NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Applications for the 2026/27 Financial Year

By

Sol Plaatje Local Municipality

THE DECISION

At its meeting held on 27 May 2026, the Regulator Executive Committee (REC) considered Sol Plaatje 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 below.

a) 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;
b) 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.

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ABBREVIATIONS

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

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2. Legal and Regulatory Framework

2.1. Background

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

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

2.2.2. In particular:

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

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

2.3. Tariff Determination Principles under the ERA

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

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

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 the PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

2.5.1. In addition to the statutory framework, the Energy Regulator must have regard to the EPP. The EPP establishes national policy principles for electricity tariff setting, including cost reflectivity, transparency, economic efficiency and equity.

2.5.2. Policy Position 1 of the EPP provides that the revenue requirement for a regulated licensee must be set at a level that covers the full cost of production, including a reasonable risk-adjusted margin or return on appropriate asset values.

2.5.3. Policy Position 2 states that electricity tariffs must reflect the efficient cost of rendering electricity services accurately and that the average level of tariffs must be set to recover the approved revenue requirement.

2.6. Cost of Supply Studies

2.6.1. The EPP recognises that cost reflective tariff structures require a sound understanding of the underlying cost drivers associated with electricity distribution.

2.6.2. Paragraph 8.1 of the EPP notes that COS methodologies have historically not been consistently applied across the electricity distribution industry.

2.6.3. Policy Position 23 therefore requires electricity distributors to undertake COS studies at least every five years, or when significant structural changes occur in the customer base or cost structure.

2.6.4. Such studies must be conducted in accordance with the methodology approved by NERSA and must accompany tariff structure applications submitted to the Energy Regulator.

2.7. Judicial Oversight of the Tariff Approval Process

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

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

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

2.7.4. NERSA subsequently launched a variation application which sought to vary the timelines which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to NERSA's compliance with the Court order. The court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

2.8.1. The timelines below are applicable in respect of the 2026/27 municipal tariff approvals

a) written notice of bulk tariffs by 6 March 2026;
b) municipal tariff applications to be submitted by 31 March 2026;
c) public participation processes to be concluded by 21 April 2026; and

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

a) written notice of bulk electricity tariffs be communicated by 31 January each year;
b) municipal tariff applications be submitted to NERSA by 20 March each year; and

c) municipal tariff approvals and the tariff reasons for the decision document, be approved and published by 5 May of each year.

2.9. Conclusion

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

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

3. Financial and technical performance

3.1. In evaluating the financial and technical performance of Sol Plaatje LM, 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 Audited 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 reflects the municipality's operational and financial performance indicators as obtained from the D-form submissions for the 2023/24 and 2024/25 financial years.

3.3. The municipality recorded an operating deficit of 3.63% in the 2023/24 financial year, which further deteriorated to a deficit of 13.39% in the 2024/25 financial year. The worsening financial position indicates that the electricity business is not generating sufficient revenue to fully recover its operating and electricity supply costs. Increasing electricity tariffs, coupled with constrained economic conditions, may negatively affect affordability levels and reduce consumers' ability to pay for services.

3.4. The continued increase in the operating deficit places pressure on the financial sustainability of the electricity business and may negatively affect the municipality's ability to adequately maintain, refurbish, and expand electricity infrastructure.

Table 2: Performance indicators

Performance Indicators: Obtained from the D-Form

Indicators	2023/24	2024/25
Percentage Surplus(Deficit)	**-3,63%**	**-13,39%**
Percentage Energy Losses	**25,43**	**26,85**

3.5. The municipality's energy losses increased from 25.43% in the 2023/24 financial year to 26.85% in the 2024/25 financial year. The reported losses remain significantly above the NERSA benchmark and indicate persistent technical and/or non-technical losses within the electricity distribution network.

3.6. Current energy losses are extremely high at 26,85%, resulting in losses of approximately 125,66 GWh and a financial deficit of approximately R137,82 million.

3.7. Reducing losses to 12% would lower energy losses to approximately 56,17 GWh and generate additional revenue of about R1,01 million. However, the deficit would only improve marginally to approximately R136,80 million (-13,27%).

3.8. Further reducing losses to 6% would increase additional energy sales to approximately 97,58 GWh and generate additional revenue of approximately R1,42 million. Despite this improvement, the electricity business would still record a substantial deficit of approximately R136,39 million (-13,23%).

3.9. Unlike the previous scenario, reducing energy losses alone does not materially improve the municipality's financial position because the average selling price of R1,46/kWh appears significantly below the cost-reflective level required to recover expenses.

Table 3: Foregone revenues due to high losses

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	1,46		
Sales kWh	342 391 696,00	411 883 772,96	439 966 757,48
Purchases kWh	468 049 742,00	468 049 742,00	468 049 742,00
Losses kWh	125 658 046,00	56 165 969,04	28 082 984,52
Losses percentage	**26,85%**	**12,00%**	**6,00%**
Additional Energy (kWh)		69 492 076,96	97 575 061,48
Additional Revenue (Rands)		1 014 324,35	1 424 230,86
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 1 029 570 977,00	R 1 030 585 301,35	R 1 030 995 207,86
Total Expenses (Rands)	R 1 167 386 476,30	R 1 167 386 476,30	R 1 167 386 476,30
Net Profit (Loss)	R -137 815 499,30	R -136 801 174,95	R -136 391 268,44
Percentage Surplus/Deficit	**-13,39%**	**-13,27%**	**-13,23%**

3.10. The results suggest that the municipality's financial challenges are not only driven by excessive energy losses, but also by structural tariff under-recovery and high operating costs.

3.11. In addition to loss reduction initiatives, the municipality may need to consider tariff restructuring, cost containment measures, improved revenue collection,

and operational efficiencies to restore the financial viability of the electricity business.

4. Determination of Sol Plaatje's Tariffs Based on the Cost of Supply Study

4.1 Analysis of Cost Data

4.1.1 Sol Plaatje Municipality submitted its COS study, which supported the implementation of tariffs approved in the 2024/25 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).

4.1.2 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."*

4.1.3 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 2024/25 revenues and electricity volume that are the base for 2025/26 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 2025/26 COS 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 2025/26 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 allowable revenues the licensee must recover in FY 2025/26.

4.1.4 Table 5 below reflects the municipality's energy balance and primary electricity cost drivers for the 2024/25 actual financial year, the 2025/26 submitted Cost of Supply (COS), and the 2026/27 budgeted financial year.

4.1.5 The municipality projects electricity sales of 347.289 million kWh for the 2025/26 and 2026/27 financial years, while total energy purchases from Eskom remain at 468.050 million kWh. The municipality therefore continues to rely entirely on Eskom for bulk electricity supply, with no contribution from independent power producers or self-generation initiatives.

4.1.6 Total energy losses are projected at 120.761 million kWh, translating to losses of 25.80%, which remains significantly above the NERSA allowable benchmark of 12%. Although marginally lower than the actual losses of 26.85% recorded in 2024/25, the projected losses remain excessive and indicate continued operational inefficiencies within the electricity distribution network.

4.1.7 The municipality's bulk electricity purchases from Eskom increase from R901.1 million in the 2024/25 financial year to R1 billion in 2025/26 and further to R1.1 billion in 2026/27. Bulk electricity purchases, therefore, remain the primary cost driver within the electricity business and account for the largest component of the revenue requirement.

4.1.8 Operational expenditure, including depreciation, increases from R254.5 million in 2024/25 to R270.1 million in 2025/26 and R282.6 million in 2026/27. The increase in operational expenditure is primarily attributable to higher allocations for salaries and allowances, materials and supplies, contracted services, and depreciation.

4.1.9 Depreciation expenses increase from R4.5 million in 2024/25 to R9 million in 2025/26 and R10.5 million in 2026/27. This increase may indicate anticipated growth in the depreciable asset base and higher infrastructure replacement requirements within the electricity distribution network.

4.1.10 The municipality budgeted significant bad debt impairment provisions amounting to R53.7 million in 2025/26 and R58.4 million in 2026/27. This reflects continued concerns regarding revenue collection levels and customer debt recovery within the electricity business.

4.1.11 Shared operating expenditure decreases from R122.7 million in 2024/25 to R103.7 million in 2025/26, before increasing slightly to R104.5 million in 2026/27. The municipality also introduced allocations for charges from other municipal departments amounting to R39.8 million in 2025/26 and R42.8 million in 2026/27.

4.1.12 Other revenues increase from R33.7 million in 2024/25 to R38.7 million in 2026/27, primarily driven by Free Basic Electricity allocations and interest from exchange transactions. These revenues partially offset the total revenue requirement.

4.1.13 The municipality's total allowable revenue increases from R1.1 billion in 2024/25 to R1.2 billion in 2025/26 and further to R1.3 billion in 2026/27. The municipality indicated that an overall tariff increase of 8% is required for the 2026/27 financial year.

4.1.14 Based on the above analysis, the municipality's primary electricity cost drivers remain bulk energy purchases from Eskom, high energy losses, operational expenditure associated with network operations, and increasing bad debt impairment provisions. The persistently high losses and growing operational costs continue to place pressure on the financial sustainability of the electricity business.

Table 3: 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	342 391 696	347 289 148	347 289 148	-	347 289 148
Eskom bulk purchases	kWh	468 049 742	468 049 742	468 049 742	-	468 049 742
Independent Power Producers Conventional	kWh	-	-	-	-	-
Independent Power Producers Renewable Energy	kWh	-	-	-	-	-
Self Generation	kWh	-	-	-	-	-
Other		-	-	-	-	-
Total Energy Requirements	**kWh**	**468 049 742**	**468 049 742**	**468 049 742**		**468 049 742**
Total Losses	kWh	125 658 046	120 760 594	120 760 594		120 760 594
Technical losses	kWh	56 165 969	56 165 969	56 165 969	-	56 165 969
Non-technical losses	kWh	-69 492 077	-64 594 625	-64 594 625	-	-64 594 625
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	26,85%	25,80%	25,80%		25,80%
Cost drivers						
Energy purchases from Eskom	Rand	901 044 950	1 003 043 238	1 093 417 434	0	1 093 417 434
other energy purchases		-	-	-	-	-
total energy purchases		**901 044 950**	**1 003 043 238**	**1 093 417 434**	**0**	**1 093 417 434**
Cost of technical losses	Rand				131 210 092	131 210 092
Non-Technical Losses					-150 900 392	-150 900 392
Other energy purchases	Rand				-	-
Capital expenditure	Rand				-	-
Operational expenditure (incl. Depreciati	**Rand**	**254 541 526**	**270 088 133**	**282 571 455**	**-9 692 373**	**272 879 082**
General & Other	0	131 819 989	166 345 534	178 053 467	9 692 373	168 361 094
Salaries and allowances	Rand	34 421 095	55 417 782	59 036 801	0	59 036 801
Materials and supplies	Rand	40 784 205	60 765 547	62 508 951	0	62 508 951
Contracted Services	Rand	100 916	14 120 000	10 130 000	0	10 130 000
Salaries, wages and allowances (exclu. Repairs and	Rand	24 664 885	11 748 649	13 185 342	0	13 185 342
Payments to consultants (operational work)	Rand		4 100 000	13 000 000	0	13 000 000
Eskom debts interest	Rand	19 389 423	0	0	0	0
Other creditors' interest		7 972 234	11 193 556	9 692 373	9 692 373	
Depreciation	Rand	4 487 231	9 000 000	10 500 000	0	10 500 000
NMD exceedance penatlies	Rand				0	0
Shared OPEX	Rand	122 721 537	103 742 600	104 517 988	-3 267 879	104 517 988
Bad debts (Allowance for Impairment)	Rand	111 000 000	53 649 865	58 420 328	0	58 420 328
FBE paid to Eskom	Rand	0			0	0
Charges from other Municipal Departments	Rand		39 822 904	42 829 781	0	42 829 781
General expenses		**11 721 537**	**10 269 831**	**3 267 879**	**-3 267 879**	**3 267 879**
1. Operational cost	Rand	2 648 918	10 269 831	3 267 879	-3 267 879	
2. Contracted services	Rand	9 072 619			0	
	Rand		0		0	0
	Rand				0	
Total Expediture before surplus		1 155 586 476	1 273 131 372	1 375 988 889	121 517 719	1 346 606 216
Surplus	Rand	115 558 648	127 325 869	137 598 889	-11 096 751	126 502 138
Total Expenditure Including Surplus		1 271 145 124	1 400 457 241	1 513 587 778	110 420 968	1 473 108 354
Other revenues	Rand	**-33 662 395**	**-36 466 000**	**-38 653 960**	**38 653 960**	**0**
Reconnection fees	Rand				0	0
New connections	Rand	410 914			0	0
Free Basic Electricity (Equitable share)	Rand	11 498 418	13 000 000	13 780 000	-13 780 000	0
1. Interest from exchange transactions	Rand	20 963 247	22 586 000	23 941 160	-23 941 160	0
2. Interest from non-exchange transactions	Rand	789 816	880 000	932 800	-932 800	0
	Rand					0
	Rand		0		0	
	Rand		0	0	-	**0**
Total Allowable Revenue	**Rand**	**1 237 482 729**	**1 363 991 241**	**1 474 933 818**	**149 074 928**	**1 473 108 354**
increase required				***8%***	***8%***	

Sources: Approved Revenue (FY 2024/25) / Budget (FY 2025/26)

4.1.15 Table 3 above reflects that the municipality projected total energy purchases of 468 049 742 kWh against projected sales of 347 289 148 kWh for the 2026/27 financial year. This indicates that approximately 120 760 594 kWh of purchased energy is expected to be lost within the network before revenue recovery. Consequently, the Energy Regulator applied efficiency adjustments to account for excessive losses exceeding the allowable threshold.

4.1.16 Bulk electricity purchase costs were projected at R1 093 417 434 for the 2026/27 financial year. Following the assessment, the Energy Regulator reduced non-technical loss costs by R150 900 392 while recognising technical loss costs amounting to R131 210 092. The adjustments were intended to ensure that customers are not burdened with inefficiencies associated with excessive electricity losses.

Bulk purchases

4.1.17 Bulk electricity purchases remain the largest cost driver within the municipality's electricity business and account for a significant portion of the total cost of supply. The municipality projected bulk electricity purchases of 468 049 742 kWh for the 2026/27 financial year, with associated Eskom bulk purchase costs amounting to R1 093 417 434.

4.1.18 The projected bulk purchase costs increased from R901 044 950 in the 2024/25 actual financial year to R1 003 043 238 in the 2025/26 tariff application and further to R1 093 417 434 in the 2026/27 financial year. The increase is mainly attributable to Eskom tariff increases, rising energy demand and the impact of high network losses.

4.1.19 The municipality reported electricity losses of 25.8%, which significantly exceed the allowable regulatory benchmark of 12.0%. Excessive losses increase the volume of electricity required to be purchased from Eskom without corresponding revenue recovery from customers. As a result, bulk electricity purchase costs place increasing pressure on the affordability and sustainability of electricity tariffs.

4.1.20 Technical losses were projected at 56 165 969 kWh, while non-technical losses were projected at 64 594 625 kWh. Non-technical losses, which are generally associated with electricity theft, meter tampering, illegal connections and billing inefficiencies, remain a significant concern as they do not contribute to revenue generation.

4.1.21 Following the assessment of the municipality's energy balance and cost drivers, the Energy Regulator applied efficiency adjustments relating to excessive losses. The Regulator recognised technical loss costs amounting to R131 210 092 but reduced non-technical loss costs by R150 900 392 to prevent customers from funding inefficiencies associated with excessive non-technical losses.

4.1.22 The continued increase in bulk electricity purchase costs poses a financial risk to the electricity business, particularly considering the municipality's Eskom debt

obligations, high loss levels and revenue collection challenges. Accordingly, the sustainability of future tariffs will depend on the municipality's ability to reduce electricity losses, improve network efficiency and strengthen revenue protection measures.

Table 4: Operating Expenditure (including depreciation)

perating Expenditure Component	2024/25 Actual (R)	2025/26 Submitted COS (R)	2026/27 Budgeted Costs (R)	NERSA Adjustments (R)	2026/27 Allowable Revenue (R)
Salaries and allowances	34 421 095	55 417 782	59 036 801	0	59 036 801
Materials and supplies	40 784 205	60 765 547	62 508 951	0	62 508 951
Contracted services	100 916	14 120 000	10 130 000	0	10 130 000
Salaries, wages and allowances (excluding repairs and maintenance)	24 664 885	11 748 649	13 185 342	0	13 185 342
Payments to consultants (operational work)	-	4 100 000	13 000 000	0	13 000 000
Eskom debt interest	19 389 423	0	0	0	0
Other creditors' interest	7 972 341	11 193 556	9 692 373	9 692 373	0
Depreciation	4 487 231	9 000 000	10 500 000	0	10 500 000
NMD exceedance penalties	-	-	-	0	0
Total Operating Expenditure (incl. depreciation)	**254 541 526**	**270 088 133**	**282 571 455**	**(9 692 373)**	**272 879 082**

4.1.23 Operational expenditure, including depreciation, is projected to increase from R254 541 526 in the 2024/25 actual financial year to R282 571 455 in the 2026/27 financial year as shown in Table 4 below. The increase is mainly attributable to higher employee-related costs, materials and supplies, contracted services and payments to consultants .

4.1.24 Employee-related costs remain a significant component of operational expenditure. Salaries and allowances are projected to increase from R34 421 095 in the 2024/25 financial year to R59 036 801 in the 2026/27 financial year. In addition, salaries, wages and allowances excluding repairs and maintenance are projected at R13 185 342 for the 2026/27 financial year.

4.1.25 Materials and supplies are projected to increase from R40 784 205 in the 2024/25 financial year to R62 508 951 in the 2026/27 financial year. The increase reflects the municipality's projected expenditure relating to network maintenance, operational materials and electricity infrastructure support requirements.

4.1.26 Contracted services are projected to increase significantly from R100 916 in the 2024/25 financial year to R10 130 000 in the 2026/27 financial year. Payments to consultants relating to operational work are also projected to increase to R13 000 000. The significant increases in outsourced and consultant-related expenditure may indicate growing reliance on external service providers and may place additional pressure on operational efficiency and cost containment.

4.1.27 Depreciation expenditure is projected to increase from R4 487 231 in the 2024/25 financial year to R10 500 000 in the 2026/27 financial year. The increase is mainly

attributable to the recognition of electricity infrastructure assets and ongoing capital investment in the network.

4.1.28 The municipality also projected other creditors' interest amounting to R9 692 373 in the 2026/27 financial year. Following the assessment of the supporting information submitted, the Energy Regulator made downward adjustments amounting to R9 692 373 relating to interest costs, resulting in a recommended operational expenditure of R272 879 082.

4.1.29 The continued increase in operational expenditure poses a risk to the affordability and sustainability of electricity tariffs, particularly considering the municipality's high electricity losses, revenue collection challenges and Eskom-related financial obligations. The municipality will therefore be required to strengthen cost containment measures, improve operational efficiencies and ensure that expenditure remains prudent and directly related to electricity service delivery.

Surplus

4.1.30 The municipality projected a surplus of R137 598 889 for the 2026/27 financial year before regulatory adjustments. Following the assessment of the submitted information and the efficiency adjustments applied by the Energy Regulator, the recommended surplus decreased to R126 502 138.

4.1.31 The projected surplus indicates that the electricity business is expected to generate sufficient revenue to recover its allowable costs while maintaining a positive financial position. The surplus may provide a financial buffer against operational and financial risks, including revenue under-collection, escalating Eskom bulk purchase costs, infrastructure maintenance requirements and liquidity pressures.

4.1.32 The surplus is mainly driven by electricity sales revenue, particularly revenue derived from time-of-use tariffs, domestic high-consumption customers and network-related charges. However, the sustainability of the surplus remains dependent on the municipality's ability to manage operational expenditure, reduce electricity losses and improve revenue collection levels.

4.1.33 The municipality reported electricity losses of 25.8%, which significantly exceed the allowable regulatory benchmark of 12.0%. Excessive losses increase the cost of electricity purchases without corresponding revenue recovery and therefore place pressure on the long-term sustainability of the electricity business.

4.1.34 In addition, the municipality continues to face financial risks associated with Eskom-related obligations, high bad debt levels and operational inefficiencies. Although certain inefficient costs and high loss-related costs were removed during the regulatory assessment, continued underperformance in these areas may adversely affect future financial sustainability.

4.1.35 While the projected surplus supports the financial viability of the electricity business, excessive surpluses may indicate potential over-recovery from customers if tariffs are not aligned with prudently incurred and efficiently managed costs. The Energy Regulator therefore assessed the reasonableness and prudency of the costs included in the tariff application to ensure that the resulting tariffs remain fair, efficient and cost reflective.

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			increasing electricity tariffs. Specific suggestions include: Enforcing municipal by-laws more strictly (e.g., fining those who violate dumping regulations) by employing peace officers. Expanding short-term property leases and developing unused municipal land for revenue, similar to practices in the City of Johannesburg. Supporting and funding SMMEs (Small, Medium, and Micro Enterprises) to help them afford electricity and create jobs. Concerns About **Economic Leakages and Tendering** The submission highlights significant financial leakages in the municipality, particularly through tendering processes (over R25 million spent on tenders). Recommends insourcing goods and services to reduce costs and improve municipal finances. **Conclusion and Structural Reform Proposals** The author concludes by reiterating opposition to the tariff increase and calls for structural changes to municipal operations to protect the poor and working class while ensuring financial sustainability. Example Implementation: The municipality could pilot a by-law enforcement program using peace officers to generate fines from by-law violations, directly increasing revenue without raising tariffs. Leasing unused municipal land for short-term accommodation or business use could provide a new income stream, as demonstrated by other cities. Redirecting funds from external tenders to internal municipal operations could reduce costs and improve service delivery. These points collectively argue for a more equitable and sustainable approach to municipal revenue generation, prioritising the needs of	and the view that continued tariff increases may not represent a sustainable long-term solution to the municipality's financial challenges. The submission further proposes that the municipality should explore alternative revenue generation measures and operational efficiencies instead of relying predominantly on tariff increases. In this regard, the stakeholder proposed, among others: (a) stronger enforcement of municipal by-laws; (b) development and leasing of unused municipal land and facilities; (c) increased support for Small, Medium and Micro Enterprises (SMMEs); (d) reduction of financial leakages associated with tendering processes; and (e) consideration of insourcing certain municipal services to improve cost efficiencies. NERSA notes the concerns raised regarding governance, operational efficiency, and expenditure management within the municipality. The Energy Regulator further acknowledges the stakeholder's view that improved operational efficiencies and alternative revenue streams may contribute towards reducing future

		vulnerable residents and local businesses.	tariff pressures on consumers. NERSA wishes to indicate that, in assessing municipal tariff applications, the Energy Regulator is required to balance customer affordability considerations with the financial and operational sustainability of the licensed electricity undertaking. This includes consideration of prudently incurred bulk electricity purchase costs, operational expenditure, energy losses, infrastructure maintenance requirements, and compliance with the approved municipal tariff guideline increase. NERSA further notes that the municipality's electricity business continues to experience significant cost pressures, including increasing Eskom bulk electricity purchase costs, high energy losses, operational expenditure requirements, and bad debt impairment provisions, all of which materially contribute to the municipality's revenue requirement. The concerns and proposals raised in the submission have been considered as part of NERSA's assessment and decision-making process relating to the municipality's tariff

			application. NERSA further encourages the municipality to continue strengthening transparency, public participation processes, revenue enhancement initiatives, and operational efficiency measures to improve long-term financial sustainability and mitigate tariff pressures on consumers. NERSA appreciates the stakeholder's participation in the public consultation process.

5. Tariff Analysis

5.1. The recommended 8,0% increase appears to be aligned to balance affordability for consumers with the municipality's need to improve revenue recovery and address the ongoing financial challenges within the electricity business. Despite the proposed increase, the municipality continues to experience financial pressure arising from high Eskom bulk purchase costs, energy losses, and operational inefficiencies.

5.2. The tariff structure further indicates that the municipality continues to utilise inclining block tariffs for domestic customers and time-of-use tariffs for larger consumers, which promotes cost reflectivity and demand management. In addition, provision has been made for electricity export credits applicable to Small-Scale Embedded Generation customers in line with the municipality's photovoltaic policy.

Table 6: Schedule of Tariffs

TARIFF CODE	SOL PLAATJE TARIFF SCHEDULE	Season	Period	Approved 2025/2026	PROPOSED % 2026/2027	PROPOSED TARIFFS 2026/2027	APPROVED % 2026/2027	APPROVED TARIFFS 2026/2027
	Average increase %			9,6%		8,0%		
(EL1012) DOMESTIC KIM POWER	**Indigents Tariff (Prepaid) 20 Amps**							
	Block 1 (0 - 50 kWh) (subsidised) R/kWh			2,5719	8,00%	2,7777	8,00%	2,7777
	Block 2 (51 - 350 kWh) R/kWh			2,5719	8,00%	2,7777	8,00%	2,7777
	Block 3 (> 351 kWh) R/kWh			3,5886	8,00%	3,8757	8,00%	3,8757
(EL1010) DOMESTIC IBT KIMLITE	**Domestic Tariff (Conventional and Prepaid) = 20 Amps**	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Block 1 (0 - 350 kWh) R/kWh			2,7434	8,00%	2,9628	8,00%	2,9628
	Block 2 (> 350 Whh) R/kWh			3,4690	8,00%	3,7465	8,00%	3,7465
	Domestic Tariff (Conventional and Prepaid) > 20 Amps	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**

	Basic Charge (Rand per month)							
	Capacity charge (Rand/Amp/phase/month)			**4,1758**	8,00%	4,5099	8,00%	4,5099
	Block 1 (0 - 350 kWh) R/kWh			2,5595	8,00%	2,7642	8,00%	2,7642
	Block 2 (> 350 kWh) R/kWh			2,8983	8,00%	3,1302	8,00%	3,1302
(EL1044) ELEC SCHOOLS/CHURCHES/OLD AGE HOME/WELFARE/COLLEGE	**Public Benefit and Schools: Conventional and Prepayment**	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Basic Charge (Rand per month)							
	Capacity charge (Rand/Amp/phase/month)			4,8553	8,00%	5,2437	8,00%	5,2437
	Winter (R/kWh)	Winter		3,2160	8,00%	3,4732	8,00%	3,4732
	Summer (R/kWh)	Summer		3,0123	8,00%	3,2533	8,00%	3,2533
								-
(EL1020) ELEC SMALL POWER	**Business Tariff: Small Power Users (Conventional and prepaid)**	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Basic Charge (Rand per month)							
	Capacity charge (Rand/Amp/phase/month)			4,1758	8,00%	**4,5098**	8,00%	4,5098
	Block 1 (0 - 1200 kWh)	Winter		3,1129	8,00%	**3,3619**	8,00%	3,3619
	Block 2 (> 1200 kWh)			3,1129	8,00%	**3,3619**	8,00%	3,3619
	Block 1 (0 - 1200 kWh)	Summer		2,9003	8,00%	**3,1323**	8,00%	3,1323
	Block 2 (> 1200 kWh)			2,9003	8,00%	**3,1323**	8,00%	3,1323
								-

	Time of Use: NPO, NGO, SCHOOLS: LV <200 KVA	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1258, SERVICE CHARGE	Basic charge per month							
EL1258, PBA & SCHOOLS TOU <75	Network Demand Charge R/kVA			191,5812	8,00%	206,9077	8,00%	206,9077
	Network Access Charge R/kVA			91,1167	8,00%	98,4060	8,00%	98,4060
EL1255 PBA & SCHOOLS PEAK <75	Energy Charges R/kWh	**High Demand:**	Peak	6,6364	8,00%	7,1673	8,00%	7,1673
EL1256 PBA & SCHOOLS STD <75	Energy Charges R/kWh		Standard	2,6629	8,00%	2,8759	8,00%	2,8759
EL1257 PBA & SCHOOLS OFF-PEAK <75	Energy Charges R/kWh		Off-peak	1,8514	8,00%	1,9995	8,00%	1,9995
	Energy Charges R/kWh	**Low Demand:**	Peak	2,8446	8,00%	3,0721	8,00%	3,0721
	Energy Charges R/kWh		Standard	2,1820	8,00%	2,3565	8,00%	2,3565
	Energy Charges R/kWh		Off-peak	1,7036	8,00%	1,8399	8,00%	1,8399
								-
	Time of Use: NPO, NGO, SCHOOLS: LV ≥ 200 < 500 kVA (exception 800 kVA)	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1158, SERVICE CHARGE	Basic charge R/m							
EL1158, PBA & SCHOOLS TOU 75-100	Network Demand Charge R/kVA/m			191,5812	8,00%	206,9077	8,00%	206,9077
	Network Access Charge R/kVA/m			91,1167	8,00%	98,4060	8,00%	98,4060
EL1155 PBA & SCHOOLS PEAK 75-100	Energy Charges R/kWh	**High Demand:**	Peak	6,6809	8,00%	7,2154	8,00%	7,2154

EL1156 PBA & SCHOOLS STD 75-100	Energy Charges R/kWh		Standard	2,7057	8,00%	2,9222	8,00%	2,9222
EL1157 PBA & SCHOOLS OFF-PEAK 75-100	Energy Charges R/kWh		Off-peak	1,8780	8,00%	2,0282	8,00%	2,0282
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9161	8,00%	3,1494	8,00%	3,1494
	Energy Charges R/kWh		Standard	2,2286	8,00%	2,4069	8,00%	2,4069
	Energy Charges R/kWh		Off-peak	1,7410	8,00%	1,8803	8,00%	1,8803
	Time of Use: NPO, NGO, SCHOOLS: MV	**Season**	**Period**					
EL1058, SERVICE CHARGE	Basic charge R/m			**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1058, PBA & SCHOOLS TOU >100	Network Demand Charge R/kVA/m			148,5983	8,00%	160,4861	8,00%	160,4861
	Network Access Charge R/kVA/m			70,3675	8,00%	75,9969	8,00%	75,9969
(EL1055) PBA & SCHOOLS PEAK >100	Energy Charges R/kWh	**High Demand:**	Peak	6,6989	8,00%	7,2348	8,00%	7,2348
(EL1056) PBA & SCHOOLS STD >100	Energy Charges R/kWh		Standard	2,7546	8,00%	2,9750	8,00%	2,9750
(EL1057) PBA & SCHOOLS OFF-PEAK >100	Energy Charges R/kWh		Off-peak	1,9431	8,00%	2,0986	8,00%	2,0986
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9879	8,00%	3,2269	8,00%	3,2269
	Energy Charges R/kWh		Standard	2,2753	8,00%	2,4573	8,00%	2,4573
	Energy Charges R/kWh		Off-peak	1,7895	8,00%	1,9326	8,00%	1,9326

	BULK CONSUMER: LV <200 kVA	**Season**	**Period**					
EL1253, SERVICE CHARGE	Basic charge R/m			**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1253, INDUSTRIAL TOU <75	Network Demand Charge R/kVA/m			202,8923	8,00%	219,1237	8,00%	219,1237
	Network Access Charge R/kVA/m			74,6200	8,00%	80,5896	8,00%	80,5896
EL1250 EL STD <75	Energy Charges R/kWh	**High Demand:**	Peak	7,3112	8,00%	7,8961	8,00%	7,8961
EL1251 EL PEAK < 75	Energy Charges R/kWh		Standard	2,7280	8,00%	2,9463	8,00%	2,9463
EL1252 EL OFF PEAK < 75	Energy Charges R/kWh		Off-peak	1,9882	8,00%	2,1472	8,00%	2,1472
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9846	8,00%	3,2234	8,00%	3,2234
	Energy Charges R/kWh		Standard	2,2162	8,00%	2,3935	8,00%	2,3935
	Energy Charges R/kWh		Off-peak	1,8280	8,00%	1,9742	8,00%	1,9742
	Reactive Energy Charge R/kvarh	All	P&S	0,2717	8,00%	0,2934	8,00%	0,2934
	BULK CONSUMER: LV ≥ 200 < 500 kVA (exception 800 kVA)	**Season**	**Period**					
EL1153, SERVICE CHARGE	Basic charge R/m			**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1153, INDUSTRIAL TOU 75-100	Network Demand Charge R/kVA/m			159,9094	8,00%	172,7022	8,00%	172,7022
	Network Access Charge R/kVA/m			74,6200	8,00%	80,5896	8,00%	80,5896
EL1150 EL STD 57-100	Energy Charges R/kWh	**High Demand:**	Peak	7,3617	8,00%	7,9506	8,00%	7,9506

EL1151 EL PEAK 57 - 100	Energy Charges R/kWh		Standard	2,7595	8,00%	2,9803	8,00%	2,9803
EL1152 EL OFF PEAK 75-100	Energy Charges R/kWh		Off-peak	2,1141	8,00%	2,2833	8,00%	2,2833
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9789	8,00%	3,2172	8,00%	3,2172
	Energy Charges R/kWh		Standard	2,2805	8,00%	2,4629	8,00%	2,4629
	Energy Charges R/kWh		Off-peak	1,8970	8,00%	2,0488	8,00%	2,0488
	Reactive Energy Charge R/kvarh	All	P&S	0,2717	8,00%	0,2934	8,00%	0,2934
	BULK CONSUMER: MV (Medium Voltage)	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
EL1053, SERVICE CHARGE	Basic charge R/m							
EL1053, INDUSTRIAL TOU > 100	Network Demand Charge R/kVA/m			137,3536	8,00%	148,3419	8,00%	148,3419
	Network Access Charge R/kVA/m			71,0092	8,00%	76,6900	8,00%	76,6900
(EL1051) INDUSTRIAL TOU PEAK > 100	Energy Charges R/kWh	**High Demand:**	Peak	7,3404	8,00%	7,9276	8,00%	7,9276
(EL1050) INDUSTRIAL TOU STD >100	Energy Charges R/kWh		Standard	2,6927	8,00%	2,9081	8,00%	2,9081
(EL1052) INDUSTRIAL TOU OFF PEAK > 100	Energy Charges R/kWh		Off-peak	2,0877	8,00%	2,2547	8,00%	2,2547
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9008	8,00%	3,1328	8,00%	3,1328
	Energy Charges R/kWh		Standard	2,2469	8,00%	2,4267	8,00%	2,4267
	Energy Charges R/kWh		Off-peak	1,8270	8,00%	1,9732	8,00%	1,9732

	Reactive Energy Charge R/kvarh	All	P&S	0,2717	8,00%	0,2934	8,00%	0,2934
					8,00%		8,00%	-
	SMALL CONSUMER: TOU <70 KVA: Domestic & Commercial (compulsory for SSEG customers.)	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Basic charge Domestic; R/m							
	Basic charge Commercial: R/m			0,00	8,00%	-	8,00%	-
	Capacity Charge R/Amp/phase/m			11,7647	8,00%	4,51	8,00%	4,5098
	Energy Charges R/kWh	**High Demand:**	Peak	9,0286	8,00%	9,7509	8,00%	9,7509
	Energy Charges R/kWh		Standard	2,7349	8,00%	2,9537	8,00%	2,9537
	Energy Charges R/kWh		Off-peak	1,4851	8,00%	1,6039	8,00%	1,6039
	Energy Charges R/kWh	**Low Demand:**	Peak	2,9452	8,00%	3,1809	8,00%	3,1809
	Energy Charges R/kWh		Standard	2,0269	8,00%	2,1891	8,00%	2,1891
	Energy Charges R/kWh		Off-peak	1,2855	8,00%	1,3883	8,00%	1,3883
	Electricity Export Credits - Small Scale Embedded Generation (Photovoltaic Policy)	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	SSSEG support charge: R/m			240,6886		0,0000		0,0000
	Capacity Charge R/Amp/phase/m							
	Energy credit R/kWh	**High Demand:**	Peak	5,5427	3,32%	5,7268	3,32%	5,7268
	Energy credit R/kWh		Standard	1,6790	-4,47%	1,6039	-4,47%	1,6039
	Energy credit R/kWh		Off-peak	0,9117	25,68%	1,1458	25,68%	1,1458

	Energy credit R/kWh	**Low Demand:**	Peak	1,8081	38,87%	2,5109	38,87%	2,5109
	Energy credit R/kWh		Standard	1,2443	21,53%	1,5122	21,53%	1,5122
	Energy credit R/kWh		Off-peak	0,7892	45,19%	1,1458	45,19%	1,1458
	Streetlights	**Season**	**Period**	**Approved 2025/2026**	**PROPOSED % 2026/2027**	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Basic charge light per month			98,2876	8,00%	106,1506	8,00%	106,1506
	Energy Charges R/kWh			0,7941	8,00%	0,8576	8,00%	0,8576
	Availability	**Season**	**Period**	**Approved 2025/2026**	Energy Charges R/kWh	**PROPOSED TARIFFS 2026/2027**	**APPROVED % 2026/2027**	**APPROVED TARIFFS 2026/2027**
	Fixed R/month			532,0592	8,00%	574,6239	8,00%	574,6239

6. CONFIDENTIALITY

None.

7. CONCLUSION

On a conspectus of the facts and evidence presented to the REC, it is appropriate to approve Sol Plaatje LM's tariff application for the 2026/27 financial year.

End.