NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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 (FY)

By

Merafong Local Municipality (MLM)

THE DECISION

---

1. At its meeting held on 4 May 2026, the Regulator Executive Committee (REC) considered Merafong Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) set out in section 7 (page 18) below.

2. Based on the available information and the analysis performed thus far, the REC decided:
   2.1. to approve the tariffs that are based on the cost of supply (COS) study, as recommended in the tariff analysis section, for implementation by the municipality with effect from 1 July 2026;
   2.2. to note the COS study submitted by the municipality;
   2.3. that the municipality must submit a report accounting for all costs 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
   2.4. that the municipality must submit quarterly Specific, Measurable, Achievable, Relevant and Time-bound (SMART) energy losses reduction progress reports for NERSA to monitor the implementation thereof, commencing from 30 September 2026.

TABLE OF CONTENTS

THE DECISION 1
TABLE OF CONTENTS 2
ABBREVIATIONS AND ACRONYMS 5
1. INTRODUCTION 6
2. LEGAL AND REGULATORY FRAMEWORK 7
3. FINANCIAL AND TECHNICAL PERFORMANCE 11
4. DETERMINATION OF MLM's TARIFFS BASED ON THE COST OF SUPPLY STUDY 13
5. PUBLIC PARTICIPATION 19
6. THE OBJECTORS AND OTHER INTERVENING PARTIES 20
7. TARIFF ANALYSIS 21
8. CONFIDENTIALITY 25
9. CONCLUSION 25

LIST OF TABLES

Table 1: Customer statistics (Data obtained from the latest D-forms – 2024/25 FY 6
Table 2: Performance indicators 11
Table 3: Assessment of energy losses and revenue impact – FY2024/25 12
Table 4: Revenue requirement components 14
Table 5: Operating expenditure 15
Table 6: Rate design.....19

LIST OF FIGURES

Figure 1: Fives steps of COS 13
Figure 2: Cost breakdown by function 16
Figure 3: Cost breakdown by cost structure (Classification) 17
Figure 4: Costs allocated 17
Figure 5: Revenue recovery by customer category 18

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
MLM	Merafong Local Municipality
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis, in accordance with 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. Merafong Local Municipality (MLM) is situated in the West Rand Region of Gauteng Province and has a total of 28 977 electricity customers. The manufacturing and domestic customer categories each account for approximately 43% of the total electricity sales.

1.3. 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 regarding customer statistics are highlighted in Table 1below.

Table 1: Customer statistics (Data obtained from the latest D-forms – 2024/25 FY

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic(Prepaid)	27 553	21%	24 537
Domestic(Conventional)	28 426	22%	3 310
Manufacturing	56 428	43%	73
Commercial	10 353	8%	782
Street Lighting	1 435	1%	
Sold to other departments	7 894	6%	275
TOTAL	**132 089**	**100%**	**28 977**
[1] **FBE**	**1876**	**3,35%**	**3661**

1.4. NERSA received MLM's tariff application together with its cost of supply (COS) study on 31 March 2026.

1.5. MLM implemented an average tariff increase of 11.14% in the 2025/26 financial year and is applying for an average tariff increase of 9.01% for the 2026/27 financial year.

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

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

1.7. The Energy Regulator made its decision 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 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 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 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. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA 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 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, 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.

2.4.2. 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 tariff level 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 which sought to vary the timelines that had been 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 following timelines are applicable in respect of the 2026/27 financial year 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) NERSA decisions must be published by 11 May 2026.

2.8.2. Municipal tariff approvals from the 2027/28 financial year 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 tariff approvals and the 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 NERSA 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 MLM, 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.

Table 2: Performance indicators

Performance indicators	***2024/25***	***2023/24***
Percentage surplus/(Deficit): (%)	**-57,55**	**-51,52**
Energy Losses: (%)	**38,99**	**42,56**

3.2. Surplus

3.2.1. MLM's electricity business operated at a deficit of 57.55% in the 2024/25 financial year, worsening from 51.52% in the 2023/24 financial year. The deficit is mainly driven by high energy losses and increased spending on repairs and maintenance. The municipality is required to strengthen loss reduction measures, improve billing and revenue collection, and continue investing in repairs and maintenance to reduce energy losses, while ensuring that the spending is well managed and improves network performance.

3.3. Energy Losses

3.3.1. The energy loss level has reduced from 42.56% in the 2023/24 financial year to 38.99% in the 2024/25 financial year. Despite this improvement, the level of losses remains high. The municipality attributes the losses to network overloading, vandalism, cable theft, illegal connections and unmetered connections.

3.3.2. NERSA further notes the municipality's planned interventions, including upgrading substation capacity from 10MVA to 20MVA and disconnecting illegal connections. The municipality has also engaged with the Municipal

Infrastructure Support Agency (MISA), Eskom and the Department of Cooperative Governance and Traditional Affairs (COGTA) for technical support and is engaging with the Development Bank of Southern Africa (DBSA) for potential funding of an electricity master plan. The municipality must expedite the implementation of these interventions and ensure measurable progress in reducing energy losses.

Table 3: Assessment of energy losses and revenue impact – FY2024/25

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	257,49		
Sales kWh	132 089 340,96	190 175 040,00	203 141 520,00
Purchases kWh	216 108 000,00	216 108 000,00	216 108 000,00
Losses kWh	84 018 659,04	25 932 960,00	12 966 480,00
Losses percentage	**38,88%**	**12,00%**	**6,00%**
Additional Energy (kWh)		58 085 699,04	71 052 179,04
Additional Revenue (Rands)		149 565 003,75	182 952 423,75
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 418 867 105,50	R 568 432 109,25	R 601 819 529,25
Total Expenses (Rands)	R 652 477 215,00	R 652 477 215,00	R 652 477 215,00
Net Profit (Loss)	################	R -84 045 105,75	R -50 657 685,75
Percentage Surplus/Deficit	**-55,77%**	**-14,79%**	**-8,42%**

3.3.3. A sensitivity analysis was conducted to assess the financial impact of improved loss management. The analysis showed that, should energy losses be reduced from 38.38% to 6%, the licensee's financial position would improve substantially from a deficit margin of 55.77% to a deficit margin of 8.42%. Under this alternative scenario, the electricity business would realise an estimated net profit of approximately R601 819 529.25

3.3.4. In accordance with the cost-plus methodology, only prudent and efficient costs are recognised. The comparison between the two scenarios demonstrates that the current level of losses is inefficient and not sustainable for tariff-setting purposes. Accordingly, operational improvements, particularly the reduction of energy losses, are required. Tariff adjustments alone will not restore financial sustainability without the implementation of effective loss-reduction interventions.

3.4. General conclusion on the financial and technical indicators

3.4.1. Based on the above information provided, the municipality's electricity business is operating at a loss, as evidenced by the high percentage deficit and energy losses. This position places strain on the licensee's financial sustainability and should be closely monitored going forward.

4. DETERMINATION OF MLM'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

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

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

4.3. Figure 1: Fives steps of COS

4.4. below illustrates the five steps considered in the determination of the COS study. The steps undertaken in analysing the COS study are as follows:

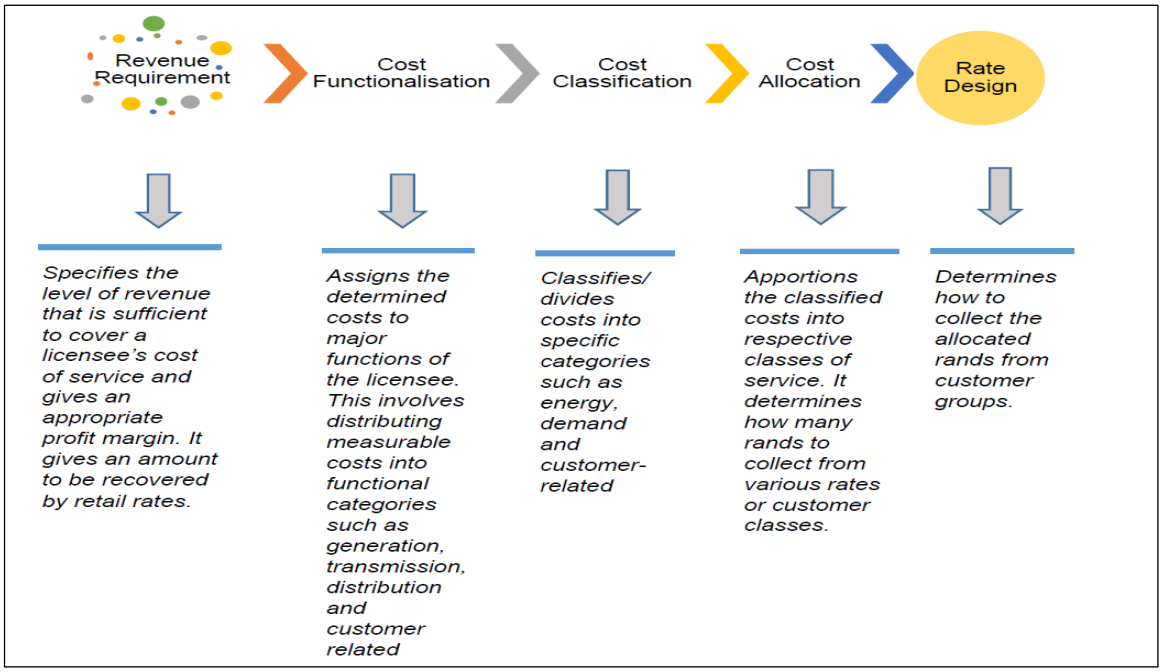


Figure 1: Fives steps of COS

4.5. Revenue Requirement

To be fully cost reflective, the licensee's revenue requirement is R840.461 million for the 2026/27 financial year. Of the allowable costs, Eskom purchases account for 72%, and this contribution is inclusive of energy loss allowance. Operational expenditure accounts for 24% of the total costs. This is illustrated in Table 4 below.

Table 4: Revenue requirement components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	317 984 216	721 574 137	840 461 319	100%
Energy purchases from Eskom - net of cost of losses	-	516 960 124	516 960 124	62%
Energy purchases from Eskom - cost of losses	24 137 362	60 609 778	84 747 140	10%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	142 769 905	56 327 128	199 097 033	24%
Other revenues	**- 36 495**	**- 328 451**	**- 364 945**	**0%**
Surplus	8 343 539	31 678 429	40 021 968	5%

4.5.1. The efficiency of costs for the 2024/25 financial 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.

4.5.2. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. Where any amounts were found to be inflated or insufficiently substantiated, adjustments have been made accordingly, as detailed below.

Bulk Purchases

4.5.3. MLM applied for bulk purchase expenditure amounting to R601.707 million (including energy losses), representing 72% of total costs. The bulk purchase figures were verified against the Eskom invoices for the 2024/25 financial year.

4.5.4. To determine 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).

4.5.5. The approach applied by MLM in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as submitted.

Operational Expenditure

4.5.6. MLM has applied for operational expenditure totalling R199.097 million, representing 24% of overall costs, as reflected in Table 6 below.

Table 5: Operating expenditure

Cost Drivers	Amount
General cost and others	**R142 769 705**
Salaries and allowances	R50 782 543
Contracted Services	R54 138 612
Payments to consultants	R7 018 664
Current year depreciation	R30 830 086
Shared OPEX	**R56 327128**
General Expenses (fuel& oil, travel,)	R56 327 128
Total Opex	**R199 097 033**

4.5.7. NERSA assessed that the municipality incurred costs related to interest on Eskom debt. However, these costs were excluded from the COS study on the basis that they are considered inefficient and not reflective of prudent operational expenditure.

4.5.8. NERSA further notes and supports the municipality's exclusion of notified maximum demand (NMD) exceedance penalty costs from the total cost, as these costs are within the control of the municipality and should be directly attributable to, and recoverable from, the customers responsible for the exceedance.

4.5.9. The approach adopted by MLM in forecasting operational expenditure is considered reasonable, and the amount is therefore recommended for approval as submitted.

Surplus

4.5.10. MLM has requested a surplus of R40.021 million, calculated using a surplus factor of 5% applied to operating expenditure, inclusive of bulk purchases, for both the wires and retail components of the business.

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

4.5.12. NERSA is satisfied that the surplus applied for by MLM is reasonable and supports the financial sustainability of the electricity business, notwithstanding that it falls below the 10 to 20% target range prescribed in the COS Methodology. The municipality is required to improve revenue collection, reduce

energy losses, control expenditure and progressively align tariffs with the cost of supply to achieve the required surplus level.

4.5.13. It is therefore recommended that the Energy Regulator approve an allowable revenue of R840.461 million, as set out in Table 4 above. This revenue will be used in the subsequent steps of cost functionalisation, classification, allocation and rate setting. These steps have been verified to be consistent with the approved revenue requirement and are discussed below.

Cost Functionalisation

4.5.14. The licensee has categorised its revenue requirements of R840.461 million into two main functions: wires and retail business, which is in line with the NERSA COS Framework, as demonstrated in Figure 2 below. These costs align with revenue requirements on verification.

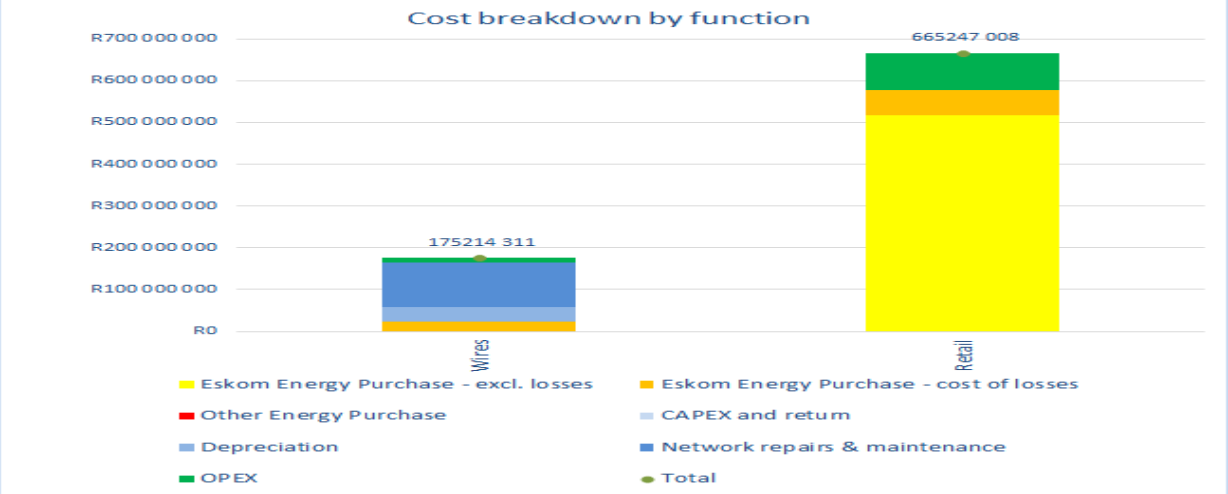


Figure 2: Cost breakdown by function

4.5.15. These costs, on 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

Cost Classification

4.5.16. The licensee has classified its costs into energy, demand and customer-related cost components, in accordance with the NERSA COS Framework. The costs align with revenue requirements and cost functionalisation on verification.

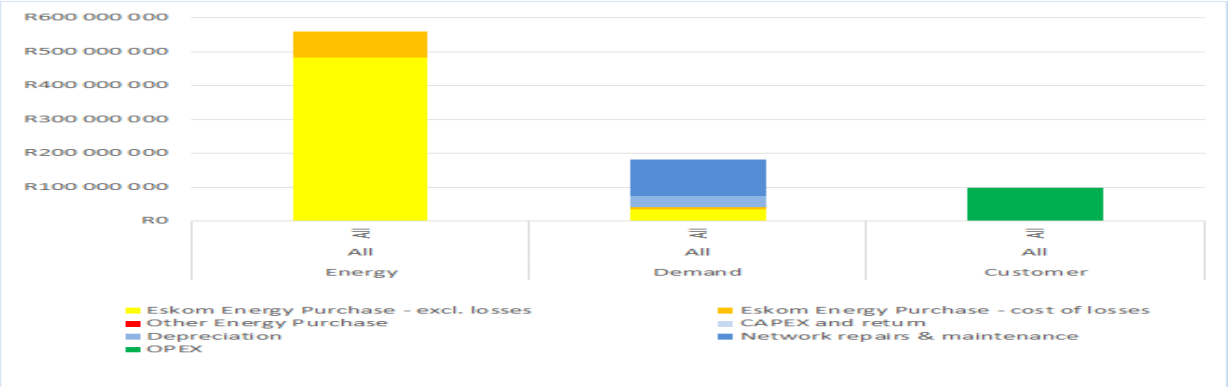


Figure 3: Cost breakdown by cost structure (Classification)

4.5.17. 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.

Cost Allocation

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

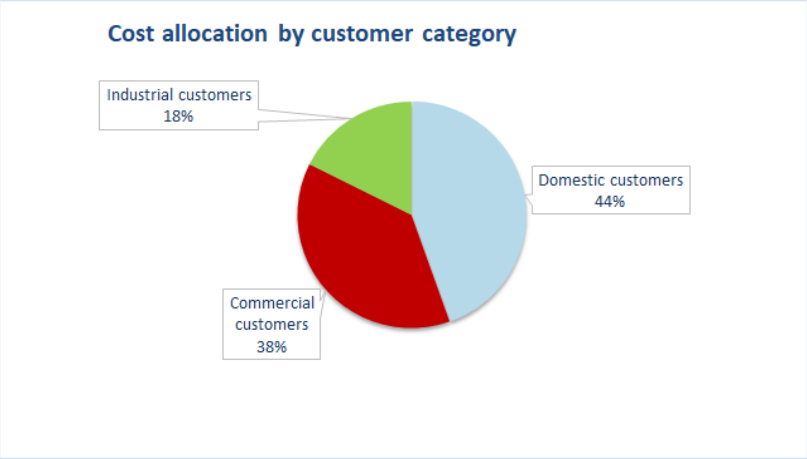


Figure 4: Costs **a**llocated

4.5.19. The domestic customer category accounts for the largest share of allocated costs at 44%, followed by commercial customers at 38%, while industrial customers account for 18% of the total costs. The variation in cost allocation across customer categories is primarily driven by differences in supply characteristics, including connection voltage levels, load factors, coincidence factors and average consumption patterns.

Rate Design

4.5.20. Figure 5 below reflects the outcome of the COS study, indicating that certain customer categories require upward adjustments, while others warrant a decrease. 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 Figure 5 below.

4.5.21. To achieve full cost reflectivity, the municipality would be required to implement differentiated tariff adjustments across customer categories. However, the municipality has adopted a less aggressive approach, opting instead for a uniform tariff increase of 9.01% across all customer categories.



Figure 5: Revenue recovery by customer category

4.5.22. The municipality is currently overcharging agriculture and commercial customers, while under-recovering from domestic customers.

4.5.23. MLM revised its COS study as the previous study had expired. The revision was also necessary to align with the restructuring of Eskom's tariff application for the 2025/26 financial year, which introduced new cost components and reallocated existing charges across energy, network and service-related elements.

4.5.24. This restructuring has a direct impact on the cost of supply, as it changes how bulk electricity costs are incurred and recovered by municipalities. In particular, the introduction of updated network charges, revised energy charges and other cost-reflective elements requires alignment of the municipality's COS study to ensure consistency with the new tariff design.

4.5.25. Accordingly, MLM revised its COS study to accurately reflect the updated Eskom tariff structure, ensure proper cost allocation across customer categories and maintain cost-reflective tariffs in line with regulatory requirements. Failure

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/9275/Merafong_ReasonsforDecisionontariffapplicationprocessforFY2

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/9275/Merafong_ReasonsforDecisionontariffapplicationprocessforFY2

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/9275/Merafong_ReasonsforDecisionontariffapplicationprocessforFY2

Commercial Customers

2. Commercial Conventional/ Pepaid	2025/26 Approved Tariffs	2026/27 proposed % increase	2026/27 proposed Tariffs	2026/27 Recommended tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: R/month	1784,84	9,01%	1945,65	1945,65	9,01%	The proposed 9.01% increase, below the 12.20% COS, partly shields commercial customers while supporting revenue. The impact is moderate, maintains affordability, and supports cost reflectivity and financial sustainability.
Energy Charge: c/kWh	302,98	9,01%	330,27	330,27	9,01%	
Prepaid Energy Charge: (	368,81	9,01%	402,04	402,04	9,01%	The proposed 9.01% increase, below the 12.20% COS, partly shields commercial customers while supporting revenue. The impact is moderate, maintains affordability, and supports cost reflectivity and financial sustainability.

Industrial Customers

3. Industrial	2025/26 Approved Tariffs	2026/27 proposed % increase	2026/27 proposed Tariffs	2026/27 Recommended tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: R/month	2606,18	9,01%	2841,00	2841,00	9,01%	The recommended 9.01% increase applied to both energy and demand charges is below the COS increase and preserves the current balance between consumption-based and capacity-based cost recovery. Industrial customers will experience higher operating costs; however, the moderate increase reduces the risk of tariff-induced pressure on competitiveness. The tariff remains cost reflective, supports recovery of network and supply costs, and is considered reasonable and justifiable
Energy Charge: c/kWh	216,23	9,01%	235,72	235,72	9,01%	
Demand Charge:(R/kVA)	445,98	9,01%	486,16	486,16	9,01%	

4. Street light and Council	2025/26 Approved Tariffs	2026/27 proposed % increase	2026/27 proposed Tariffs	2026/27 Recommended tariffs	2026/27 Recommended increase	Analysis and Key Findings
Energy Charge: c/kWh	206,10	9,01%	224,67	224,67	9,01%	The recommended 9.01% increase across energy and demand charges is below the COS increase and maintains tariff stability for Streetlight customers. The adjustment supports continued recovery of energy and network-related costs while limiting the financial impact on larger customers

5. Temporary Power	2025/26 Approved Tariffs	2026/27 proposed % increase	2026/27 proposed Tariffs	2026/27 Recommended tariffs	2026/27 Recommended increase	Analysis and Key Findings
Energy Charge: c/kWh	342,23	9,01%	373,07	373,07	9,01%	The recommended 9.01% increase across energy and demand charges is below the COS increase and maintains tariff stability for Temporary Power. The adjustment supports continued recovery of energy and network-related costs while limiting the financial impact on larger customers

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. The Energy Regulator, having considered Merafong Local Municipality's application, as well as the supporting information, stakeholder input and applicable legal framework, approves the tariff adjustments as set out in this Reasons for Decision document.

End.