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

**Dr Beyers Naudé Local Municipality**

## THE DECISION

At its meeting held on 4 May 2026, the Regulator Executive Committee (REC) considered the Dr Beyers Naudé Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year, as set out in section 8 of this document.

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

1. to approve the tariffs 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. to note the COS study submitted by the Municipality;
3. that the Municipality must submit a report accounting for all the costs identified in its COS study to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification or audit process by 31 January 2027; and
4. that the Municipality must submit quarterly progress reports on the efficiency improvement measures taken to reduce high energy losses and deficits to enable NERSA to monitor the implementation by 30 September 2026.

## TABLE OF CONTENTS


THE DECISION ..... 1
ABBREVIATIONS AND ACRONYMS ..... 5
1. INTRODUCTION ..... 6
2. LEGAL and regulatory framework ..... 6
3. Financial and technical performaNce ..... 10
4. DETERMINATION OF Dr BeyerS Naudé's TARIFFS BASED ON THE COS STUDy ..... 11
5. Conclusion on the COS STUDY ..... 18
6. PUBLIC PARTICIPATION ..... 18
7. THE OBJECTORS AND OTHER INTERVENING PARTIES ..... 19
8. TARIFF ANALYSIS ..... 19
9. CONFIDENTIALITY ..... 24
10. CONCLUSION ..... 24

## LIST OF TABLES

Table 1: Customer statistics (data obtained from 2024/25 D-forms) ..... 6
Table 2: Performance indicators ..... 11
Table 3: Revenue requirement components ..... 13
Table 4: Operating expenditures ..... 14

## LIST OF FIGURES

Figure 1: Five steps of COS study ..... 12
Figure 2: Cost breakdown by functions ..... 16
Figure 3: Cost breakdown by cost structure (classification) ..... 16
Figure 4: Costs allocated ..... 17
Figure 5: Rate design ..... 18
Figure 6: COS results ..... 18

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| COS | Cost of Supply |
| D-form | Distribution form |
| ERTSA | Eskom Retail Tariff Structural Adjustments |
| FBE | Free Basic Electricity |
| 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 annually, in accordance with its mandate to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator to be implemented on 1 July of each financial year.

1.2 The Dr Beyers Naudé Local Municipality (Dr Beyers Naudé) is in Graaff Reinet in the Eastern Cape. The municipality was established through the amalgamation of Baviaans (Willowmore), Camdeboo (Graaff-Reinet) and Ikwezi (Janseville) local municipalities. The details regarding customer statistics are highlighted in Table 1 below. Dr Beyers Naudé offers 50 kWh of Free Basic Electricity (FBE) per month to indigent customers.

**Table 1: Customer statistics (data obtained from 2024/25 D-forms)**

| CONSUMER STATISTICS (OBTAINED FROM 2024-2025 D-FORMS) | | | |
|---|---|---|---|
| **Consumer Classification** | **Sales (KWh)** | **%KWh** | **Number of Consumers** |
| Domestic (Prepaid) | 23 465 441 | 36,27% | 16 162 |
| Domestic (Conventional) | 3 765 503 | 5,82% | 809 |
| Agriculture | 733 098 | 1,13% | 35 |
| Manufacturing/ Industrial | 18 227 142 | 28,17% | 135 |
| Commercial (Prepaid) | 3 156 258 | 4,88% | 609 |
| Commercial (Conventional) | 9 882 480 | 15,28% | 459 |
| Municipal Consumption & Street Lighting | 5 463 796 | 8,45% | 394 |
| TOTAL SALES | 64 693 717 | 100% | 18 603 |
| | | | |
| **Free Basic Electricity (FBE)** | **2 619 050** | **9,62%** | **4 327** |

1.3 NERSA received Dr Beyers Naudé's tariff application and its revised cost of supply (COS) study on 31 March 2026. This revision is primarily due to Eskom's revised tariff structure for the 2025/26 financial year, which introduced new cost components and reallocation of existing charges across energy, network and service-related elements.

1.4 NERSA followed the notice and comment consultation process. On 31 March 2026, NERSA published Dr Beyers Naudé's tariff application on its NERSA website, and notices on social media platforms and in national and local newspapers to solicit written comments from affected parties.

1.5 NERSA's decision was made on 4 May 2026, considering the the analysis performed by NERSA.

## 2. LEGAL AND REGULATORY FRAMEWORK

## Background

2.1. The approval of municipal electricity tariffs constitutes a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legislative framework, national policy directives and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator Act, 2004 (Act No. 40 of 2004) (NERA), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ('the ERA'), the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) (PAJA) and the Electricity Pricing Policy for the South African Electricity Supply Industry, 2008 (EPP).

2.2. 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).

2.3. 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.

2.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

## NERSA's Statutory Mandate

2.5. NERSA is established as a juristic person in terms of section 3 of 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.

2.6. 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.

2.7. 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.

**Tariff Determination Principles under the ERA**

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

2.9. 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.

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

**Administrative Law Requirements**

2.11. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair, as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

**Policy Framework: Electricity Pricing Policy (2008)**

2.13. 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.

2.14. 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.

2.15. 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.

**Cost of Supply Studies**

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

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

2.18. Policy Position 23 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.

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

**Judicial Oversight of the Tariff Approval Process**

2.20. 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.

2.21. 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.

2.22. 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.

2.23. NERSA subsequently launched a variation application seeking to vary the timelines set by the Court on 4 December 2025, in light of practical difficulties that arose regarding 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.

**Court-Directed Timelines**

2.24. The timelines below are applicable in respect of the 2026/27 financial year municipal tariff approvals:

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

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

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

**Conclusion**

2.26. The determination of municipal electricity tariffs by the Energy Regulator must 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).

2.27. The reasons that follow in this 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 Dr Beyers Naudé, NERSA relied on the 2024/25 Distribution forms' (D-forms) information provided in analysing the licensee's tariff application. The D-forms' information was validated by NERSA against the relevant source documents submitted by the municipality (i.e. the trial balance/annual financial statement). Hence, the

information provided in the D-forms is considered reliable for the analysis of the tariffs.

3.2 The municipality operated at a deficit of 23.09% in the 2024/25 financial year (FY), reflecting a decline from the 30.19% surplus recorded in 2023/24FY. This is primarily due to a R133 million Eskom debt waiver effected in 2023/24FY. With the exception of this waiver, the municipality demonstrates a movement from 26% deficit in 2023/24FY to 23.09% deficit in 2024/25FY, indicating a slight improvement.

3.3 Energy losses for 2024/25FY increased to 12.17% (2023/24: 7.70%). The following contributing factors for the high energy losses are cited by the municipality:

a) Tampering of meters and illegal connections
b) Incorrect ratio used on bulk meters
c) Faulty meters.

3.4 The problem with tampered meters and illegal connections is ongoing, with regular action taken against defaulters. Faulty meters are replaced as soon as they are reported.

**Table 2: Performance indicators**

| PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS | | |
|---|---|---|
| **INDICATORS** | **2024-25FY (Actuals)** | **2023-24 FY (Approved)** |
| Percentage Surplus (Deficit) | -23,09% | 30,19% |
| Percentage Energy Losses | 12,17% | 7,70% |

3.5 The D-form information provided has been verified against the 2024/25 audited financial statements and is therefore reliable and sufficient for tariff analysis purposes.

## 4. DETERMINATION OF DR BEYERS NAUDÉ'S TARIFFS BASED ON THE COS STUDY

4.1 The process that the Energy Regulator followed in considering and approving Dr Beyers Naudé's tariff application was supported by a COS study.

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

4.3

4.3 below details the five steps considered in the determination of the COS study.

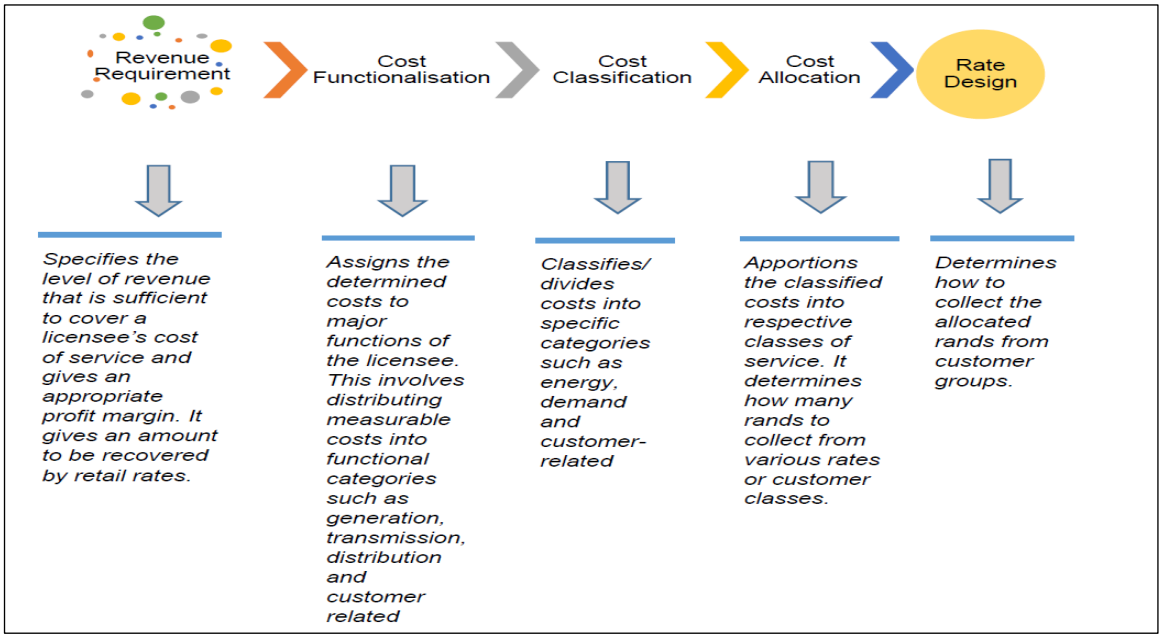



**Figure 1: Five steps of COS study**

4.4 The following steps are undertaken to analyse the COS study:

## Revenue Requirement

4.4.1 In order to be fully cost-reflective, the licensee applied for a revenue requirements of R241 077 332 for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases, accounting for 67%, including an energy loss allowance. Operational expenditure accounts for 19% of the revenue requirement. After excluding the Notified Maximum Demand (NMD) and FBE costs of R2 205 801 and R2 563 124 respectively, the adjusted revenue requirement amounts to R235.593 million.

**Table 3: Revenue requirement components**

| | Total cost (R) | | | | | |
|---|---|---|---|---|---|---|
| Revenue Requirement components | Wires | Retail | Total | NERSA Adjustment | NERSA Recommendation | % of Total |
| Allowable costs | 59 342 186 | 181 735 147 | 241 077 332 | 5 484 263 | 235 593 069 | 100% |
| Energy purchases from Eskom - net of cost of losses | - | 142 725 086 | 142 725 086 | | | 59% |
| Energy purchases from Eskom - cost of losses | 18 272 135 | 1 935 995 | 20 208 130 | | | 8% |
| Other energy purchases | - | 2 813 916 | 2 813 916 | | | 1% |
| Capital expenditure | - | - | - | | | 0% |
| Operational expenditure (incl. Depreciation) | 33 349 428 | 13 089 413 | 46 438 841 | 4 768 925 | | 19% |
| Other revenues | - 19 663 | - 2 533 849 | - 2 553 511 | | | -1% |
| Surplus | 7 740 285 | 23 704 584 | 31 444 869 | 715 338 | | 13% |
| Not allowable costs | 1 291 018 | 245 339 | 1 536 357 | | | |
| Cost of losses disallowed | 1 291 018 | 245 339 | 1 536 357 | | | |
| TOTAL COSTS | 60 633 203 | 181 980 486 | 242 613 689 | | | |
| | 25% | 75% | | | | |

4.4.2 The efficiency of costs in the 2024/25 (base year) financial year has been assessed, as this is the most recent set of actual data. This assessment forms the basis for projecting costs for the 2026/27 financial year using assumptions to calculate revenue requirements for that year.

4.4.3 Furthermore, NERSA has verified all expense items included in the revenue requirements to ensure that they relate only to the electricity function of the licensee. Where expenses are deemed inflated or unjustified, they have been adjusted accordingly and expanded below.

## Bulk Purchases

4.4.4 The licensee applied for a bulk purchase expenditure of R162 932 216, which accounts for 67% of the total costs when including the 12% energy loss allowance. Bulk purchases were verified against the 2024/25 financial year Eskom invoices.

4.4.5 In order to get to the 2026/27 estimation, the 2025/26 COS amount was adjusted by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.4.6 The methodology used to forecast bulk purchase costs is considered reasonable. Accordingly, the bulk purchase expenditure is recommended for approval as submitted.

## Operational Expenditure

4.4.7 The licensee applied for operational expenditure of R46 438 841, which accounts for 19% of total costs. Following the prudency assessment undertaken by NERSA, adjustments amounting to R4 768 925 were made, resulting in recommended operational expenditure of R41 669 916, as shown in Table 4 below.

**Table 4: Operating expenditures**

| Cost Drivers | 2024/25FY Actuals | 2025/26FY Budgeted | 2026/27FY Applied | NERSA Adjustment | 2026/27FY NERSA Decision |
|---|---|---|---|---|---|
| **General Costs and Other** | **R27 619 838** | **R29 266 485** | **R30 971 376** | **(R2 205 801)** | **R28 765 575** |
| Salaries and Allowances | R13 965 462 | R14 943 045 | R15 989 058 | 0 | R15 989 058 |
| Materials and supplies | R893 431 | R937 209 | R980 321 | 0 | R980 321 |
| Contracted services | R4 639 823 | R4 867 174 | R5 091 064 | 0 | R5 091 064 |
| Salaries, wages and allowances (exclu. R&M) | | | | | |
| Payments to consultants | | | | | |
| Eskom debts interest | | | | | |
| Current year Depreciation | R6 110 829 | R6 410 260 | R6 705 132 | 0 | R6 705 132 |
| NMD exceedance penalties | R2 010 292 | R2 108 797 | R2 205 801 | (R2 205 801) | R0 |
| **Shared OPEX** | **R12 990 548** | **R14 204 251** | **R15 467 465** | **(R2 563 124)** | **R12 904 341** |
| Bad debts (Allowance for Impairments) | R2 299 467 | R2 989 308 | R3 736 634 | 0 | R3 736 634 |
| General Expenses | R5 809 996 | R6 094 686 | R6 375 041 | 0 | R6 375 041 |
| FBE paid to Eskom | R2 335 944 | R2 450 405 | R2 563 124 | (R2 563 124) | R0 |
| Charges from other municipal departments | R2 545 140 | R2 669 852 | R2 792 665 | 0 | R2 792 665 |
| **Total OPEX** | **R40 610 386** | **R43 470 736** | **R46 438 841** | **(R4 768 925)** | **R41 669 916** |

## General Costs and Other

4.4.8 The municipality applied for costs under general costs and other, amounting to R30 971 376. An adjustment of R2 205 801 relating to Notified Maximum Demand (NMD) penalty charges was made, resulting in recommended costs of R28 765 575. NERSA noted that these penalty charges are within the municipality's control and should not be passed through to customers. Consequently, the amount was disallowed from the allowable cost base.

## Shared Operating Expenditure

4.4.9 The municipality applied for shared operating expenditure amounting to R15 467 465. Following an assessment of the allocation methodology and the supporting information provided, NERSA made adjustments totalling R2 563 124, resulting in a recommended shared operating expenditure of R12 904 341.

4.4.10 The adjustment primarily relates to FBE grants, amounting to R2 563 124. NERSA noted that the FBE costs are funded through government grants and should therefore not be recovered from electricity tariffs. Consequently, the amount was disallowed from the allowable cost base.

**Surplus**

4.4.11 The licensee applied for a surplus of R31 444 869, representing 13% of the allowable revenue requirement. The applied surplus margin as reflected in Table 4 of the revenue requirement, was benchmarked against the target range of 10% to 20% in the approved NERSA COS Framework.

4.4.12 To ensure that the surplus is not excessive or detrimental to consumers and it commensurate with risk, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return.

4.4.13 In applying this provision together with the COS methodology, NERSA must ensure that the licensee recovers costs incurred efficiently and prudently, including a reasonable return, while preventing excessive compensation.

4.4.14 NERSA is satisfied that the surplus applied for by Dr Beyers Naude is reasonable and supports the financial sustainability of the electricity business, Therefore, the applied surplus is considered modest and reasonable having regard to the relevant risk factors, including ageing infrastructure, financial stability requirements, 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.

4.4.15 It is therefore recommended that the Energy Regulator approve the allowable revenue as set out in Table 4 above. This revenue is then used in the subsequent steps of cost functionalisation, classification, allocation, and rate design. These steps were verified to be consistent with the approved revenue requirement and are discussed belowhas therefore approved the revenue requirement as submitted.

**Cost Functionalisation**

4.4.16 The licensee has categorised its revenue requirements of R241 077 000 before adjustments into two main functions: wires (25%) and retail business (75%). This is in line with the NERSA COS Framework, as demonstrated in Figure 2 below.

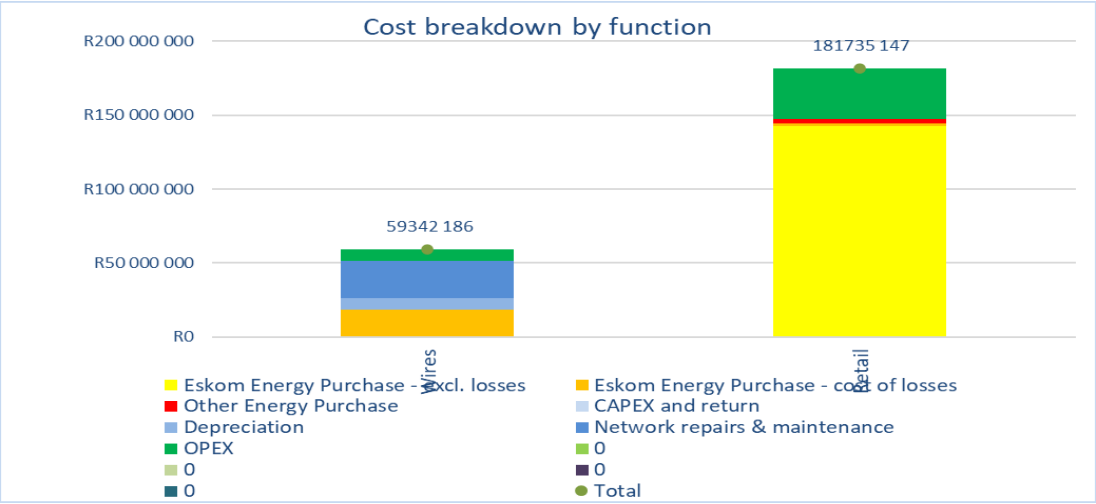



**Figure 2: Cost breakdown by functions**

4.4.17 These costs align with revenue requirements upon verification. Network repairs and maintenance dominate the wires business, while energy purchases are the primary cost driver for the retail business.

## Cost Classification

4.4.18 The licensee classified its costs into energy, demand and customer-related costs, in line with the NERSA COS Framework. The costs align with revenue requirements and cost functionalisation upon verification.

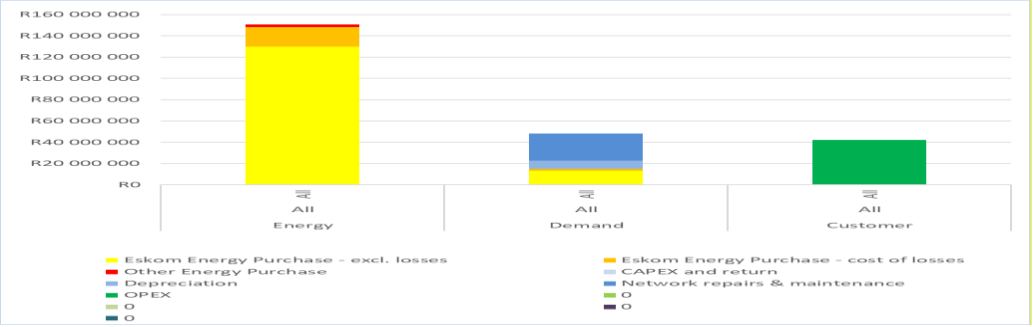



**Figure 3: Cost breakdown by cost structure (classification)**

4.4.19 Energy purchases constitute energy-driven costs, with the highest expenses occurring during summer under standard time of use, mainly because summer spans a larger portion of the year. Demand-driven costs are also predominantly incurred in summer. Customer-driven costs are primarily attributed to 'Other OPEX', which includes expenses associated with providing electricity distribution services to customers.

## Cost Allocation

4.4.20 In this step, the licensee's revenue requirements are allocated between customer categories, in line with the NERSA COS Framework. The costs align with revenue requirements, cost functionalisation and cost classification upon verification. Majority of the costs are allocated at domestic customers (72%) followed by commercial customers (18%).

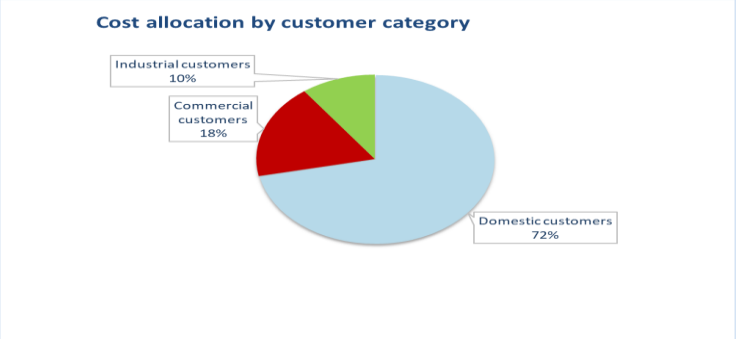
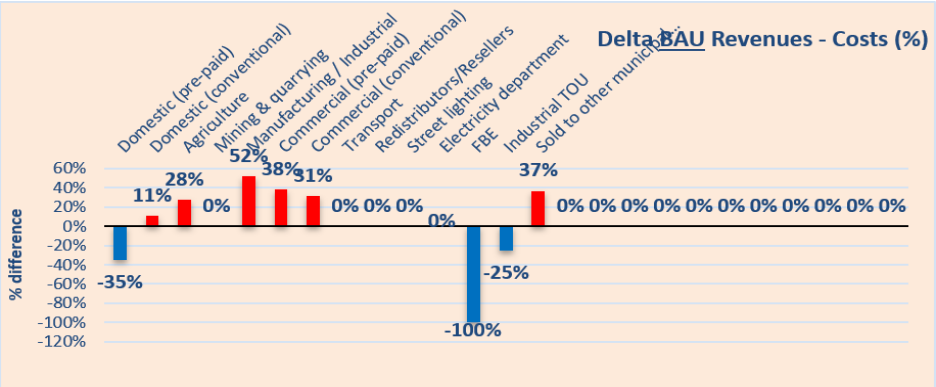



**Figure 4: Costs allocated**

## Rate Design

4.4.21 Figure 5 below indicates the outcome of the COS study, showing that tariffs for certain customer categories should increase while others should decrease. Comparing these costs to the income per tariff category reveals the over- or under-recovery per tariff category, as shown in the figure below.

4.4.22 In order for the municipality to achieve full cost reflectivity, the municipality must increase tariffs across customer categories, as demonstrated below. In doing so, it will increase some categories more than others to manage the cross-subsidies in the system. As a result, the municipality, when designing its rates, opted differential increases per customer category and a phased-in approach to mitigate potential negative impacts of higher tariffs on customer affordability and electricity demand, as well as to manage cross-subsidies in the system. The second graph of Figure 5 shows the under- and over-recoveries per tariff category after the proposed changes are implemented.



Page 18 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/9230/DrBeyersNaudeLocalMunicipality_ReasonsforDecisionTariffappl

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/9230/DrBeyersNaudeLocalMunicipality_ReasonsforDecisionTariffappl

| 4. Domestic Departure Use (DOM3) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariff Blocks** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Block 1 (0 - 50kWh) | 201,90 | 14,2% | 230,57 | 230,57 | 14,20% |
| Block 2 (51 - 350 kWh) | 259,22 | 14,2% | 296,03 | 296,03 | 14,20% |
| Block 3 (351 -600kWh) | 354,86 | 14,2% | 405,25 | 405,25 | 14,20% |
| Block 4 (>600 kWh) | 413,17 | 14,2% | 471,84 | 471,84 | 14,20% |
| Basic Charge (R/month) | 645,30 | 3,7% | 669,18 | 669,18 | 3,70% |

| 5. Domestic Indigent Prepaid (PPDOM1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariff Blocks** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Block 1 (0 - 50kWh) | 179,45 | 6,0% | 190,22 | 190,22 | 6,00% |
| Block 2 (51 - 350 kWh) | 232,89 | 6,0% | 246,86 | 246,86 | 6,00% |
| Block 3 (351 -600kWh) | 327,2 | 6,0% | 346,83 | 346,83 | 6,00% |
| Block 4 (>600 kWh) | 382,18 | 6,0% | 405,11 | 405,11 | 6,00% |

| 6. Domestic 60Amp Prepaid (PPDOM2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariff Blocks** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Block 1 (0 - 50kWh) | 233,74 | 14,2% | 266,94 | 266,94 | 14,20% |
| Block 2 (51 - 350 kWh) | 275,12 | 14,2% | 314,19 | 314,19 | 14,20% |
| Block 3 (351 -600kWh) | 375,18 | 14,2% | 428,45 | 428,45 | 14,20% |
| Block 4 (>600 kWh) | 441,79 | 14,2% | 504,53 | 504,53 | 14,20% |

**SCALE 2**

| 7. Small Power up to 50kVA (COM2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 794,10 | 3,7% | 823,48 | 823,48 | 3,70% |
| Energy Charge | 297,27 | 9,0% | 324,06 | 324,06 | 9,01% |

| 8. Offpeak - Town (COM4) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 1 302,05 | 3,7% | 1350,23 | 1350,23 | 3,70% |
| Energy Charge | 274,73 | 9,0% | 299,49 | 299,49 | 9,01% |

| 9. Municipal Departments (MUN1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 563,03 | 3,7% | 583,86 | 583,86 | 3,70% |
| Energy Charge | 280,51 | 3,7% | 290,89 | 290,89 | 3,70% |

| 10. Streetlights Municipal & Private (MUN2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Energy Charge | 273,54 | 3,7% | 283,661 | 283,66098 | 3,70% |

| 11. Streetlights - Municipal (Steytlerville) | 2024/25 Approved | Proposed % Increase | 2025/26 Proposed | 2025/26 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Energy Charge | 315,31 | 3,7% | 326,9765 | 326,97647 | 3,70% |

| 12. Caravan Parks/Umasizakhe (COM1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariff** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 400,43 | 3,70% | 415,25 | 415,25 | 3,70% |
| Energy Charge | 329,35 | 9,0% | 359,02 | 359,02 | 9,01% |

| 13. Farms_Jansenville (AGR1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 839,96 | 3,7% | 871,04 | 871,04 | 3,70% |
| Energy Charge | 391,81 | 9,0% | 427,11 | 427,11 | 9,01% |
| Maintenance (R/month) | 581,64 | 3,7% | 603,16 | 603,16 | 3,70% |

| 14. Farms_Jansenville, OffPeak (AGR2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 1 448,37 | 3,70% | 1501,96 | 1501,96 | 3,70% |
| Energy Charge | 276,52 | 9,0% | 301,44 | 301,44 | 9,01% |
| Maintenance (R/month) | 581,64 | 3,70% | 603,16 | 603,16 | 3,70% |

| 15. Farms_FM Lines (COM2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 794,10 | 3,7% | 823,48 | 823,48 | 3,70% |
| Energy Charge | 297,27 | 9,0% | 324,06 | 324,06 | 9,01% |
| Maintenance (R/month) | 459,31 | 3,7% | 476,30 | 476,30 | 3,70% |

| 16. Farms_FM Lines (OffPeak) (COM3) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 1 250,15 | 3,7% | 1296,406 | 1296,41 | 3,70% |
| Energy Charge | 300,50 | 9,0% | 327,57 | 327,57 | 9,01% |
| Maintenance (R/month) | 459,31 | 3,7% | 476,30 | 476,30 | 3,70% |

| 17. Business: Up to 60Amp_1P & 3P Prepaid (PPCOM1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Energy Charge | 430,16 | 9,0% | 468,92 | 468,92 | 9,01% |

**SCALE 3**

| 18. Large Power: 50 to 100kVA (IND3) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 2380,18 | 3,7% | 2 468,25 | 2 468,25 | 3,70% |
| Energy Charge | 166,24 | 9,0% | 181,22 | 181,22 | 9,01% |

| 19. Large Power:3 Phase (Willowmore & Steytlerville Only) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Demand Charge (R/kVA) | 389,15 | 9,0% | 424,21 | 424,21 | 9,01% |
| Energy Charge | 243,08 | 9,0% | 264,98 | 264,98 | 9,01% |

| 20. Demand KVA - Minimum 40 KVA (IND4) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 21 918,16 | 9,0% | 23892,99 | 23892,87 | 9,01% |
| Demand Charge (R/kVA) | 547,95 | 9,0% | 597,32 | 597,32 | 9,01% |

**SCALE 4**

| 21. Large Power Above 100kVA (IND1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 2572,55 | 3,7% | 2 667,73 | 2 667,73 | 3,70% |
| Energy Charge | 177,81 | 9,0% | 193,83 | 193,83 | 9,01% |
| Demand Charge (R/kVA) | 562,04 | 9,0% | 612,68 | 612,68 | 9,01% |

| 22. Municipal Department - Above 100kVA (MUN3) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Energy Charge | 146,44 | 3,7% | 151,86 | 151,86 | 3,70% |
| Demand Charge (R/kVA) | 465,27 | 3,7% | 482,49 | 482,49 | 3,70% |

**SCALE 5**

| 23. Bulk Power Special Above 600kVA (IND2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 2 443,19 | 3,7% | 2 533,59 | 2 533,59 | 3,70% |
| Energy Charge | | | | | |
| <=150 000 | 165,33 | 9,0% | 180,22 | 180,22 | 9,01% |
| >150 000 | 97,82 | 9,0% | 106,64 | 106,64 | 9,01% |
| Demand Charge (R/kVA) | | | | | |
| <=600 | 534,47 | 9,0% | 582,63 | 582,63 | 9,01% |
| >600 | 424,39 | 9,0% | 462,62 | 462,62 | 9,01% |

**SCALE 6**

**TOU** (*Megaflex*)

| 24. 0 to 50kVA (TOU1) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 508,78 | 3,7% | 527,60 | 527,60 | 3,70% |
| Demand Charge (R/kVA) | n/a | n/a | | n/a | n/a |
| | | | | | |
| Low/High Season | | | | | |
| Peak | 712,34 | 14,2% | 813,49 | 813,49 | 14,20% |
| Standard | 276,78 | 14,2% | 316,08 | 316,08 | 14,20% |
| High | 156,17 | 14,2% | 178,34 | 178,34 | 14,20% |
| | | | | | |
| Reactive Energy | 30,03 | 14,2% | 34,29 | 34,29 | 14,20% |

| 25. >50kVA (TOU2) | 2025/26 Approved | Proposed % Increase | 2026/27 Proposed | 2026/27 Recommended | Recommended % Increase |
|---|---|---|---|---|---|
| **Tariffs** | c/kWh | % Increase | c/kWh | c/kWh | % Increase |
| Basic Charge (R/month) | 1016,89 | 3,7% | 1054,52 | 1054,52 | 3,70% |
| Demand Charge (R/kVA) | 245,13 | 14,2% | 279,94 | 279,94 | 14,20% |
| | | | | | |
| Low/High Season | | | | | |
| Peak | 394,79 | 14,2% | 450,85 | 450,85 | 14,20% |
| Standard | 219,01 | 14,2% | 250,11 | 250,11 | 14,20% |
| High | 100,60 | 14,2% | 114,88 | 114,88 | 14,20% |
| | | | | | |
| Reactive Energy | 43,62 | 14,2% | 49,81 | 49,81 | 14,20% |

## Summary of Analysis and Key Findings

a) Based on the analysis and key findings, the current prepaid (domestic) customers are under-recovering, while business customers are over-recovering, indicating cross-subsidisation.
b) The proposed differential increases across the customer categories are intended to

move toward full cost reflectivity and, in turn, reduce cross-subsidies.

c) The current tariff structure is highly volume-dependent, with >85% of costs recovered through energy charges, which exposes the municipality to revenue risk.
d) COS results recommend shifting to a more sustainable structure, with <65% of costs recovered via energy charges and greater reliance on fixed and demand-based charges.

## 9. CONFIDENTIALITY

9.1. None.

## 10. CONCLUSION

10.1. The Energy Regulator, having considered Dr Beyers Naudé's application, supporting information, stakeholder inputs and applicable legal framework, approves the tariff adjustments, as set out in these reasons for decision document.

***End.***