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

**City of Tshwane Local Municipality**

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## THE DECISION

1. At its meeting held on 11 May 2026, the Regulator Executive Committee (REC) considered the City of Tshwane 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 19) below.

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

   2.1. approve the tariffs that are based on the Cost of Supply (COS) Study as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
   2.2. note the COS study submitted by the municipality;
   2.3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study to enable the National Energy Regulator of South Africa to perform its independent verification/audit process by 31 January 2027; and
   2.4. that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

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## ABBREVIATIONS

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

## 1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis, in accordance with the mandate of the Energy Regulator 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 City of Tshwane is situated in the Gauteng province. The municipality has a total of 504 285 customers, with an industrial customer base accounting for 51.45% of sales. The municipality applied for an average increase of 10.2% in the 2025/26 financial year and an average increase of 8.8% in the 2026/27 financial year. The municipality provides 100 kWh of Free Basic Electricity (FBE) per month to all the 46 778 registered indigent customers.

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

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

| Consumer classification | Sales (MWh) | %MWh | Number of consumers |
|---|---|---|---|
| Domestic (Prepaid) | 899 606 | 13.14 | 399 975 |
| Domestic (Conventional) | 403 102 | 5.89 | 78 715 |
| Agriculture | 72 704 | 1.06 | 9 577 |
| Manufacturing/Industrial | 3 522 634 | 51.45 | 1 096 |
| Commercial (Prepaid) | 393 529 | 5.75 | 2 793 |
| Commercial (Conventional) | 1 006 215 | 14.70 | 9 202 |
| Redistributors | 407 890 | 5.96 | 2 927 |
| Street lighting | 141 547 | 2.07 | |
| **Totals** | **6 847 228** | **100** | **504 285** |

| | | | |
|---|---|---|---|
| Free Basic Electricity | 47 877 | 3.68 | 46778 |

1.4. NERSA received the City of Tshwane's tariff application, together with its existing Cost of Supply (COS) which is based on the Cost-Plus methodology, on 31 March 2026.

1.5. For this application, the municipality has indicated that Council has approved the tariff application. The Council meeting at which this application was approved took place on 31 March 2026, and the Council resolution has been submitted to NERSA. Proof of customer consultation was also submitted on 31 March 2026.

1.6. NERSA followed the prescribed public notice and comment consultation process. City of Tshwane's tariff application was published on the NERSA website on 31

March 2026, on social media platforms and in national and local newspapers to solicit written comments from affected parties.

1.7. The licensee's depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The resulting depreciation is consistent with the licensee's total asset base of R8.9 billion, which is valued at approximately R78 465 million. The information was verified against the supporting source documents provided by the municipality, including the D-form, the Trial Balance and the Annual Financial Statements.

1.8. NERSA's decision was made on 11 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

## 2. LEGAL AND REGULATORY FRAMEWORK

### 2.1. Background

2.1.1. The approval of Municipal electricity tariffs constitutes a core regulatory function of 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).

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 2026/27 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:

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

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

## 2.3. Tariff Determination Principles under the ERA

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

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

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

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

## 2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, 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 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 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 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 a variation 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;
d) the publication of NERSA decisions by 11 May 2026.

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

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

2.9. **Conclusion**

2.9.1. 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 the City of Tshwane, the assessment relied on the Distribution forms (D-forms) for the 2026/27 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.

3.2. Table 2 below shows that the City of Tshwane Municipality's electricity business recorded a reduced surplus, decreasing from 4.25% in the 2023/24 financial year to 2.76% in the 2024/25 financial year. This indicates a reduction in the financial performance of the municipality due to high energy losses.

3.3. Energy losses increased from 19.09% in the 2023/24 financial year to 21.32% in the 2024/25 financial year, as shown in Table 2 below. The municipality is encouraged to continue monitoring its energy losses.

**Table 2: Performance Indicators**

| ***Performance indicators*** | ***Municipality 2024/25 D-forms Information*** | ***Municipality 2023/24 D-forms Information*** |
|---|---|---|
| *Percentage surplus: (%)* | 2.76 | 4.25[1] |
| *Energy Losses: (%)* | 21.32 | 19.09 |

3.4. The municipality has high energy losses of 21.32%, which significantly undermines its financial sustainability.

3.4.1 If losses were capped at 12%, the municipality would:

a) improve net revenue by approximately R1.4 billion; and
b) increase the surplus from 2.76% to 9.77%.

3.4.2 If losses were capped at 6%, the municipality would:

a) improve net revenue by approximately R2.4 billion; and

[1] Total Electricity Purchases divided by Total Expenditure

b) increase the surplus from 2.76% to 13.78%.

**Table 3: Sensitivity Analysis**

| | D-Form Input | Energy Loss@12% | Energy Loss@6% |
|---|---|---|---|
| Average Selling Price | 177,88 | | |
| Sales kWh | 6 847 228 030,35 | 7 658 630 114,96 | 8 180 809 440,98 |
| Purchases kWh | 8 702 988 767,00 | 8 702 988 767,00 | 8 702 988 767,00 |
| Losses kWh | 1 855 760 736,65 | 1 044 358 652,04 | 522 179 326,02 |
| Losses percentage | **21,32%** | **12,00%** | **6,00%** |
| Additional Energy (kWh) | | 811 402 084,61 | 1 333 581 410,63 |
| Additional Revenue (Rands) | | 1 443 322 028,11 | 2 372 174 613,24 |
| | D-Form Input | Energy Loss@12% | Energy Loss@6% |
| Total Revenue (Rands) | R 18 562 633 222,81 | R 20 005 955 250,93 | R 20 934 807 836,05 |
| Total Expenses (Rands) | R 18 050 862 420,00 | R 18 050 862 420,00 | R 18 050 862 420,00 |
| Net Profit (Loss) | R 511 770 802,81 | R 1 955 092 830,93 | R 2 883 945 416,05 |
| Percentage Surplus/Deficit | **2,76%** | **9,77%** | **13,78%** |

**General conclusion on the financial and technical indicators**

3.5. Based on the above information, the licensee's electricity department does not demonstrate satisfactory financial and technical performance, as reflected by the reduced surplus and relatively high energy losses. The low surplus indicates poor financial management and lack of effective cost recovery, and the high level of energy losses suggests inefficient network operations and lack of maintenance. Collectively, these factors lead to an unstable and non-sustainable electricity service.

## 4. DETERMINATION OF CITY OF TSHWANE'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

4.1. The municipality submitted its existing COS study, which supports the tariff application due to be approved in the 2026/27 financial year. The municipality's Cost of Supply study included of all requirements of NERSA's approved COS framework (i.e., Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

*4.2.* Policy position 23 states that

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

4.3. The Cost of Supply study confirms the existence of cross-subsidisation, with Commercial and Industrial customers effectively subsidising Residential customers. The municipality increased its domestic prepaid tariff by 6.39% and 5.25%, respectively.

4.4. The revenue requirement for the City of Tshwane Local Municipality was determined using a cost-plus methodology in accordance with the NERSA COS Framework.

4.5. 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.*

4.6. In line with section 18.7 mentioned above, Table 4 below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual FY2026/27 licensee performance and is sourced from the D-forms that are based on the audited annual statements.

ii. Column 2 is for the FY2026/27 revenues and electricity volume that are the base for FY2026/27 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 FY2026/27 Cost of Supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

iii. Column 3 is for the licensee's submitted FY2026/27 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.

iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.

v. Column 5 is for the NERSA's recommended amounts that sum up to allowable revenues the licensee must recover in FY2026/27. The total allowable revenue of R22.5 billion is for the FY2026/27 tariff review and is based on the Cost of Supply revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in Table 4 below.

4.7. The COS study is applicable for five years; however, municipalities need to reflect adjusted cost drivers for FY2026/27. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirement to ensure that municipalities do not over- or under-recover during the FY2026/27 tariff review process.

4.8. The Total Allowable Revenue of R22.5 billion is recommended in Table 4 below for the 2026/27 tariff review period and will form the basis on which the Regulator approves the tariffs. Since the COS study is valid for five years, municipalities need to reflect the adjustments to their cost drivers for each financial year under the existing COS (i.e., FY2026/27). NERSA utilised the budgeted figures to verify efficiencies and to ensure that municipalities do not over- or under-recover their operating overheads during the FY2026/27 tariff review process.

**Table 4: Municipality's Revenue Requirement**

| Energy balance | Unit | Actual FY 2024/25 Costs | FY2025/26 Tariffs Costs per submitted COS | FY2026/27 budgeted Costs as per the Licensee |
|---|---|---|---|---|
| **Sales** | kWh | 6 847 728 031 | 7 150 482 377 | 7 310 387 155 |
| | | | | |
| Eskom bulk purchases | kWh | 8 702 988 767 | 8 899 325 387 | 9 095 301 320 |
| Independent Power Producers Conventional | kWh | | - | - |
| Independent Power Producers Renewable Energy | kWh | | - | - |
| Self Generation | kWh | | - | - |
| Other | | | - | - |
| | | | | |
| **Total Energy Requirements** | **kWh** | **8 702 988 767** | **8 899 325 387** | **9 095 301 320** |
| Total Losses | kWh | 1 855 260 736 | 1 748 843 010 | 1 784 914 165 |
| Technical losses | kWh | 1 044 358 652 | 1 067 919 046 | 1 091 436 158 |
| Non-technical losses | kWh | -810 902 084 | -680 923 963 | -693 478 006 |
| **Allowed losses** | % | **12,00%** | **12,00%** | **12,00%** |
| **Total Energy losses** | % | 21,32% | 19,65% | 19,62% |
| | | | | |
| ***Cost drivers*** | | | | |
| Energy purchases from Eskom | Rand | 15 481 090 667 | 17 277 741 810 | 18 834 466 347 |
| other energy purchases | | | - | - |
| **total energy purchases** | | **15 481 090 667** | **17 277 741 810** | **18 834 466 347** |
| Cost of technical losses | Rand | | | |
| Non-Technical Losses | | | | |
| Other energy purchases | Rand | | | |
| Capital expenditure | Rand | | | |
| **Operational expenditure (incl. Depreciation** | **Rand** | **2 569 771 753** | **2 453 853 897** | **2 696 569 947** |
| General & Other | 0 | 1 986 113 596 | 1 873 329 226 | 1 954 147 779 |
| Salaries and allowances | Rand | 80 642 547 | 79 521 722 | 83 060 439 |
| Materials and supplies | Rand | 307 980 354 | 270 778 010 | 271 579 018 |
| Contracted Services | Rand | 111 690 653 | 116 541 534 | 113 004 693 |
| Salaries, wages and allowances (exclu. Repairs and Ma | Rand | 1 263 978 047 | 1 245 840 319 | 1 301 280 213 |
| Payments to consultants (operational work) | Rand | 0 | 0 | 0 |
| Eskom debts interest | Rand | | | |
| Current year depreciation | Rand | 78 465 818 | 82 389 109 | 86 508 564 |
| other general expenditure | Rand | 143 356 177 | 78 258 532 | 98 714 852 |
| Shared OPEX | Rand | 583 658 157 | 580 524 671 | 742 422 168 |
| Bad debts (Allowance for Impairment) | Rand | 535 470 828 | 574 524 671 | 736 200 188 |
| **General expenses** | | **48 187 329** | **6 000 000** | **6 221 980** |
| 4, Other interest payable | Rand | 48 187 329 | 6 000 000 | 6 221 980 |
| **Total Expediture before surplus** | | 18 050 862 420 | 19 731 595 707 | 21 531 036 294 |
| **Surplus** | Rand | 902 543 121 | 986 579 785 | 1 076 551 815 |
| **Total Expenditure Including Surplus** | | 18 953 405 541 | 20 718 175 492 | 22 607 588 109 |
| **Other revenues** | Rand | **-1 110 232 514** | **-668 386 605** | **-536 044 077** |
| Reconnection fees | Rand | 99 184 263 | 52 514 550 | 56 422 068 |
| New connections | Rand | 2 131 458 | 13 521 652 | 14 471 963 |
| 1.Interest earned | Rand | 362 683 957 | 411 825 086 | 434 475 466 |
| 2. Other Revenue - Government Grants and Subsidies | Rand | 620 514 141 | 16 000 000 | 30 674 580 |
| 2. Other Revenue - Illegal Connections | Rand | 25 718 695 | 174 525 317 | 0 |
| **Total Allowable Revenus** | **Rand** | **17 843 173 027** | **20 049 788 887** | **22 071 544 032** |
| **increase required** | | | | ***10,08%*** |

4.9. The actual figures were verified using Eskom invoices and verified electricity-related operating costs (tested against 2026/27 D-Forms, Trial Balance and Audited AFS). Only prudently incurred and efficiently verified costs, supplemented by a reasonable surplus margin, are recommended for approval. This forms the basis on which costs for the 2026/27 financial year will be projected using assumptions to calculate the revenue requirement.

4.10. Furthermore, NERSA has verified all expense items included in the revenue requirement to ensure that they relate only to the electricity function of the licensee. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly.

4.11. In line with COS Framework requirements, shared municipal costs were ring-fenced and allocated strictly to the electricity business using the D-Form. Cost attribution was verified against the Trial Balance and Audited AFS, ensuring separation of electricity and non-electricity functions. Any costs not demonstrably related to electricity distribution were adjusted or excluded. This approach ensures compliance with the principle of cost causality and prevents cross-subsidisation between municipal functions.

4.12. All expense items are included in the revenue requirements to ensure that they relate only to the electricity function of the licensee. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly.

4.13. It is important to test the efficiency and prudence of the costs in the 2026/27FY since this is the most recently considered revenue requirement underpinning the approved tariffs. This forms the basis on which costs for the 2026/27FY will be projected using assumptions to calculate revenue requirements for that year.

4.14. Furthermore, NERSA has verified all expense items included in the revenue requirement to ensure that they relate only to the electricity function of the licensee. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly.

**Bulk Purchases**

4.15. For the 2026/27 FY, the licensee applied for a bulk purchase expenditure of R18.8 billion of total costs, inclusive of the 12% energy loss allowance in line with the act that requires only the prudently and efficiently incurred cost to be passed through to customers.

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

**Operating Expenditure**

4.17. The licensee applied for operational expenditure, including depreciation of R3.1 billion, which accounts for 13.81% of total costs.
The approach taken by the licensee is not satisfactory to NERSA when forecasting its operational expenditure.

4.18. The Eskom bills were analysed and there is an Eskom interest of R410 million paid by the municipality. This cost has been disallowed since it is deemed an inefficient cost, and the Municipality can manage this cost by making payments on time to avoid further interest on the Eskom account. As a result, the OPEX has been adjusted from R3.1 billion to R2.7 billion, by removing the interest paid to Eskom, amounting to R410 million.

**Surplus**

4.19. The licensee applied for a surplus of R1billion and accounts for 4.88% of total costs.

4.19.1. In recommending a surplus, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which requires tariffs to enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return, in line with Electricity Pricing Policy (EPP) Position 1.

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

4.19.3. To ensure that the surplus remains modest and commensurate with risk, the interest paid to Eskom was disallowed. NERSA considers that the municipality must implement targeted corrective measures. These include reducing energy losses through accelerated metering, network refurbishment, and enforcement against illegal connections, improving billing, credit control, and revenue collection; prioritising capital and maintenance expenditure on the network.

4.19.4. From a regulatory perspective, these remedies should be supported by measurable implementation plans and periodic reporting to NERSA so that the Regulator can assess whether the risk profile is improving and whether the surplus allowed in future tariff determinations remain justified.

4.19.5. It is therefore recommended that the Energy Regulator approve allowable revenue of R22.1 billion, 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 below.

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| 1.3. DOMESTIC THREE-PHASE DEMAND SUPPLY: CONVENTIONAL AND PREPAID | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *1 128.22* | *8.8%* | *1 227.51* | *1 227.51* | *8.8%* | A uniform 8.8% increase is proposed on the basic, energy and demand charges for domestic three-phase demand customers. |
| Energy Charge: c/kWh | *228.76* | *8.8%* | *248.89* | *248.89* | *8.8%* | |
| Demand Charge: kVA | *210.45* | *8.8%* | *228.97* | *228.97* | *8.8%* | |

| 2.1 DOMESTIC BULK | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *1 128.78* | *8.8%* | *1 228.11* | *1 228.11* | *8.8%* | A uniform 8.8% increase is applied to the domestic bulk supply charges, including fixed and seasonal TOU energy components. |
| Energy Charge: c/kWh | *297.23* | *8.8%* | *323.39* | *323.39* | *8.8%* | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **2.2 DOMESTIC BULK STANDARD SUPPLY (TOU)** | | | | | | |
| Basic Charge: R/month | *1 128.78* | *8.8%* | *1 228.11* | *1 228.11* | *8.8%* | A uniform 8.8% increase is applied to the domestic bulk supply charges, including fixed and seasonal TOU energy components. |
| **Summer Energy Charges** | | | | | | |
| Peak: c/kWh | *412.54* | *8.8%* | *448.85* | *448.85* | *8.8%* | |
| Standard: c/kWh | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| *Off–Peak: c/kWh* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| **Winter Energy Charges** | | | | | | |
| *Peak: c/kWh* | *412.54* | *8.8%* | *448.85* | *448.85* | *8.8%* | |
| *Standard: c/kWh* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| *Off–Peak: c/kWh* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| **3 Agriculture and Farmland: Conventional & Prepaid** | | | | | | |
| | ***2026/27 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Analysis and key findings*** |
| **Energy Charge c/kWh** | *369.50* | *8.8%* | *402.02* | *402.02* | *8.8%* | A uniform 8.8% increase is proposed for agriculture and farmland tariffs. |

| **4. Commercial Tariffs**<br>**4.1.1 Single Phase: Conventional (≤ 60A)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Analysis and key findings*** |
| Basic Charge: R/month | *1 923.96* | *-48.02%* | *1 000.00* | *1 000.00* | *-48.02%* | The municipality proposes a significant reduction in the fixed charge and a higher increase in the energy charge for small commercial single-phase conventional customers. **Key finding**: the revised structure lowers the fixed monthly burden for lower-usage customers and shifts more recovery to energy-based billing, making the tariff more responsive to actual consumption. |
| Energy Charge c/kWh | *318.33* | *26.22%* | *401.80* | *401.80* | *26.22%* | |
| **4. Commercial Tariffs**<br>**4. 1. 2 Single Phase: Conventional (≥60A)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *2 521.14* | *-52.40%* | *1 200.00* | *1 200.00* | *-52.40%* | The tariff redesign materially reduces the fixed charge and increases the energy charge for larger single-phase conventional commercial customers. **Key finding**: this improves cost recovery through usage rather than fixed billing, which benefits lower-consuming customers while requiring higher-consuming customers to contribute more in proportion to energy use. |
| Energy Charge c/kWh | *318.33* | *26.22%* | *401.80* | *401.80* | *26.22%* | |

| **5. Non-Domestic Commercial Prepaid** | | | | | | |
|---|---|---|---|---|---|---|
| **5.1.1 Single Phase Prepaid (≤60A)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff analysis and key findings*** |
| Basic Charge: R/month | *1 831.92* | *-45.41%* | *1 000.00* | *1 000.00* | *-45.41%* | The prepaid commercial single-phase tariff reflects the same structural shift as the conventional equivalent, with a materially lower fixed charge and a higher energy charge.<br>**Key finding:** the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage prepaid customers while enabling higher-usage customers to contribute more through energy-based billing.<br>Reduction in fixed charges whilst increasing the variable cost. |
| Energy Charge c/kWh | *316.99* | *26.76%* | *401.80* | *401.80* | *26.76%* | |

**5.1.2 Single Phase Prepaid (≥60A)**

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *2 290.38* | *-47.61%* | *1 200.00* | *1 200.00* | *-47.61%* | The prepaid commercial single-phase tariff reflects the same structural shift as the conventional equivalent, with a materially lower fixed charge and a higher energy charge.<br>**Key finding**: the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage prepaid customers while enabling higher-usage customers to contribute more through energy-based billing.<br>Reduction in fixed charges whilst increasing the variable cost. |
| Energy Charge c/kWh | *316.99* | *26.76%* | *401.80* | *401.80* | *26.76%* | |

## 6. Commercial Conventional Three-Phase Tariffs

### 6.1 Conventional (≤60A)

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *5 854.97* | *-79.50%* | *1 200.00* | *1 200.00* | *-79.50%* | The prepaid commercial single-phase tariff reflects the same structural shift as the conventional equivalent, with a materially lower fixed charge and a higher energy charge.<br>**Key finding**: the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage prepaid customers while enabling higher-usage customers to contribute more through energy-based billing.<br>Reduction in fixed charges whilst increasing the variable cost. |
| Energy Charge c/kWh | *318.33* | *27.48%* | *405.80* | *405.80* | *27.48%* | |

| **6.2 Conventional Three Phase (80A)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *8 946.31* | *-86.59%* | *1 200.00* | *1 200.00* | *-86.59%* | The prepaid commercial tariff reflects the same structural shift as the conventional equivalent, with a materially lower fixed charge and a higher energy charge.<br>**Key finding**: the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage prepaid customers while enabling higher-usage customers to contribute more through energy-based billing.<br>Reduction in fixed charges whilst increasing the variable cost. |
| Energy Charge c/kWh | *318.33* | *27.48%* | *405.80* | *405.80* | *27.48%* | |

| **6.3 Conventional Three Phase (>80A ≤ 100)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *12 515.87* | *-90.41%* | *1 200.00* | *1 200.00* | *-90.41%* | The prepaid commercial single-phase tariff reflects the same structural shift as the conventional equivalent, with a materially lower fixed charge and a higher energy charge.<br>**Key finding**: the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage prepaid customers while enabling higher-usage customers to contribute more through energy-based billing.<br>Reduction in fixed charges whilst increasing the variable cost. |
| Energy Charge c/kWh | *318.33* | *27.48%* | *405.80* | *405.80* | *27.48%* | |

| **6.4 Conventional Three Phase (>100A ≤ 125)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *15 719.51* | *-92.37%* | *1 200.00* | *1 200.00* | *-92.37%* | The commercial tariff reflects a materially lower fixed charge and a higher energy charge.<br>**Key finding**: the revised structure improves the link between recovery and actual consumption, reducing the fixed burden on low-usage customers while higher-usage customers contribute more through energy-based billing. |
| Energy Charge c/kWh | *318.33* | *27.48%* | *405.80* | *405.80* | *27.48%* | |

**6.5 Conventional Three Phase (>125A ≤ 150)**

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *19 113.10* | *-93.72%* | *1 200.00* | *1 200.00* | *-93.72%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge c/kWh | *318.33* | *27.48%* | *405.80* | *405.80* | *27.48%* | |

**Commercial Prepaid Three-Phase Tariffs**

**7.1 Prepaid (60A)**

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *5 554.13* | *-78.39%* | *1 200.00* | *1 200.00* | *-78.39%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge c/kWh | *316.99* | *28.02%* | *405.80* | *405.80* | *28.02%* | |

**7.2 Prepaid (80A)**

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *8 405.10* | *-85.72%* | *1 200.00* | *1 200.00* | *-85.72%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge c/kWh | *316.99* | *28.02%* | *405.80* | *405.80* | *28.02%* | |

## 8. LOW-VOLTAGE THREE-PHASE DEMAND SCALE (CONVENTIONAL AND PREPAID)

| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| Basic Charge: R/month | *5 013.10* | *8.8%* | *5 454.25* | *5 454.25* | *8.8%* | Uniform increase proposed by the municipality. |
| Energy Charge: c/kWh | *228.74* | *8.8%* | *248.87* | *248.87* | *8.8%* | |
| Demand Charge: R/kVA | *359.17* | *8.8%* | *390.78* | *390.78* | *8.8%* | |

| **9. Industrial Time of Use (TOU) LV-3Phase Demand Scale** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| *Basic charge R/month* | *4 992.88* | *8.8%* | *5 432.25* | *5 432.25* | *8.8%* | Uniform increase of 8.8% proposed by the municipality. |
| *Demand charge R/kVA* | *359.17* | *8.8%* | *390.78* | *390.78* | *8.8%* | |
| ***Low Season*** | | | | | | |
| *Peak-Energy (c/kWh)* | *294.99* | *8.8%* | *320.94* | *320.94* | *8.8%* | |
| *Standard Energy(c/kWh)* | *185.77* | *8.8%* | *202.12* | *202.12* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *131.55* | *8.8%* | *143.13* | *143.13* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh* | *718.16* | *8.8%* | *781.36* | *781.36* | *8.8%* | |
| *Standard Energy (c/kWh)* | *275.23* | *8.8%* | *299.45* | *299.45* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *157.58* | *8.8%* | *171.45* | *171.45* | *8.8%* | |

| **10.11 kV SUPPLY SCALE (CONVENTIONAL OR PREPAID)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Analysis and key findings*** |
| Basic Charge: R/month | *4 287.94* | *8.8%* | *4 665.28* | *4 665.28* | *8.8%* | Uniform increase proposed by the municipality. |
| Energy Charge c/kWh | *219.09* | *8.8%* | *238.37* | *238.37* | *8.8%* | |
| Demand Charge: R/kVA | *350.20* | *8.8%* | *381.01* | *381.01* | *8.8%* | |

| ***11. 11 kV Scale (TOU) & MADIBENG*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| *Basic charge R/month* | *4 321.63* | *8.8%* | *4 701.94* | *4 701.94* | *8.8%* | Uniform increase proposed by the municipality. |
| *Demand charge R/kVA* | *358.06* | *8.8%* | *389.57* | *389.57* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh)* | *717.25* | *8.8%* | *780.37* | *780.37* | *8.8%* | |
| *Standard Energy(c/kWh)* | *261.98* | *8.8%* | *285.04* | *285.04* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *139.63* | *8.8%* | *151.92* | *151.92* | *8.8%* | |
| ***Low Season*** | | | | | | |
| *Peak Energy (c/kWh* | *274.76* | *8.8%* | *298.93* | *298.93* | *8.8%* | |
| *Standard Energy (c/kWh)* | *169.72* | *8.8%* | *184.65* | *184.65* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *120.10* | *8.8%* | *130.67* | *130.67* | *8.8%* | |

| ***12. 132kV scale (TOU) & MEGA*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| *Basic charge R/month* | *3 616.68* | *8.8%* | *3 934.95* | *3 934.95* | *8.8%* | Uniform increase proposed by the municipality. |
| *Demand charge R/kVA* | *237.96* | *8.8%* | *258.91* | *258.91* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh)* | *712.32* | *8.8%* | *775.00* | *775.00* | *8.8%* | |
| *Standard Energy(c/kWh)* | *244.48* | *8.8%* | *265.99* | *265.99* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *132.89* | *8.8%* | *144.58* | *144.58* | *8.8%* | |
| ***Low Season*** | | | | | | |
| *Peak Energy (c/kWh* | *261.98* | *8.8%* | *285.04* | *285.04* | *8.8%* | |
| *Standard Energy (c/kWh)* | *160.95* | *8.8%* | *175.11* | *175.11* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *114.73* | *8.8%* | *124.83* | *124.83* | *8.8%* | |

| 13. 132 kV Supply Scale-wind tunnel (CSIR) | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *3 616.68* | *8.8%* | *3 934.95* | *3 934.95* | *8.8%* | Uniform increase proposed by the municipality. |
| Energy Charge: c/kWh | *541.11* | *8.8%* | *588.73* | *588.73* | *8.8%* | |

| 14. Resellers Purchase Tariffs at Bulk Points | | | | | | |
|---|---|---|---|---|---|---|
| **14.1 Domestic Complexes** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *2 503.14* | *8.8%* | *2 723.41* | *2 723.41* | *8.8%* | Uniform increase proposed by the municipality. |
| Energy Charge: c/kWh | *297.23* | *8.8%* | *323.39* | *323.39* | *8.8%* | |

| **Reselling Tariffs to End Users** | | | | | | |
|---|---|---|---|---|---|---|
| **15. *Domestic Bulk TOU*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| *Basic charge R/month* | *2 503.14* | *8.8%* | *2 723.41* | *2 743.41* | *8.8%* | Uniform increase for all the components of the tariffs. |
| ***Low Season*** | | | | | | |
| *Peak Energy (c/kWh)* | *412.54* | *8.8%* | *448.85* | *448.85* | *8.8%* | |
| *Standard Energy(c/kWh)* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh* | *412.54* | *8.8%* | *448.85* | *448.85* | *8.8%* | |
| *Standard Energy (c/kWh)* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *278.74* | *8.8%* | *303.27* | *303.27* | *8.8%* | |

| **16.1 NON-DOMESTIC SINGLE PHASE: CONVENTIONAL** | | | | | | |
|---|---|---|---|---|---|---|
| **Conventional Single Phase: ($\leq 60A$)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *1 921.63* | *-99.48%* | *1 000.00* | *1 000.00* | *-99.48%* | |
| Energy Charge: c/kWh | *297.23* | *20.31%* | *373.00* | *373.00* | *20.31%* | |

| **16.2 Conventional Single Phase: ($\leq 80A$)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *2 518.75* | *-99.52%* | *1 200.00* | *1 200.00* | *-99.52%* | |
| Energy Charge: c/kWh | *297.23* | *20.31%* | *373.00* | *373.00* | *20.31%* | |

| **17.1. Resellers Purchase Tariffs at Bulk Points**<br>**Non- Domestic Single Tariffs: Prepaid Tariffs**<br>**Prepaid Single Phase: (≤ 60A)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *1 831.83* | *-83.18%* | *1 000.00* | *1 000.00* | *-83.18%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.23* | *20.31%* | *373.00* | *373.00* | *20.31%* | |

| **17.2 Prepaid Single Phase: (≥60A)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *2 446.95* | *-95.10%* | *1 200.00* | *1 200.00* | *-95.10%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.23* | *20.32%* | *373.00* | *373.00* | *20.32%* | |

| **17.3 Resellers Purchase Tariffs at Bulk Points** | | | | | | |
|---|---|---|---|---|---|---|
| **Non- Domestic Three- Phase Conventional (60A)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *5 854.70* | *-99.80%* | *1 200.00* | *1 200.00* | *-99.90%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |

| **17.4 Resellers Purchase Tariffs at Bulk Points** | | | | | | |
|---|---|---|---|---|---|---|
| **Non- Domestic Three- Phase: Conventional (80A)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *8 945.90* | *-86.59%* | *1 200.00* | *1 200.00* | *-86.59%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |

| **17.5 Conventional Three Phase (>80A ≤ 100)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *12 515.30* | *-90.41%* | *1 200.00* | *1 200.00* | *-90.41%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |
| **17.6 Conventional Three Phase (>100A ≤ 125)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *15 718.78* | *-92.37%* | *1 200.00* | *1 200.00* | *-92.37%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |

| **17.7 Conventional Three Phase (>125A ≤ 150)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *19 117.07* | *-99.72%* | *1 200.00* | *1 200.00* | *-99.72%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |

| **17.8 NON-DOMESTIC THREE PHASE: PREPAID** | | | | | | |
|---|---|---|---|---|---|---|
| **Prepaid Three Phase (>60 ≥80)** | | | | | | |
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *5 553.87* | *-78.39%* | *1 200.00* | *1 200.00* | *-78.39%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | *401.80* | *25.97%* | |

| **17.9 Prepaid Three Phase (<60 ≥80)** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *8 407.14* | *-85.72%* | *1 200.00* | *1 200.00* | *-85.72%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *297.44* | *25.97%* | *401.80* | 401.80 | *25.97%* | |

| **Resellers Purchase Tariffs at Bulk Points**<br>**17.10. Low Voltage 3Phase Demand Scale** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended% increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *17 514.69* | *8.8%* | *19 055.99* | *19 055.99* | *8.8%* | Reduction in fixed charges whilst increasing the variable cost – energy charges. |
| Energy Charge: c/kWh | *228.74* | *8.8%* | *248.87* | *248.87* | *8.8%* | |
| Demand charge R/kVA | *343.25* | *8.8%* | *373.45* | *373.45* | *8.8%* | |

| **17.11. Resellers Purchase Tariffs at Bulk Points** | | | | | | |
|---|---|---|---|---|---|---|
| ***LV-3Phase Demand Scale*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| *Basic charge* | *17 514.69* | *8.8%* | *19 055.99* | *19 055.99* | *8.8%* | Uniform increase for all the components of the municipality. |
| *Demand charge* | *343.25* | *8.8%* | *373.45* | *373.45* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh)* | *642.64* | *8.8%* | *699.19* | *699.19* | *8.8%* | |
| *Standard Energy(c/kWh)* | *252.12* | *8.8%* | *274.30* | *274.30* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *144.35* | *8.8%* | *157.06* | *157.06* | *8.8%* | |
| ***Low Season*** | | | | | | |
| *Peak Energy (c/kWh* | *263.54* | *8.8%* | *286.74* | *286.74* | *8.8%* | |
| *Standard Energy (c/kWh)* | *170.28* | *8.8%* | *185.26* | *185.26* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *120.33* | *8.8%* | *130.92* | *130.92* | *8.8%* | |

| **Resellers Purchase Tariffs at Bulk Points**<br>**17.12 kV Supply Scale - Industrial** | | | | | | |
|---|---|---|---|---|---|---|
| | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| Basic Charge: R/month | *25 022.81* | *8.8%* | *27 224.82* | *27 224.82* | *8.8%* | Uniform increase in the tariff rates. |
| Energy Charge: c/kWh | *215.49* | *8.8%* | *234.45* | *234.45* | *8.8%* | |
| Demand charge R/kVA | *343.02* | *8.8%* | *373.21* | *373.21* | *8.8%* | |

| **Resellers Purchase Tariffs at Bulk Points** | | | | | | |
|---|---|---|---|---|---|---|
| ***17.13 11kV Supply Scale (TOU)*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
| *Basic charge R/month* | *25 024.00* | *8.8%* | *27 226.11* | *27 226.11* | *8.8%* | Uniform increase across all the tariff components. |
| *Demand charge* | *340.68* | *8.8%* | *370.66* | *370.66* | *8.8%* | |
| ***High Season*** | | | | | | |
| *Peak Energy (c/kWh)* | *640.48* | *8.8%* | *696.85* | *696.85* | *8.8%* | |
| *Standard Energy(c/kWh)* | *239.31* | *8.8%* | *260.37* | *260.37* | *8.8%* | |
| *Off-peak Energy (c/kWh)* | *127.05* | *8.8%* | *138.23* | *138.23* | *8.8%* | |
| ***Low Season*** | | | | | | |
| *Peak Energy (c/kWh* | *245.37* | *8.8%* | *266.96* | *266.96* | *8.8%* | |
| *Standard Energy (c/kWh)* | *155.34* | *8.8%* | *169.00* | *169.00* | *8.8%* | |
| *Off-Peak hours energy (c/kWh)* | *109.53* | *8.8%* | *119.17* | *119.17* | *8.8%* | |
| | | | | | | |

| ***17.14: SSEG TARIFFS*** | ***2025/26 Approved Tariffs*** | ***2026/27 Proposed % increase*** | ***2026/27 Proposed Tariffs*** | ***2026/27 Recommended Tariffs*** | ***2026/27 Recommended % increase*** | ***Tariff Analysis and key findings*** |
|---|---|---|---|---|---|---|
| *Credit Reverse for excess generated* | *86.52* | *8.8%* | *94.13* | *94.13* | *8.8%* | Proposed a uniform increase. |
| *Wheeling Tariffs Tariff per kWh* | *102.12* | *8.8%* | *111.11* | *111.11* | *8.8%* | |
| *Domestic Single/ Three Phase* | *297.80* | *8.8%* | *324.00* | *324.00* | *8.8%* | |
| *Agricultural Holdings & Farmlands* | *1 157.20* | *8.8%* | *1 259.03* | *1 259.03* | *8.8%* | |

## 7. OVERALL TARIFF IMPACT ANALYSIS

7.1 This section provides a comprehensive analysis of the tariff adjustments for the 2026/27 financial year. Emphasis is placed on the changes to tariff components, notably the reduction in fixed (basic) charges and the corresponding increase in energy charges, in Non-Domestic Tariffs, as well as the resulting financial and economic impacts across customer categories.

7.2 The analysis is undertaken in line with regulatory principles of cost reflectivity, equity, efficiency, and financial sustainability. The municipality applied a uniform 8.8% tariff increase across most tariff categories. Notwithstanding this uniform increase, a material shift is evident, particularly within commercial and non-domestic tariffs, characterised by a significant reduction in fixed charges, in some instances exceeding 90%, with a corresponding increase in energy charges, generally ranging between 20% and 28%. This reflects a transition toward a consumption-based tariff structure, where cost recovery is increasingly driven by energy usage rather than fixed charges, based on structural tariff adjustments (Fixed vs Energy Charges).

## 8. CONFIDENTIALITY

8.1 None.

## 9. CONCLUSION

9.1 The Energy Regulator, having considered the City of Tshwane's application, supporting information, stakeholder inputs, and applicable legal framework, approve the tariff adjustments as set out in this Reasons for Decision.

***End.***