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

Umsobomvu Local Municipality

THE DECISION

At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Umsobomvu 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 Table 1 below.

Table 1: Summary of the REC Decision

Tariff Category	2026/27 Approved % Increase
Domestic Prepaid	9.01%
Domestic Conventional	9.01%
Indigent Household Agricultural Conventional	9.01%
Prepaid Business & Industries (Single & Three Phase)	9.01%
Business /Government School Conventional	9.01%
Departmental	9.01%
Business & Industrial kVA Users	9.01%
Availability Charges (Vacant stands)	

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

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. to note the COS Report submitted by the municipality;
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; and
4. that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

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ABBREVIATIONS AND ACRONYMS

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

1. INTRODUCTION

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

1.2. Umsobomvu Local Municipality is located in the Northern Cape. The municipality consists mostly of domestic customers, who account for 37.68% of the total electricity sales. The municipality provides its indigent customers with 50kWh of Free Basic Electricity (FBE) per month. The municipality further reports that it maintains an indigent register. The details of the customer statistics are provided in Table 2 below.

Table 2: Customer Statistics

CUSTOMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS)			
Consumer Classification	**Sales (KWh)**	**%KWh**	**Number of Consumers**
Domestic (Prepaid)	5 375 582	30,96%	2 800
Domestic (Conventional)	1 166 763	6,72%	300
Agriculture	101 168	0,58%	14
Manufacturing/ Industrial	5 740 517	33,06%	39
Commercial	1 760 006	10,14%	495
Own Consumption	3 132 823	18,04%	2
Inter-Departmental	85 914	0,49%	6
TOTAL SALES	**17 362 773**	**100%**	**3 656**
Free Basic Electricity (FBE)	**865 800**	**13,23%**	**1 443**

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

1.4. Umsobombu implemented a 10.20% average price increase in the 2025/26FY and is applying for an average price increase of 9.01% for the 2026/27FY.

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

1.6. For this application, the municipality confirmed that its council meeting was held on 31 March 2026, with the official council resolution submitted concurrently with the tariff application. Subsequently, the proof of customer consultation was provided on 6 May 2026.

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

1.8. NERSA's decision was made on 9 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 NERSA 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 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 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 NERSA evaluated and determined the municipal electricity tariff application for the 2026/27 financial year.

2.2. NERSA's Statutory Mandate

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. NERSA's electricity regulatory mandate 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:

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

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

2.3. Tariff Determination Principles under the ERA

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

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

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

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

Administrative Law Requirements

2.4. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, NERSA 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.

2.4.1 Public participation processes conducted by NERSA 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, NERSA 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 NERSA-approved methodology and must accompany tariff structure applications submitted to NERSA.

2.7. Judicial Oversight of the Tariff Approval Process

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

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

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

2.7.4 NERSA subsequently launched a variation application that sought to vary the timelines that had been set by the Court on 4 December 2025, considering the practical difficulties that 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 following timelines are applicable in respect of the 2026/27 municipal tariff approvals:

a) Written notice of bulk tariffs 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) The publication of NERSA decisions by 11 May 2026.

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

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

2.9. Conclusion

2.9.1 NERSA's determination of municipal electricity tariffs 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 NERSA complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1 In evaluating the financial and technical performance of Umsobomvu, 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 tariff analysis purposes.

Table 3: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)	-28,18%	-16,89%
Percentage Energy Losses	32,96%	28,92%

Percentage Surplus

3.2 The municipality's financial sustainability has significantly deteriorated, with the operating deficit widening from 16.89% to 28.18% over the past year. This decline is largely driven by a sharp rise in material losses, which have severely compromised the budget.

3.3 The electricity business reveals a gross profit deficit of 20.27%. This means the revenue generated from electricity sales is failing to cover the cost of bulk purchases, leaving no margin to fund other essential services. This financial strain is compounded by the fact that bulk purchases and finance costs now consume a staggering 85% of total expenditure.

3.4 **Error! Reference source not found.** above shows that energy losses have increased notably – from 28.92% in 2023/24 to 32.96% in 2024/25. This upward trend highlights deepening challenges in both the physical infrastructure and the commercial management of the municipality's electricity distribution business.

3.5 The municipality has implemented the following measures to reduce high energy losses:

a) Using proper jointing techniques, and keeping the number of joints to a minimum
b) Regular inspection of the connections, isolators, drop-out fuses, LT/MV switches, transformers, transformer bushing-stem and other distribution equipment
c) Proper selection of conductor size and transformer in terms of efficiency, size and location.
d) Feeding heavy consumers directly from the feeders
e) Maintaining the network components and replacing those that are deteriorating, worn out or faulty
f) Proper load management and load balancing
g) Using electronic meters that are accurate and tamper-proof, and improving power factor by adding shunt capacitors.

3.6 To transform the municipality's electricity department from a loss-making entity into a sustainable business, a strategic turnaround is required. Currently, with energy losses rising to 32.96% and an operating deficit of 28.18%, the focus must shift toward revenue protection and infrastructure modernisation.

3.7 **Error! Reference source not found.** below shows the assessment of energy losses and revenue impact if the municipality reduces the energy losses to 6% and 12%.

Table 4: Assessment of Energy Losses and Revenue Impact

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	262,72		
Sales kWh	17 362 773,00	22 789 770,96	24 343 618,98
Purchases kWh	25 897 467,00	25 897 467,00	25 897 467,00
Losses kWh	8 534 694,00	3 107 696,04	1 553 848,02
Losses percentage	**32,96%**	**12,00%**	**6,00%**
Additional Energy (kWh)		5 426 997,96	6 980 845,98
Additional Revenue (Rands)		14 257 809,04	18 340 078,56
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 18 562 633 222,81	R 18 576 891 031,85	R 18 580 973 301,37
Total Expenses (Rands)	R 18 050 862 420,00	R 18 050 862 420,00	R 18 050 862 420,00
Net Profit (Loss)	R 511 770 802,81	R 526 028 611,85	R 530 110 881,37
Percentage Surplus/Deficit	**2,76%**	**2,83%**	**2,85%**

3.8 The municipality has high energy losses of 32.96%, which significantly undermines its financial sustainability.

3.8.1 If losses were capped at 12%, the municipality would:
a) improve net revenue by approximately R14 million; and
b) the municipality will operate at a surplus of 2.83%

3.8.2 If losses were capped at 6%, the municipality would:
a) improve net revenue by approximately R18 million; and
b) the municipality will operate at a surplus of 2.85%

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

4.1 The municipality submitted its existing COS study, which supports the tariff application for the 2026/27 financial year. The municipality's COS study was inclusive of all requirements of NERSA's approved COS Framework (i.e. Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

4.2 Policy position 23 states that:

Electricity distributors shall undertake COS studies at least every five years, but at least when significant licensee structure changes occur, such as in customer base, relationships between cost components and sales volumes. This must be done according to the approved NERSA standard to reflect changing costs and customer behaviour. The cost-of-service methodology used to derive tariffs must accompany applications to the regulator for changes to tariff structures.

4.3 Section 18.7 of the 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, Table 5 below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual 2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for 2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when NERSA considered and approved the 2026/27 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 FY 2026/27 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.
iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.
v. Column 5 is for NERSA's recommended amounts that sum up to the allowable revenues the licensee must recover in FY 2026/27.

4.5 The total allowable revenue of R101 million is for the FY2025/26 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 5 below.

4.6 The COS study is applicable for five years; however, municipalities must reflect the adjustments on their cost drivers for FY2026/27. 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 FY2026/27 tariff review process.

4.7 To determine the increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27 cost (budgeted cost plus surplus) as requested by NERSA. The total budgeted required revenue amounted to R99 million for the FY2026/27 tariff review period.

Table 5: Municipality's Revenue Requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee
Sales	kWh	17 362 773	25 876 206	28 207 600
Eskom bulk purchases	kWh	25 897 465	28 463 827	31 028 400
Independent Power Producers Conventional	kWh	-	-	-
Independent Power Producers Renewable Energy	kWh	-	-	-
Self Generation	kWh	-	-	-
Other		-	-	-
Total Energy Requirements	**kWh**	**25 897 465**	**28 463 827**	**31 028 400**
Total Losses	kWh	8 534 692	2 587 621	2 820 800
Technical losses	kWh	3 107 696	2 587 621	2 820 800
Non-technical losses	kWh	-5 426 996	0	0
Allowed losses	%	**12,00%**	**9,09%**	**9,09%**
Total Energy losses	%	32,96%	9,09%	9,09%
Cost drivers				
Energy purchases from Eskom	Rand	54 880 861	66 272 600	72 243 800
other energy purchases		-	-	-
total energy purchases		**54 880 861**	**66 272 600**	**72 243 800**
Cost of technical losses	Rand			
Non-Technical Losses				
Other energy purchases	Rand			
Capital expenditure	Rand			
Operational expenditure (incl. Depreciati	**Rand**	**9 797 623**	**15 976 000**	**16 735 600**
General & Other	0	8 187 703	9 621 000	9 927 100
Salaries and allowances	Rand	0		
Materials and supplies	Rand	39 753	89 900	95 300
Contracted Services	Rand	2 399 104	3 012 900	3 114 100
Salaries, wages and allowances (exclu. Repairs and	Rand	3 905 405	4 747 400	4 911 700
Current year depreciation	Rand	1 843 442	1 770 800	1 806 000
Shared OPEX	Rand	1 609 920	6 355 000	6 808 500
Bad debts (Allowance for Impairment)	Rand	275 591	393 100	416 700
Charges from other Municipal Departments	Rand	463 528	406 300	430 700
Operating Leases	Rand	0	0	0
General expenses		**870 801**	**5 555 600**	**5 961 100**
1.Commission Expense	Rand			
2. Fleet Costs	Rand			
3.Other Expenses	Rand	870 801	5 555 600	5 961 100
	Rand			
Total Expediture before surplus		64 678 484	82 248 600	88 979 400
Surplus	Rand	15 399 130	21 384 900	12 237 200
Total Expenditure Including Surplus		80 077 614	103 633 500	101 216 600
Other revenues	Rand	**-2 674 271**	**-2 070 700**	**-1 477 600**
Reconnection fees	Rand	168 882	178 700	171 600
New connections	Rand	0	52 900	56 600
Free Basic Electricity (Equitable share)	Rand	0	0	0
1.Interest earned	Rand	2 473 515	1 839 100	1 249 400
2. Other Revenue - Illegal Connections	Rand	31 874	0	0
Total Allowable Revenus	**Rand**	**77 403 343**	**101 562 800**	**99 739 000**
increase required				***9.01%***

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 revenue in support of the approved tariffs during this period. This forms the basis from which costs for the 2026/27 financial year will be projected using assumptions to calculate the 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. Expenses that are deemed inflated or unjustified have been adjusted accordingly.

Bulk Purchases

4.11 The licensee applied for a bulk purchase expenditure of R72 million, which accounts for 77% of the total costs, inclusive of the 9.09% energy loss allowance in line with the Act, which requires that only the prudently and efficiently incurred costs be passed through to customers

4.12 To arrive at the 2026/27 estimate, the licensee projected the year-to-date amount for 2025/26 since complete financial year data is unavailable, then estimated that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.13 The Eskom bills were analysed and no notified maximum demand (NMD) exceedance penalties were charged. Furthermore, the municipality did not include Eskom interest charges in the outstanding account.

Operating Expenditure (including depreciation)

4.14 The licensee applied for operational expenditure including depreciation of R16 million, as highlighted in Table 5 above.

4.15 The municipality adjusted the expenditure linked to the FY2025/26 tariffs, increasing it from R15 million to a budgeted amount of R16 million, reflecting a 5% increase in costs.

4.16 The municipality reported an asset value of R115 million, as reflected in its submitted audited D-Forms for the 2024/25FY.

4.17 As shown in Table 6 below, the depreciation values were verified against the information in the D-forms, trial balance and the audited financial statements. These figures align consistently with the current year's depreciation in Table 5.

Table 6: Depreciation Values

DESCRIPTION	2024/25FY
DEPRECIATION:	**1 843 441,54**
Depreciation : Electrical Infrastructure	1 843 441,54
Distribution Plant	0,00

Surplus

4.18 The licensee applied for a surplus of R12 million, which is based on a 12% return on operating expenditure (OPEX), including bulk purchases.

4.19 To ensure that the surplus is not excessive or detrimental to consumers, verification was undertaken by benchmarking the applied surplus margin of 12% against the established target range of 10–20%, in line with the approved NERSA COS Framework, EPP policy position 1, D-forms and the trial balances

4.20 The return proposed by the municipality is considered reasonable, as it falls within the established target range of 10–20%.

4.21 To ensure that the profit margin is commensurate with the risk, the following risk factors were considered:

a) Revenue collection risks (non-payment, indigence levels, bad debt)
b) Operational risks (energy losses, ageing infrastructure)
c) Financial sustainability requirements.

4.22 Therefore, the applied surplus is considered modest and reasonable having regard to the relevant risk factors and customer affordability constraints. This is particularly so in the context of a municipal electricity distributor, which, while not operating on a profit-maximising basis, is nonetheless required to maintain financial sustainability and operational viability. NERSA has therefore approved the revenue requirement as submitted.

4.23 NERSA is satisfied that the return applied for by the licensee is reasonable to keep the licensee sustainable, though it falls below the 10–20% target range as determined in the COS Methodology. Thus, it is NERSA’s decision to allow the revenue requirement as applied for.

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DOMESTIC CUSTOMERS

Domestic Prepaid	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Block 1 (0–50) kWh	189.98	207.10	9.01%	207.10	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 2 (51–350) kWh	244.25	266.26	9.01%	266.26	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 3 (351–600kWh)	340.07	370.71	9.01%	370.71	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 4 (>600 kWh)	401.09	437.23	9.01%	437.23	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the*

						municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.

Domestic Conventional	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Block 1 (0–50) kWh	189.98	207.10	9.01%	207.10	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 2 (51–350) kWh	244.25	266.26	9.01%	266.26	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 3 (351–600kWh)	340.07	370.71	9.01%	370.71	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and*

						consistently deliver reliable essential services.
Block 4 (>600 kWh)	401.09	437.23	9.01%	437.23	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Basic Charge (R/Month)	177.17	193.13	9.01%	193.13	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*

Indigent Household – Agricultural Conventional	**2025/26 Approved**	**2026/27 Recommended**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Block 1 (0–50) kWh	189.98	207.10	9.01%	207.10	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to*

						invest in quality infrastructure and consistently deliver reliable essential services.
Block 2 (51–350) kWh	244.25	266.26	9.01%	266.26	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 3 (351–600kWh)	340.07	370.71	9.01%	370.71	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Block 4 (>600 kWh)	401.09	437.23	9.01%	437.23	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*

Basic Charge (R/Month)	177.17	193.13	9.01%	193.13	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*

Commercial Tariffs

Prepaid Business and Industries (Single and Three Phase)	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Energy Charge (c/kWh)	418.20	455.87	9.01%	455.87	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*

Business/ Government School Conventional	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Basic Charge (R/month)	381.07	415.41	9.01%	415.41	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Energy Charge (c/kWh)	372.02	405.54	9.01%	405.54	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*

Departmental	2025/26 Approved	2026/27 Proposed	% Increase	Recommended Tariff	Recommended % Increase	Analysis and Key Findings
Energy Charge (c/kWh)	354.57	386.51	9.01%	386.51	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's*

						capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.

Industrial Tariffs

Business and Industrial kVA Users	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Basic Charge (R/month)	411.68	448.77	9.01%	448.77	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Energy Charge (c/kWh)	182.77	199.23	9.01%	199.23	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.*
Demand Charge (R/kVA)	467.99	510.55	9.01%	510.55	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the*

						municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services.

Availability Charges (Vacant Stands)	**2025/26 Approved**	**2026/27 Proposed**	**% Increase**	**Recommended Tariff**	**Recommended % Increase**	**Analysis and Key Findings**
Basic Charge (R/month)	198.13	215.88	9.01%	215.88	9.01%	*The proposed increase of 9.01% is a vital strategic step to strengthen the municipality's long-term financial health and is therefore recommended. This adjustment enhances the municipality's capacity to collect revenue efficiently and to invest in quality infrastructure and consistently deliver reliable essential services*

8. CONFIDENTIALITY

8.1 None.

9. CONCLUSION

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

End.