NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

The Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Msukaligwa Local Municipality

THE DECISION

1. At its meeting held on 4 May 2026, the Regulator Executive Committee (REC) considered Msukaligwa Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in Section 7 (Page 22) below.

2. Based on the available information and the analysis performed thus far, the Regulator Executive Committee decided to:

   a) 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) note the COS study submitted by the municipality;
   c) that the municipality must submit a report accounting for all the costs that have been noted in its COS study to enable the National Energy Regulator of South Africa to perform its independent verification/audit process by 31 January 2027; and
   d) that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

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ABBREVIATIONS

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

1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis, in accordance with the mandate of the Energy Regulator (ER) 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. Msukaligwa Local Municipality is situated in the Mpumalanga province. The Municipality has a total of 26 539 customers, with the predominant domestic customer base accounting for 44.82% of sales, as indicated in Table 2 below. In the 2025/26 financial year the Municipality increased the tariffs by 11.32% is proposing an average increase of 9.01% for the 2026/27 financial year. The Municipality provides 50 kWh of free basic electricity per month to its 3 370 registered indigent customers.

1.3. Table 1 below highlights statistical data that gives a customer outlook of the Municipality's electricity supply in the region. This information is derived from the 2024/25 D-form as provided by the licensee.

Table 1: Customer Statistics (Data obtained from latest D-forms)

Consumer Categories	(MWh)	%MWh	Number of consumers
Domestic (Prepaid)	36 444	41,13	23 790
Domestic (Conventional)	3 272	3,69	1 044
Commercial (Conventional)	11 351	12,81	1 250
Manufacturing/Industrial	35 246	39,78	250
Own Use	2 295	2,59	601
Totals	**88 609**	**100**	**26 539**
[1]Free Basic Electricity (FBE)	52	0,13	3 370

1.4. NERSA received the Municipality tariff application accompanied by a revised Cost of Supply (COS) study, on 31 March 2026 for the 2026/27 financial year. The Municipality attributed the revision of the COS study to Eskom's implementation of approved retail and municipal bulk tariff structural changes, arising from the approved Eskom's Retail Tariff and Structural Adjustment (ERTSA) decision for the 2025/26 FY.

1.5. NERSA followed the notice and comment consultation process. The Municipality's tariff application was published on the NERSA website on 31 March 2026, on social

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

media platforms and in national and local newspapers to solicit written comments from affected parties.

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

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of Municipal electricity tariffs constitutes a core regulatory function of the Energy Regulator and must be exercised in accordance with the applicable legislative framework, national policy directives and court orders. The principal legal instruments governing the exercise of this regulatory authority include the National Energy Regulator Act, 2004 (Act No. 40 of 2004) ("NERA"), the Electricity Regulation Act, 2006 (Act No. 4 of 2006) as amended ("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 Proce Determination and Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal finance management Act, 2003 (Act No. 56 of 2003).

2.1.3. In addition, the municipal tariff approval process has recently been the subject of judicial scrutiny in the High Court of South Africa (Gauteng Division, Pretoria) in AfriForum NPC v National Energy Regulator of South Africa and Others (Case No. 2025/137620), which resulted in structural directives governing the timing and conduct of NERSA's tariff approval process.

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/2027 municipal 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 particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory

framework and exercises regulatory authority over activities regulated under the ERA.

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

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

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

2.3. Tariff Determination Principles under the ERA

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

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

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

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

2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, the Energy Regulator must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected

parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

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

2.5. Policy Framework: Electricity Pricing Policy (2008)

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

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

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

2.6. Cost of Supply Studies

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

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

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

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

2.7. Judicial Oversight of the Tariff Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to the 2025/2026 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

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

2.8. Court-Directed Timelines

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

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

2.8.2. Municipal tariff approvals from 2027/28 financial year onwards 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 be submitted to NERSA by 20 March each year; and
c) Municipal tariff approvals and the Reason for Decision document must be approved and published by 5 May of each year.

2.9. Conclusion

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

2.9.2. The reasons that follow in this Reasons for Decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/2027 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In assessing the financial and technical performance of the Municipality, the assessment relied on the Distribution forms (D- forms) for the 2024/25 financial year submitted as part of the Licensee's tariff application. The information contained in the D-forms was verified against the supporting source documents provided by the Municipality, including the Trial Balance and Annual Financial Statements. As a result, the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

A. Financial Performance

3.2. The Municipality's electricity business demonstrates weak financial sustainability, as evidenced by a worsening percentage deficit increasing, from 50.06% in the 2023/24 financial year to 55.03% 2024/25 financial year. This is indicated in Table 4 below:

3.3. The main drivers of the deficit, as recorded, are:

a) interest paid to Eskom (indicative of arrear debt/late payment impacts);
b) increased expenditure due to reliance on consultants; and
c) ageing infrastructure contributing to high technical losses and associated cost inefficiencies.

3.4. From a regulatory perspective, the current position indicates material inefficiencies and financial risk and supports the need for credible and monitored corrective actions, particularly around Eskom debt management and cost control.

Remedies to improve financial performance

3.5. The Municipality needs to put the following measures in place to improve its financial and technical status:

a) Devise a financial payment plan and commit to it, to ensure that there is continuous payment of Eskom's debt.
b) Implement the developed plan to curb the accumulation of energy losses.

B. Technical Performance

3.6. The Municipality's technical performance remains critically constrained by exceptionally high energy losses, which, despite a slight improvement, remain high at 60.76% in the 2024/25 financial year down from 63.28% in the 2023/24 financial year, as presented in Table 4 below.

3.7. The Municipality's losses are attributed to a combination of:

a) technical factors (aged infrastructure, conductor/equipment losses, transformer losses, overloading of distribution lines, lack of power factor correction, long lines, network faults due to load shedding); and
b) non-technical factors (illegal connections from informal settlement dwellers, meter tampering, inaccurate billing, non-payment, accumulative indigent register due to high unemployment rate, unmetered/faulty meters, revenue management challenges due to political interference).
c) theft and vandalism of the electrical infrastructure (i.e. substations and streetlight circuits).

3.8. From a regulatory standpoint, energy loss levels of this magnitude are not consistent with efficient distribution operations and represent a major threat to both revenue sufficiency and security and quality of supply, justifying stronger reporting and oversight conditions.

Table 2: Plan on Reduction of Energy Losses

Plan of Action	Duration	Progress
Formalisation of informal settlements	2026 - 2027	Department of Human Settlements has approved a housing project for ± 7,000 units. Township establishment and bulk service constructions remain underway.
Installation of smart meters	2025 - 2030	Procurement of a panel of service providers to be appointed.
Installation of split wireless meters	ongoing	4,892 x-split wireless meters installed by 30 June 2025.

Table 3: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)%	-55,03	-50,06
Percentage Energy Losses %	60,76	63,28

C. Overall Conclusion

3.9. Although the energy losses have reduced from 63.28% in the 2023/24 financial year to 60.76% in the 2024/25 financial year, the Municipality demonstrates poor financial and technical performance, primarily driven by high energy losses and Eskom-related financial pressures, which undermine cost recovery and sustainability.

3.10. The proposed remedies in the document are directionally appropriate, but the Municipality will have to implement and adhere to a credible Eskom debt payment plan; and execute and report on a loss-reduction plan with measurable targets, timeframes, and quarterly progress reporting.

4. DETERMINATION OF MSUKALIGWA LOCAL MUNICIPALITY'S TARIFFS BASED ON THE COS STUDY

i. The process that the Energy Regulator followed in considering and approving the Municipality's tariff application was supported by a Cost of Supply study. The revised study aimed to improve cost reflectivity, by aligning tariffs with Eskom's unbundled cost.

ii. The study diligently follows the NERSA COS framework and utilises the latest available audited data which is based on the 2024/25 financial year.

iii. **Error! Reference source not found.** below details the five steps considered in the determination of the COS study.

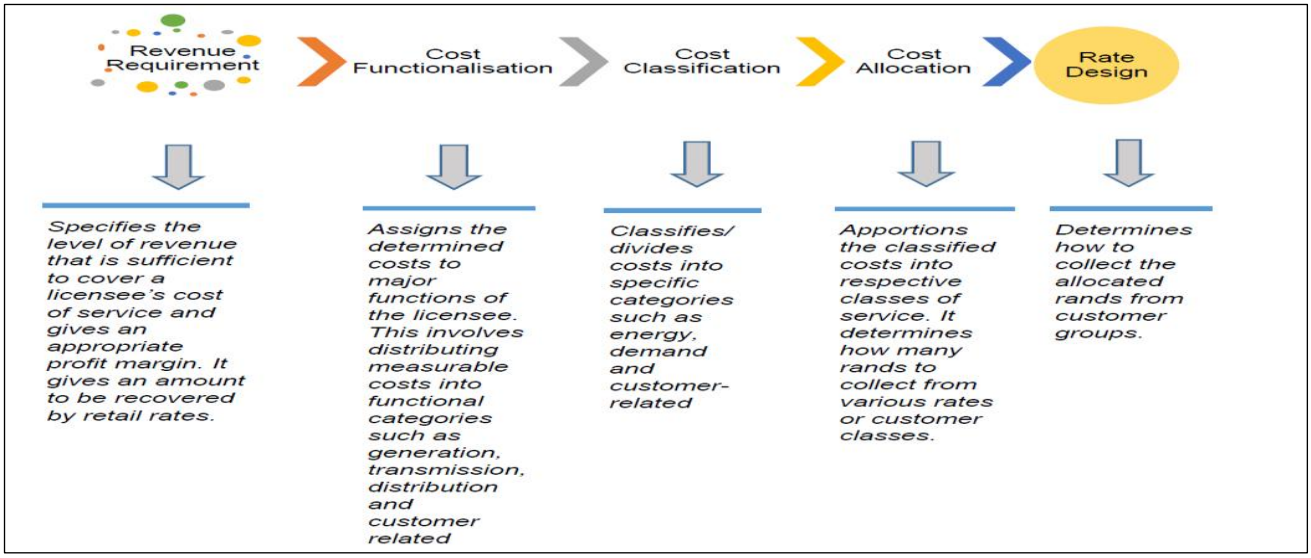


Figure 1: Fives steps of COS

iv. The following steps are undertaken to analyse the cost of supply study submitted by the municipality:

4.1. Revenue Requirement

4.1.1. To be fully cost reflective, the licensee's revenue requirement is R396.1 million for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases accounting for 72% including energy losses allowance. Operational expenditure accounts for 32% of the revenue requirement.

Table 4: Revenue Requirement Components

Revenue Requirement components	Wires	Retail	Total	% of Total
Allowable costs	125 401 803	396 283 637	396 119 729	100%
Energy purchases from Eskom - net of cost of losses	-	217 039 367	217 039 367	55%
Energy purchases from Eskom - cost of losses	28 694 686	37 210 392	65 905 079	17%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	46 664 720	78 900 991	125 565 711	32%
Other revenues	**- 1 171 632**	**- 21 507 457**	**- 22 679 089**	**-6%**
Surplus	4 549 309	5 739 353	10 288 662	3%
Not allowable costs	23 001 434	243 263 109	266 264 543	
Cost of losses disallowed	23 001 434	243 263 109	266 264 543	
TOTAL COSTS	**148 403 237**	**639 546 746**	**662 384 272**	

4.1.2. The efficiency costs for the 2024/25 financial year have 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.

4.1.3. All expenses included in the revenue requirements have been examined to ensure that they are directly attributable to the electricity distribution function of the licensee. Where costs were identified as inflated, inefficient, or not sufficiently justified, such amounts were adjusted or excluded accordingly. These adjustments are detailed and motivated below.

Bulk Purchases

4.1.4. The Municipality applied for bulk purchase expenditure amounting to R217 039 million (excluding energy losses), representing 65% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

4.1.5. To derive the 2026/27 financial year bulk purchase estimate, the 2025/26 financial year Cost of Supply (CoS) amount was escalated by 9.01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.1.6. The methodology applied in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as submitted.

4.1.7. Inefficient costs (energy losses above 12%) that are within the management control amounting to R266,265 million were disallowed in line with the requirement of the act only efficiently incurred costs plus margin must be passed through to the customers.

Operational Expenditure

Table 5: Opex Table

	Year 0 estimate (Rand)	Year 1 estimate (Rand)	Year 2 estimate (Rand)
General & Other	R 130 253 633	R 103 353 673	R 106 557 637
Salaries and allowances	R 3 084	R 3 084	R 3 180
Materials and supplies	R 13 593 553	R 8 250 124	R 8 505 878
Contracted Services	R 3 788 150	R 3 508 521	R 3 617 285
Salaries, wages and allowances (exclu. Repairs a	R 30 640 663	R 43 492 597	R 44 840 868
Payments to consultants (operational work)	R 64 074 239	R 29 945 403	R 30 873 710
Current year depreciation	R 18 153 944	R 18 153 944	R 18 716 716
Shared OPEX	R 18 276 994	R 18 276 994	R 19 008 074
Bad debts written-off	R 17 536 983	R 17 536 983	R 18 238 462
General Expenses	R 740 011	R 740 011	R 769 611
Total	**R 148 530 627**	**R 121 630 667**	**R 125 565 711**

4.1.8. The Licensee applied for an operational expenditure of R125 566 million which accounts for 32% of total costs as reflected in Table 3 above.

4.1.9. The approach adopted by the Licensee in forecasting operational expenditure is reasonable and has been approved as applied for. Costs deemed to be inefficient and within the Municipality's control, such as Notified Maximum Demand (NMD) exceedance penalties and interest on Eskom debt, are excluded from the cost base.

4.1.10. However, the municipality did not exceed its NMD and nor does it pay interest on its Eskom debt.

Surplus

4.1.11. The licensee applied for a surplus of R10 289 million, in recommending a surplus, NERSA relied on section 15(1)(a)(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. In applying this provision, together with the COS methodology, NERSA is required to ensure that the licensee recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.1.12. The risk associated with the applied surplus is that it is proposed against a backdrop of exceptionally high energy losses and low collection levels. The inclusion of a surplus in these circumstances may overstate the Municipality's ability to generate and retain cash, as a material portion of purchased energy is not converted into billed and collected revenue. This exposes customers to the risk of funding inefficient costs and exposes the Municipality to continued cash-flow pressure, Eskom arrears and underinvestment in network maintenance.

4.1.13. NERSA therefore considered that the surplus must not be treated as an unconditional margin where losses and collections remain outside efficient operating levels. The surplus should be ring-fenced for electricity-distribution purposes and used primarily to fund measurable loss-reduction, revenue protection and network-efficiency interventions. Any return approved must be supported by evidence that the Municipality is implementing corrective actions that improve billed sales, collections and technical performance.

4.1.14. To mitigate this risk, the Municipality must implement a funded revenue-protection and loss-reduction programme that includes: installation and auditing of smart and split prepaid meters in high-loss areas; replacement of faulty and bypassed meters; customer and feeder balancing to identify unaccounted-for energy; regular meter-reading and billing data cleansing; enforcement action against illegal connections and tampering; and targeted refurbishment of overloaded transformers, conductors and substations where technical losses are demonstrated.

4.1.15. In relation to low collection levels, the Municipality must strengthen its credit-control and debt-management processes by reconciling the indigent register with active electricity accounts, converting high-risk conventional accounts to prepaid or smart metering where appropriate, enforcing payment arrangements, limiting the accumulation of current debt, and ensuring that electricity revenue is prioritised for electricity purchases, network maintenance and loss-reduction projects.

4.1.16. The Municipality must submit quarterly progress reports to NERSA, commencing 30 September 2026, setting out monthly energy purchased, energy billed, energy losses, revenue billed, revenue collected, collection rate, number of meters audited or replaced, illegal connections removed, and expenditure incurred against the approved loss-reduction plan. Failure to demonstrate measurable improvement may result in NERSA reconsidering the treatment of inefficient costs and the reasonableness of any future surplus or return in subsequent tariff applications.

4.1.17. The decision to approve the revenue requirement as applied for will then be used in the next steps which are Cost Functionalisation, Classification, Allocation and

Rate Setting. These steps have been verified and confirmed to align the revenue requirement. Further details of these steps are discussed below.

4.2. Cost Functionalisation

4.2.1. The licensee has categorised its revenue requirement of R396.1 million into two primary functional components, namely wires and retail business, in accordance with the NERSA COS framework as demonstrated in Figure 2 below. Upon verification, the allocation of these functional costs was found to be consistent with the stated revenue requirement.

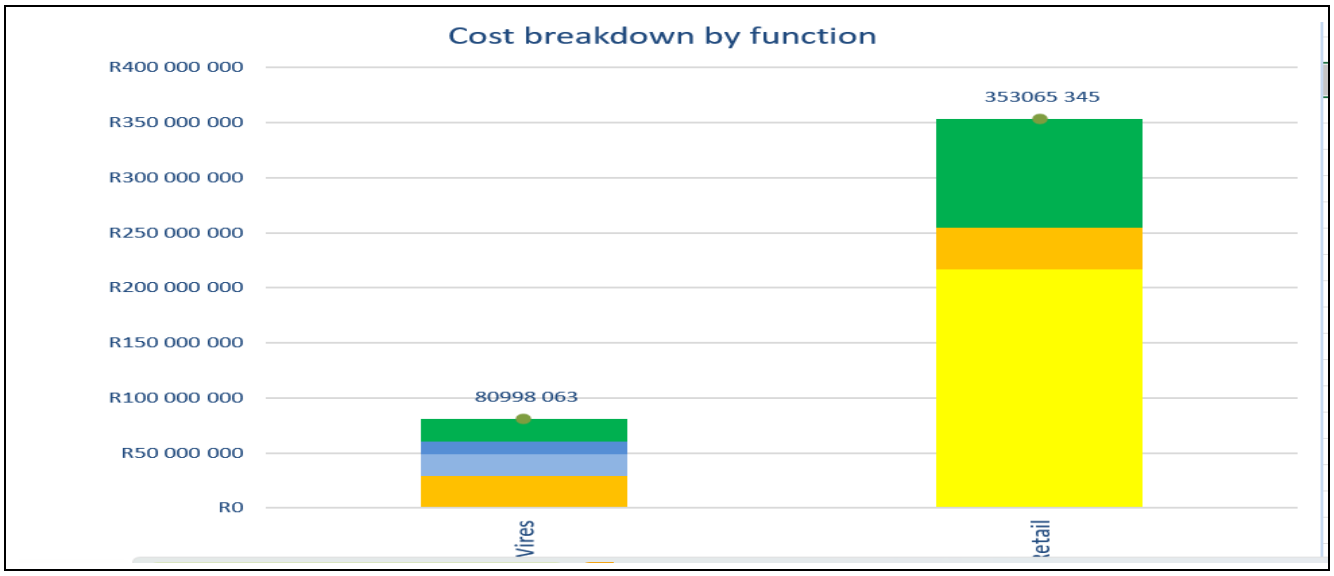


Figure 2: Costs breakdown by Functions

4.2.2. These costs, upon 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.

4.3. Cost Classification

4.3.1. The Licensee classified its costs into energy, demand and customer-related costs, which is in line with the NERSA COS framework. The costs align with revenue requirements and cost functionalisation upon verification.

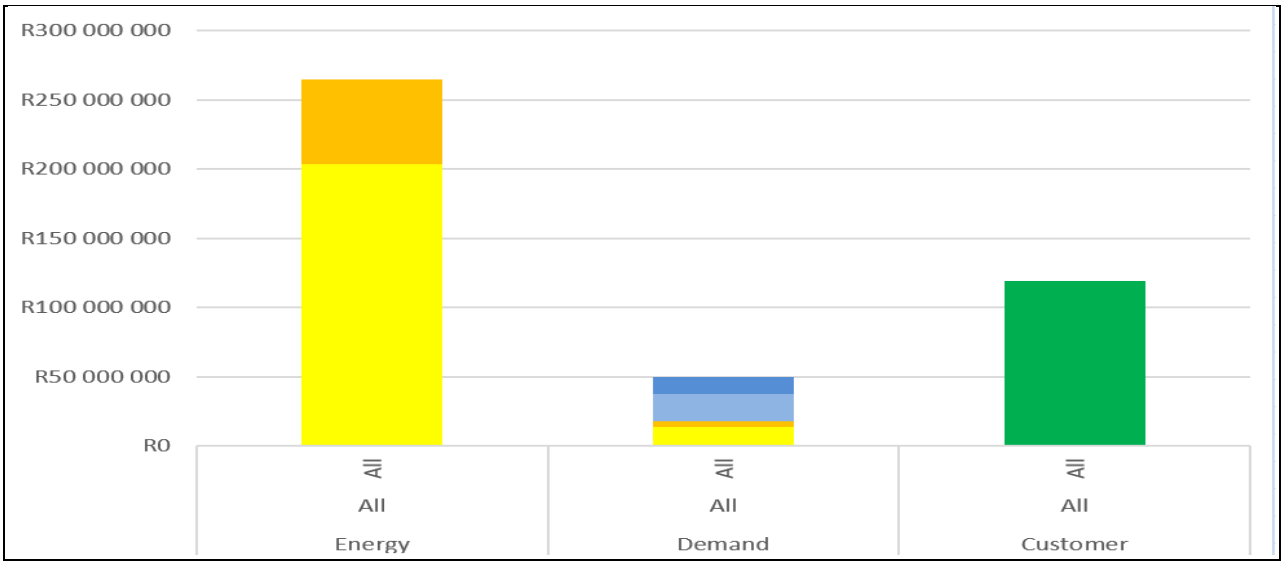


Figure 3: Costs breakdown by cost structure (Classification)

4.3.2. Energy purchases constitute energy-driven costs, with the highest expenditure occurring during summer period under standard time of use profile, due to the longer duration of the season within the tariff year. Demand-driven costs are likewise predominantly incurred in summer period. Customer-driven costs are primarily attributed to "Other OPEX," which encompasses expenses related to the provision of electricity distribution services to customers.

4.4. Cost Allocation

4.4.1. In this step, the licensee's revenue requirement is allocated across customer categories, in accordance with the NERSA COS framework. Upon verification, the allocated costs were found to be consistent with the revenue requirement, cost functionalization and cost classification outcomes.

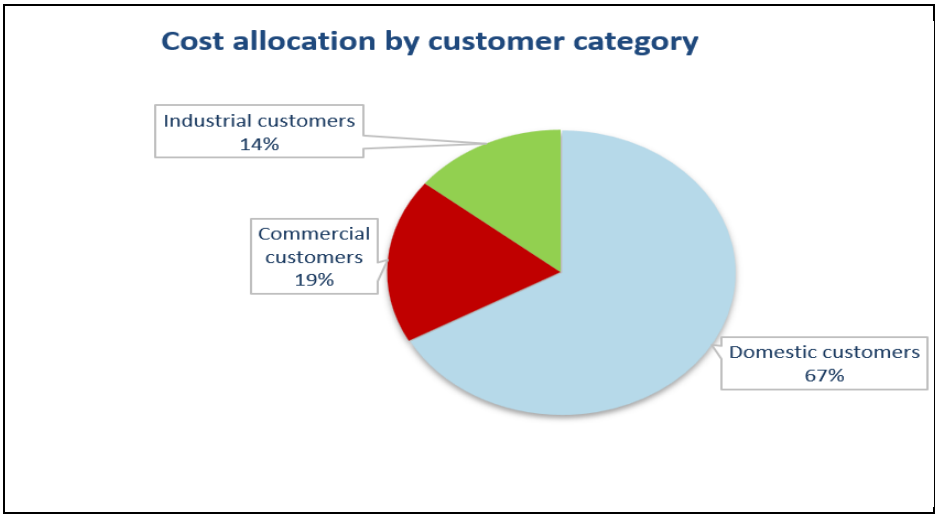


Figure 4: Costs Allocated

4.5. Rate Design

4.5.1. Figure 5 below reflects the outcome of the COS study, indicating that certain customer categories require upward adjustments, while others warrant reductions. A comparison between the COS study and the revenue generated per tariff category highlights the extent of over- or under-recovery within each tariff category, as illustrated in Figure 5.

4.5.2. To achieve full cost reflectivity, the Municipality would be required to implement differentiated tariff adjustments across the various customer categories.

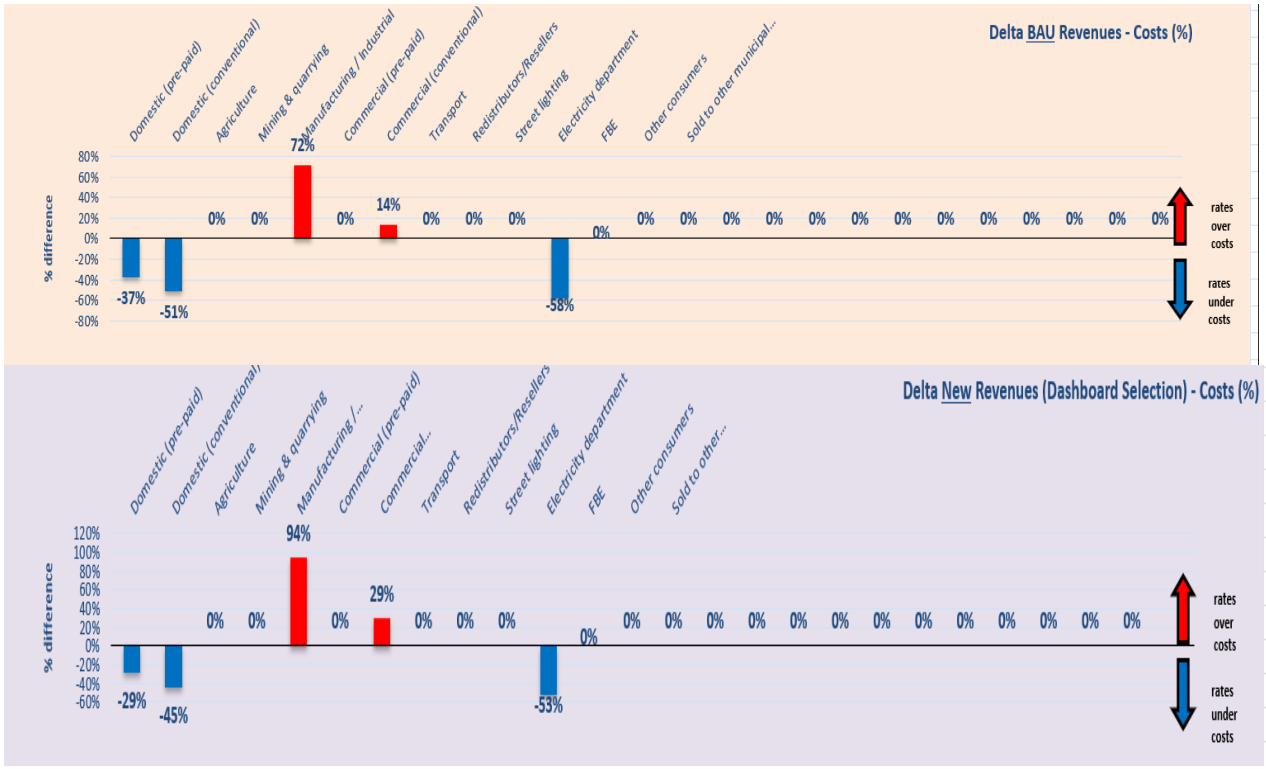


Figure 5: Revenue Recovery by Customer Category

5. CONCLUSION ON THE COS

5.1. The COS study indicates that full cost reflectivity requires an average increase of 14.3% for the 2026/27 financial year tariff review, but the Municipality proposes a 13.01% phased increase to balance financial sustainability with customer affordability.

5.2. The analysis recognises that excessively high tariff increases may reduce consumption, weaken revenue collection, and affect the Municipality's ability to meet its financial obligations, including payments to Eskom. Furthermore, as the COS

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Residential Conventional Above 20A						
Tariff Blocks	**2025/26 Approved(c/kWh)**	**Proposed % Increase**	**2026/27 Proposed (c/kWh)**	**2026/27 Recommended (c/kWh)**	**Recommended % Increase**	**Analysis and key findings**
Block 1 (0 - 50kWh)	*195,19*	*13%*	*220,56*	*212,78*	*9.01%*	The Municipality's exceptionally high energy losses (60,76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Block 2 (51 - 350 kWh)	*251,14*	*13%*	*283,79*	*273,77*	*9.01%*	
Block 3 (351 - 600kWh)	*330,88*	*13%*	*373,89*	*360,69*	*9.01%*	
Block 4 (>600 kWh)	*404,37*	*13%*	*456,94*	*440,80*	*9.01%*	
Basic Charge: R/month	*292,49*	*13%*	*330,51*	*318,84*	*9.01%*	

Residential Prepaid Up to 20A						
Tariff Blocks	**2025/26 Approved(c/kWh)**	**Proposed % Increase**	**2026/27 Proposed (c/kWh)**	**2026/27 Recommended (c/kWh)**	**Recommended% Increase**	**Analysis and key findings**
Block 1 (0 - 50kWh)	*195,34*	*13%*	*220,73*	*212,94*	*9.01%*	The Municipality's exceptionally high energy losses (60,76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Block 2 (51 - 350 kWh)	*251,14*	*13%*	*283,79*	*273,77*	*9.01%*	
Block 3 (351 - 600kWh)	*353,47*	*13%*	*399,42*	*385,32*	*9.01%*	
Block 4 (>600 kWh)	*408,17*	*13%*	*461,23*	*444,95*	*9.01%*	

Residential Prepaid Above 20A						
Tariff Blocks	**2025/26 Approved (c/kWh)**	**Proposed % Increase**	**2026/27 Proposed (c/kWh)**	**2026/27 Recommended (c/kWh)**	**Recommended % Increase**	**Analysis and key findings**
Block 1 (0 – 50 kWh)	*195,34*	*13%*	*220,73*	*212,94*	*9.01%*	The Municipality's exceptionally high energy losses (60.76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Block 2 (51 - 350 kWh)	*251,14*	*13%*	*283,79*	*273,77*	*9.01%*	
Block 3 (351 - 600 kWh)	353,47	*13%*	*399,42*	*385,32*	*9.01%*	
Block 4 (>600 kWh)	408,20	*13%*	*461,27*	*444,98*	*9.01%*	
Basic Charge: R/month	292,49	*13%*	*330,51*	*318,84*	*9.01%*	

INDUSTRIAL TARIFFS	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	**Analysis and key findings**
Basic Charge: R/month	*9 873,41*	*13%*	*11 156,95*	*10 763,00*	*9.01%*	The Municipality's exceptionally high energy losses (60.76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Energy Charge: c/kWh	*167,16*	*13%*	*188,89*	*182,22*	*9.01%*	
Demand Charge (R/kVA)	*434,92*	*13%*	*491,46*	*474,11*	*9.01%*	

Departmental (Conventional &Prepaid)	**2025/26 Approved**	**Proposed % Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**% Increase**	**Analysis and key findings**
Energy Charge: c/kWh	*362,78*	*13%*	*409,94*	*395,47*	*9,01%*	The Municipality increased its own use by 13%. This increase can be allowed, to avoid shifting costs unfairly to other customers.

Commercial Tariff (Conv &Prepaid)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and key findings
Energy Charge: c/kWh	*377,85*	*13%*	*426,97*	*411,89*	*9.01%*	The Municipality's exceptionally high energy loss (60.76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.

Business Above 20A 3Phase (Conv &Prepaid)	**2025/26 Approved**	**% Increase**	**2026/27 Proposed**	**2026/27 Recommended**	**% Increase**	**Analysis and key findings**
Basic Charge (R/month)	*7 375,38*	*13%*	*8 334,18*	*8 039,90*	*9.01%*	The Municipality's exceptionally high energy loss (60.76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Energy Charge: c/kWh	*256,5*	*13%*	*289,85*	*279,61*	*9.01%*	

Business Above 20A 1Phase (Conv &Prepaid)	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and key findings
Basic Charge (R/month)	*2 466,92*	*13%*	*2 787,62*	*2 689,19*	*9.01%*	The Municipality's exceptionally high energy loss (60.76% in 2024/25) remain the key driver of affordability and revenue-adequacy risk. Accordingly, the proposed average increase of 13% was reduced to 9.01% (aligned to ERTSA) to support funding of bulk purchases while limiting customer bill impacts. This approach protects affordability while placing emphasis on loss-reduction measures to improve future revenue recovery.
Energy Charge: c/kWh	*256,28*	*13%*	*289,60*	*279,37*	*9.01%*	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered the Msukaligwa Local Municipality's application, supporting information and applicable legal framework, approves the tariff adjustments as set out in the Reasons for Decision.

End.