infrastructure, and public facilities, the moderate increase also helps to preserve affordability and manage the impact on municipal operating budgets. Overall, the proposed tariff maintains cost reflectivity, supports revenue stability, and ensures the continued provision of critical public services. It is therefore considered reasonable and appropriate for approval.

23. Availability Charges	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key findings***
Basic charge (R/stand/month)	625.92	675.24	7.88%	675.24	7.88%	The COS study indicates that the tariff structure is under-recovering by approximately 10%. However, the proposed increase remains below the 18.50% required for full cost recovery as indicated by the study. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Accordingly, the proposed tariffs are considered prudent and reasonable.

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. The Energy Regulator, having considered the George Local Municipality's application, the supporting information, stakeholder inputs and applicable legal framework, approves the tariff adjustments as set out in this reasons for decision document.

End