NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Overstrand Local Municipality

THE DECISION

At its meeting held on 11 May 2026, the Regulator Executive Committee (REC) considered Overstrand Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) as set out on the tariff analysis section 7 on page 19 of the RFD.

Based on the information submitted and the analysis conducted, the REC decided at its meeting on 11 May 2026, that:

a) to approve the tariffs that are based on the Cost of Supply (COS) study as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
b) to note the COS study submitted by the municipality; and
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.

Page 2 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9188/OverstrandMunicipality-ReasonsforDecisionontariffFY2026-27.p

LIST OF TABLES

Table 1: Customer statistics (data obtained from the latest D-forms – 2024/25FY 5
Table 2: Performance indicators 9
Table 3: Municipality's Revenue Requirement 11
Table 4: Summary and Analysis of stakeholder comments 17

ABBREVIATIONS

AFS	Annual Financial Statements
CAPEX	Capital Expenditure
COS	Cost of Supply
CPI	Consumer Price Index
D-form	Distribution form
ERTSA	Eskom's Retail Tariff Structural Adjustments
FBE	Free Basic Electricity
FY	Financial Year
LV	Low Voltage
IBT	Inclining Block Tariff
IPP	Independent Power Producer
MFMA	Municipal Finance Management Act
MV	medium voltage
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
NMD	Notified Maximum Demand
OPEX	Operating Expenditure
ROR	Rate of Return
TOU	Time-of-Use

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. Overstrand is situated in the Western Cape. The municipality is made up mostly of commercial customers, which consume 56.10% of the total electricity sales. The municipality provides its indigent customers with 50 kWh of Free Basic Electricity (FBE) per month. The municipality further reports that it maintains an indigent register. The details regarding customer statistics are highlighted in Table 1 below.

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

Customer categories	MWh	% MWh	Customer numbers
Domestic Prepaid	70 945	31.13	23 769
Domestic Conventional	25 278	11.0	5 227
Commercial Prepaid	5 759	2.53	815
Commercial Conventional	122 074	53.57	704
Street Lighting	1 321	0.5	0
Own Use	2 491	1.09	138
TOTAL	**227 868**	**100**	**30 653**
FBE[1]	6 127	6.37[2]	5 568

1.3. NERSA received Overstrand's tariff application together with its existing Cost of Supply (COS) on 31 March 2026.

1.4. Overstrand implemented an 10.40% average price increase in 2025/26FY and is applying for an average price increase of 8.50% for the 2026/27FY.

1.5. The Municipality submitted its council resolution and proof of having conducted customer consultation together with its tariff application on 31 March 2026.

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

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

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

[2] Percentage of Domestic MWh.

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 Price Determination and Eskom Retail Tariff and Structural Adjustment (ERTSA) decision and is undertaken annually in order to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003; MFMA).

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

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/2027 municipal financial year.

2.2. Statutory Mandate of the Energy Regulator

2.2.1. NERSA is established as a juristic person in terms of section 3 of 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 ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by ERA. Section 3 of 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 ERA.

2.2.2. In particular:

- Section 4(a)(i) of ERA provides that the Energy Regulator must consider applications for licensees and may issue licenses subject to conditions.
- Section 4(a)(ii) of ERA provides that the Energy Regulator must regulate prices and tariffs.
- Section 14(1)(d) of ERA authorises the Energy Regulator to impose license 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 licenses issued by the Energy Regulator and are therefore subject to the tariff approval framework established under ERA.

2.3. Tariff Determination Principles under ERA

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

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

- must enable an efficient licensee to recover the full cost of the licensed activity;
- must allow for a reasonable return commensurate with the risk of the licensed activity;
- may provide incentives for continued improvement of technical and economic efficiency;
- must avoid undue discrimination between customer categories;
- may permit cross-subsidies of tariffs to certain classes of customers; and
- 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 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 COS methodologies have historically not been consistently applied across the electricity distribution industry.

2.6.3. 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 2025/26FY 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. having heard NERSA's application, the Court granted the variation application in respect of the fixed deadlines for the 2026/27FY municipal tariff approvals.

2.8. Court-Directed Timelines

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

- written notice of bulk tariffs by 6 March 2026;
- municipal tariff applications to be submitted by 31 March 2026;
- public participation processes to be concluded by 21 April 2026; and
- the publication of NERSA decisions by 11 May 2026.

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

- written notice of bulk electricity tariffs to be communicated by 31 January each year;
- municipal tariff applications to be submitted to NERSA by 20 March each year;
- municipal tariff approvals and the tariff reasons for decision document to 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 NERA, ERA, PAJA, the 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 evaluating the financial and technical performance of Overstrand, the assessment relied on the Distribution forms (D-forms) for the 2024/25FY 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 indicates that Overstrand's electricity business recorded an increase in percentage surplus from 6.89% in the 2023/24FY to 12.68% in the 2024/25FY. The increase is attributed to an improvement in the increased revenue from reconnections and new connections.

3.3. The energy losses declined from 7.61% in the 2023/24FY to 6.88% in the 2024/25FY as highlighted in Table 2 below. The municipality is encouraged to keep energy losses at low levels.

Table 2: Performance indicators

Performance indicators	**Municipality 2024/25 D-forms information**	**Municipality 2023/24 D-forms information**
Percentage surplus **(%)**:	12.68	6.89[3]
Energy Losses **(%)**:	6.88	7.61

3.4. Based on the information above, the licensee's electricity department demonstrates satisfactory financial and operational performance, as evidenced by the recorded surplus and relatively low energy losses. The surplus indicates prudent financial management and cost recovery, while the low level of energy losses suggests effective network maintenance and operational efficiency. Collectively, these factors point to a stable and sustainable electricity service function.

4. DETERMINATION OF OVERSTRAND'S TARIFFS BASED ON THE COS STUDY

4.1. The municipality submitted its existing COS study, which supports the tariffs application to be approved in the 2026/27FY. The municipality's COS study was inclusive of all requirements of NERSA's approved COS framework (i.e., Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

[3] Total Electricity Purchases divided by Total Expenditure.

4.2. Policy Position 23 states:

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. Overstrand Municipality's 2026/27FY tariff application is based on an existing COS study. The study is valid for five years and has been adjusted to reflect key cost drivers for the 2026/27FY in line with section 18.7 of the COS Framework.

4.4. The municipality applied a cost-plus methodology, and not a rate of return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows:

4.4.1. efficient and prudent operating expenditure (OPEX);
4.4.2. plus depreciation (as a proxy for asset consumption and future replacement);
4.4.3. plus a reasonable surplus margin.

4.5. Section 18.7 of October 2023 NERSA-approved COS Framework states:

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, **Error! Reference source not found.** below was developed, and the definition of the columns is as follows:

i) Column 1 is the actual 2024/25FY licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii) Column 2 is for the 2025/26FY revenues and electricity volume upon which the 2026/27FY tariffs are based. The figures were tested for reasonableness (since, at the time of approval, the figures were estimates) when the Regulator considered and approved the 2026/27FY COS base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.
iii) Column 3 is for the licensee's submitted 2026/27FY 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 total up to allowable revenues the licensee must recover in 2026/27FY.

4.7. The total allowable revenue of R724 million is for the 2025/26FY tariff review and is based on the COS revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in Table 3 below.

4.8. The COS study is applicable for five years; however, municipalities need to reflect the adjustments on their cost drivers for the 2026/27FY. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirements to ensure that municipalities do not over- or under-recover during the 2026/27FY tariff review process.

4.9. To determine an increase applicable for the 2026/27FY, the licensee submitted its 2026/27FY cost (budgeted cost plus surplus) as requested by NERSA, and total budgeted required revenue, which amounted to R787 million for the 2026/27FY tariff review process.

Table 3: Municipality's Revenue Requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	227 868 813	227 868 813	227 868 813	**0,00%**	227 868 813
Eskom bulk purchases	kWh	244 705 803	244 705 803	244 705 803	**0,00%**	244 705 803
Total Energy Requirements	**kWh**	**244 705 803**	**244 705 803**	**244 705 803**		**244 705 803**
Total Losses	kWh	16 836 990	16 836 990	16 836 990		16 836 990
Technical losses	kWh	16 836 990	16 836 990	16 836 990	-	16 836 990
Allowed losses	%	**6,88%**	**6,88%**	**6,88%**		**6,88%**
Total Energy losses	%	6,88%	6,88%	6,88%		6,88%
Cost drivers						
Energy purchases from Eskom	Rand	481 546 885	553 189 858	604 701 616	-	604 701 616
Total energy purchases		**481 546 885**	**553 189 858**	**604 701 616**	**0**	**604 701 616**
Cost of technical losses	Rand	28 892 813	33 191 391	36 282 097	5 324 416	41 606 513
Non-Technical Losses		4 240 035	4 870 853	5 324 416	-5 324 416	0
Capital expenditure	Rand	45 169 145	34 704 969	33 755 156	-	-
Operational expenditure (incl. Depreciation)	**Rand**	**174 645 616**	**204 278 057**	**203 034 931**	**-13 455 000**	**189 579 931**
General & Other	0	87 309 449	93 832 411	104 732 335	-13 455 000	91 277 335
Salaries and allowances	Rand	30 851 184	34 076 929	40 369 766	0	40 369 766
Materials and supplies	Rand	7 837 328	10 919 621	11 469 000	0	11 469 000
Contracted Services	Rand	7 123 200	7 016 173	9 361 647	0	9 361 647
Interest on Loans	Rand	14 090 827	13 175 000	13 455 000	-13 455 000	0
Current year depreciation	Rand	27 406 909	28 644 688	30 076 922	0	30 076 922
Shared OPEX	Rand	87 336 167	110 445 646	98 302 596	0	98 302 596
Bad debts (Allowance for Impairment)	Rand	16 027 620	27 794 625	9 821 340	0	9 821 340
Charges from other Municipal Departments	Rand	69 996 960	80 688 765	86 094 936	0	86 094 936
Operating Leases	Rand	1 311 588	1 962 256	2 386 321	0	2 386 321
Total Expediture before surplus		685 085 314	795 530 160	849 343 060	0	835 888 060
Surplus	Rand	51 277 247	7 477 169	28 497 417	-14 248 709	14 248 709
Total Expenditure Including Surplus		736 362 560	803 007 329	877 840 477	-27 703 709	850 136 769
Other revenues	Rand	**-68 738 671**	**-78 344 709**	**-90 180 600**	**0**	**-90 180 600**
Reconnection fees	Rand	0	1 500 100	0	0	0
New connections	Rand	1 911 885	0	2 000 000	0	2 000 000
Free Basic Electricity (Equitable share)	Rand	47 149 895	62 936 609	58 041 600	0	58 041 600
Other Revenue - Government Grants and Subsidies	Rand	19 676 891	13 908 000	30 139 000		30 139 000
Total Allowable Revenus	**Rand**	**667 623 889**	**724 662 620**	**787 659 877**	**-27 703 709**	**759 956 169**
increase required				***8,69%***	***4,87%***	

4.10. It is important to test the efficiency and prudency of the costs in the 2025/26FY since these are the most recently considered revenues in support of the approved tariffs during this period. This forms the basis on which costs for the 2026/27FY will be projected using assumptions to calculate revenue requirements for that year.

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

Bulk purchases

4.12. The licensee applied for a bulk purchase expenditure of R604 million, which accounts for 77% of total costs, inclusive of the 6.88% energy loss allowance in line with the act that requires only the prudently and efficiently incurred costs to be passed through to customers.

4.13. To get to the 2026/27FY estimate, the licensee projected the year-to-date amount for 2025/26FY, 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 ERTSA.

4.14. The Eskom bills were analysed and there are no NMD exceedance penalties charged. Furthermore, the Municipality is up to date with its Eskom bulk account and therefore does not incur interest charges.

Operating Expenditure (including depreciation)

4.15. The licensee applied for operational expenditure including depreciation of R203 million as highlighted in Table 3 above.

4.16. The Municipality adjusted the expenditure linked to the 2025/26FY tariffs, decreasing it from R204 million to a budgeted amount of R203 million, reflecting a 1% decrease in costs.

General Costs and Other

4.17. Salaries and allowances under the Electricity Department comprise employee-related costs incurred for staff involved in the operation, maintenance, administration and management of the electricity function. These costs typically include basic salaries, overtime, standby and travel allowances and other employee benefits for technical, operational, administrative and managerial personnel within the department. The charges applied for increased by 18% from R34 million in the 2025/26FY to R40 million in the 2026/27FY.

4.18. The Materials & Supplies line item includes cables, transformers, switchgear, meters, poles, streetlight components, protective equipment, maintenance materials, network repair items, electrical consumables and replacement parts for the network. These costs are necessary to ensure continuity and reliability of supply and therefore form

part of the prudent cost of service. The charges applied for increased by 5% from R10.9 million in the 2025/26FY to R11.4 million in the 2026/27FY.

4.19. Contracted services form part of the municipality's prudent operating costs and are necessary to support the operation, maintenance, repair and technical management of the electricity network. The municipality indicated that it contracted consultants for engineering services and construction contractors for electrification and network upgrades. The charges applied for increased by 33% from R7 million in the 2025/26FY to R9.3 million in the 2026/27FY.

4.20. Interest on loans comprises financing costs incurred by the Electricity Department on borrowed funds utilised to finance electricity-related infrastructure, capital projects, and other operational requirements. These expenses typically include interest payments on long-term loans, development finance borrowings and other debt instruments used to support the construction, refurbishment or upgrading of electricity network assets and infrastructure.

4.21. The municipality indicated that the interest on loans relates to capital projects undertaken to strengthen and expand the electricity network infrastructure. These projects include the MV & LV upgrade and replacement project, the electrification of low-cost housing areas, the Kleinmond MV & LV network upgrade, and the electricity transformers capital replacement contingency project. The projects are aimed at improving network reliability, replacing aging infrastructure, expanding electricity access, and ensuring the long-term sustainability and operational efficiency of the electricity distribution system. The charges applied for increased by 2% from R13.1 million in the 2025/26FY to R13.4 million in the 2026/27FY. The interest on loans charges has been disallowed, thereby ensuring that customers are not burdened with avoidable costs.

Depreciation

4.22. Depreciation is a key component of operational expenditure, as it enables the recovery of electricity infrastructure costs over the useful life of the assets. An adequate provision for depreciation is essential to ensure the long-term sustainability of the electricity undertaking and to facilitate the future refurbishment and replacement of aging network infrastructure.

4.23. The municipality reported an asset value of R1 261 609 754, as reflected in its submitted D-forms for the 2024/25FY. This amount was verified against the audited AFS, the trial balance and supporting financial information.

4.24. Depreciation for the 2024/25FY amounted to R27 406 909, calculated using the straight-line method over the useful lives of the respective assets. This amount was extracted from the submitted 2024/25FY D-form and verified against the audited 2024/25 AFS. The projected depreciation for 2025/26FY is R28 644 688, increasing to R30 076 922 in the 2026/27FY budget, reflecting a growth of approximately 5%.

Shared Operating Expenditure

4.25. Bad debts (Allowance for Impairment) comprise a provision made for amounts owed by customers that may not be recoverable. This operating expense is recognised to account for the risk of non-payment of electricity revenue and is typically based on the municipality's historical collection trends, aging of debtor accounts, and expected credit losses. The applied amount of R9.8 million represents 1.25% of the applied revenue requirement.

4.26. Charges from other municipal departments comprise costs allocated to the Electricity Department for support and shared services rendered by other departments within the municipality. These charges typically include services such as finance, human resources, information technology, legal services, fleet management, internal audit, facilities management and other corporate or administrative support functions provided to the electricity undertaking. The charges applied for increased by 7% from R80 million in the 2025/26FY to R86 million in the 2026/27FY.

4.27. Operating lease expenses comprise costs incurred by the Electricity Department for the rental or leasing of assets used in its operations without obtaining ownership of those assets. These expenses typically include lease payments for office buildings, vehicles, equipment, machinery, printers and other operational assets required to support the provision and administration of electricity services. The charges applied for increased by 22% from R1.9 million in the 2025/26FY to R2.3 million in the 2026/27FY.

Surplus

4.28. The municipality applied for a surplus of R28 million, which is based on a 4% return on OPEX, including bulk purchases. The applied surplus was assessed against the municipality's financial performance, operational requirements, cost-reflectivity principles and the affordability impact on consumers.

4.29. The Energy Regulator notes that maintaining an appropriate level of surplus is necessary to mitigate financial and operational risks associated with the electricity business. An inadequate surplus may expose the municipality to risks such as:

4.29.1. insufficient cash flow to fund operations and maintenance activities;
4.29.2. deterioration of network infrastructure due to underinvestment;
4.29.3. increased reliance on borrowing or cross-subsidisation from other municipal functions;
4.29.4. inability to respond effectively to network failures and emergency repairs; and
4.29.5. weakening of the long-term financial sustainability of the electricity undertaking.

4.30. To ensure that the surplus is not excessive or detrimental to consumers, NERSA relied on section 15(1)(a) of ERA, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision, together with the COS methodology, NERSA is

required to ensure that Overstrand recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.31. The municipality's proposed surplus of R28.4 million has been adjusted downward to R14.2 million to ensure that the municipality does not over-recover revenue through electricity tariffs. The adjustment further considered the municipality's relatively strong financial position and aims to maintain an appropriate balance between financial sustainability, cost reflectivity and the protection of customers against excessive tariff increases.

4.32. This ensures that the municipality's surplus is proportionate to the risks associated with an inadequate surplus, particularly within the context of a municipal distributor that is not profit-maximising but is required to remain financially sustainable.

Conclusion on Costs to Serve

4.33. While the COS study outcome reflected an average tariff increase of 27.47% for the licensee to achieve full cost reflectivity, the municipality adopted a 3-year phase-in approach to implement tariff increases below the COS outcomes. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to drive the demand for its electricity services.

4.34. Significantly higher tariffs could negatively impact the licensee by reducing customer demand and sales. The licensee also considered the broader affordability impact on customers in determining the pace of its tariff adjustments.

4.35. This approach will assist in protecting the municipality's revenue base and support its financial sustainability, as required by legislation.

4.36. Furthermore, The COS is based on a forecast, therefore resulting in a higher average percentage increase for the municipality to reach cost reflectivity. It is for this reason that the municipality will be requested to submit a report accounting for all the costs that have been noted in its COS study, to enable the Regulator to perform its independent verification/audit process.

4.37. The COS identified several cross-subsidies within the municipality's electricity tariffs, primarily relating to indigent and low-income customer support, domestic tariff structures and Time-of-Use tariffs. The report noted that Free Basic Electricity, lifeline tariffs, waived or reduced basic charges, and certain indigent subsidies are partly funded through the equitable share, while others are effectively funded through electricity tariff cross-subsidisation. In addition, the domestic Inclining Block Tariff structure and the absence of adequate capacity charges are considered not fully cost-reflective, leading to distortions in cost recovery across customer categories. The report further identifies that the Time-of-Use tariffs do not appropriately reflect seasonal and peak demand cost differences, resulting in electricity being sold at a loss during high-demand periods and at excessive margins during low-demand periods.

Page 16 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9188/OverstrandMunicipality-ReasonsforDecisionontariffFY2026-27.p

Page 17 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9188/OverstrandMunicipality-ReasonsforDecisionontariffFY2026-27.p

Page 18 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9188/OverstrandMunicipality-ReasonsforDecisionontariffFY2026-27.p

Page 19 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9188/OverstrandMunicipality-ReasonsforDecisionontariffFY2026-27.p

2. Domestic single-phase two-part tariff 60 A: Credit meters	**2025/26 approved tariff**	**2026/27 proposed tariff**	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 350) c/kWh	232.91	255.52	9.71%	255.52	9.71%	The COS study indicates that this tariff is over-recovering by approximately 13.40%, suggesting that current tariff levels exceed the cost of service. The proposed tariff adjustments reflect a mixed approach. While energy charges in Block 2 (-0.73%) and Block 3 (-6.05%) are reduced, and the basic charge is decreased (-16.11%), there is a significant increase in the capacity charge (20%). For the third year of COS implementation, the 20% increase in the capacity charge moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27 financial year is a necessary step to achieve cost-reflective tariffs and ensure the financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services
Block 2 (351 - 600) c/kWh	287.82	285.73	-0.73%	285.73	-0.73%	
Block 3 (> 600) c/kWh	327.17	307.38	-6.05%	307.38	-6.05%	
Basic Charge (R/month)	413.97	420.78	1.65%	420.78	1.65%	
Capacity Charge (R/Month): 60 A	328.80	394.56	20.00%	394.56	20.00%	

3. Domestic single-phase two-part tariff up to 60 A: Prepaid	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 350) c/kWh	223.97	250.60	11.89%	250.60	11.89%	The COS study indicates that this tariff is over-recovering by approximately 30.5%, suggesting that current tariff levels are significantly above the cost of supply. The proposed tariff adjustments reflect a rebalancing of charges, with reductions in higher consumption energy blocks (Block 3: -5.05%) and a decrease in the basic charge (-16.11%). However, capacity charges across all amp levels (20%) and Block 1 energy charges are increasing (11.89%). For the third year of COS implementation, the 20% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27 financial year is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Block 2 (351 - 600) c/kWh	277.90	280.28	0.86%	280.28	0.86%	
Block 3 (> 600) c/kWh	318.97	302.87	-5.05%	302.87	-5.05%	
Capacity Charge (R/Month): 30 A	164.40	197.28	20.00%	197.28	20.00%	
Capacity Charge (R/Month): 40 A	219.20	263.04	20.00%	263.04	20.00%	
Capacity Charge (R/Month): 50 A	274.00	328.80	20.00%	328.80	20.00%	
Capacity Charge (R/Month): 60 A	328.80	394.56	20.00%	394.56	20.00%	
Basic Charge (R/month)	413.97	420.78	1.65%	420.78	1.65%	

4. Domestic three-phase two-part tariff up to 100 A: Credit	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 350) c/kWh	225.76	256.13	13.45%	256.13	13.45%	The COS study indicates that this tariff is over-recovering by approximately 22.8%, suggesting that current tariff levels exceed the cost of supply. The proposed tariff adjustments reflect a rebalancing of charges, with reductions in higher consumption energy blocks (Block 2: -0.84%; Block 3: -5.89%) and a significant decrease in the basic charge (-25.45%). For the third year of COS implementation, the 20% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Block 2 (351 - 600) c/kWh	288.53	286.12	-0.84%	286.12	-0.84%	
Block 3 (> 600) c/kWh	325.86	306.66	-5.89%	306.66	-5.89%	
Basic Charge (R/month)	742.44	754.69	1.65%	754.69	1.65%	
Capacity Charge (R/Month) :40 A	657.60	789.12	20.00%	789.12	20.00%	
Capacity Charge (R/Month): 60 A	986.40	1 183.68	20.00%	1 183.68	20.00%	
Capacity Charge (R/Month): 80 A	1 315.20	1 578.24	20.00%	1 578.24	20.00%	
Capacity Charge (R/Month): 100 A	1 644.00	1 972.80	20.00%	1 972.80	20.00%	

5. Domestic three-phase two-part tariff up to 100 A: Prepaid	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Block 1 (0 - 350) c/kWh	225.00	251.17	11.63%	251.17	11.63%	The COS study indicates that this tariff is over-recovering by approximately 16.5%, implying that current tariff levels exceed the cost of supply. The proposed tariff adjustments reflect a rebalancing of charges, with a decrease in the basic charge (-25.45%) and reductions in higher consumption energy blocks (Block 3: -4.89%), while Block 2 shows a marginal increase (0.74%) and Block 1 increases by 11.63%. For the third year of COS implementation, the 20% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure the financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Block 2 (351 - 600) c/kWh	278.57	280.64	0.74%	280.64	0.74%	
Block 3 (> 600) c/kWh	317.71	302.18	-4.89%	302.18	-4.89%	
Basic Charge (R/month)	742.44	754.69	1.65%	754.69	1.65%	
Capacity Charge (R/Month): 40 A	657.60	789.12	20.00%	789.12	20.00%	
Capacity Charge (R/Month): 60 A	986.40	1 183.68	20.00%	1 183.68	20.00%	
Capacity Charge (R/Month): 80 A	1 315.20	1 578.24	20.00%	1 578.24	20.00%	
Capacity Charge (R/Month): 100 A	1 644.00	1 972.80	20.00%	1 972.80	20.00%	

6. Two-part tariff (prepaid meters only): Local Economic Development Projects	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	303.36	303.48	0.04%	303.48	0.04%	The COS study indicates that this tariff is marginally over-recovering by approximately 0.6%, suggesting that current tariff levels are broadly aligned with the cost of supply. The proposed tariff adjustments reflect a significant increase in fixed charges, with the basic charge increasing by 65.06% and capacity charges across all amp levels increasing by approximately 64.92%, while the energy charge remains largely unchanged (0.04%). For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services and contribute to an overall reduction in revenue to eliminate over-recovery.
Basic Charge (R/month)	108.62	126.17	16.16%	126.17	16.16%	
Capacity Charge (R/Month): 30 A	252.30	292.80	16.05%	292.80	16.05%	
Capacity Charge (R/Month): 40 A	336.40	390.40	16.05%	390.40	16.05%	
Capacity Charge (R/Month): 50 A	420.50	488.00	16.05%	488.00	16.05%	
Capacity Charge (R/Month): 60 A	504.60	585.60	16.05%	585.60	16.05%	

7. Commercial single-phase credit meter	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	413.97	413.97	0%	413.97	0%	The COS study indicates that this tariff is over-recovering by approximately 12.80%, suggesting that current tariff levels exceed the cost of supply. The proposed tariff adjustments include a reduction in the basic charge (-16.11%) and a slight decrease in the energy charge (-1.55%). For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories. The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Energy charge (c/kWh)	289.69	285.20	-1.55%	285.20	-1.55%	
Capacity Charge (R/Month): 30 A	252.30	292.80	16.05%	292.80	16.05%	
Capacity Charge (R/Month): 40 A	336.40	390.40	16.05%	390.40	16.05%	
Capacity Charge (R/Month): 50 A	420.50	488.00	16.05%	488.00	16.05%	
Capacity Charge (R/Month): 60 A	504.60	585.60	16.05%	585.60	16.05%	

8. Commercial Single-Phase Prepaid Meter	***2025/26 approved tariff***	***202627 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	413.97	413.97	0%	413.97	0%	The COS study indicates that this tariff is over-recovering by approximately 14.60%, implying that current tariff levels exceed the cost of supply. The proposed tariff adjustments reflect a reduction in the basic charge (-16.11%) and a negligible change in the energy charge (0.02%). For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency, and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27 financial year to assist customers in better understanding their municipal accounts and electricity services.
Energy charge (c/kWh)	279.58	279.64	0.02%	279.64	0.02%	
Capacity Charge (R/Month): 30 A	252.30	292.80	16.05%	292.80	16.05%	
Capacity Charge (R/Month): 40 A	336.40	390.40	16.05%	390.40	16.05%	
Capacity Charge (R/Month): 50 A	420.50	488.00	16.05%	488.00	16.05%	
Capacity Charge (R/Month): 60 A	504.60	585.60	16.05%	585.60	16.05%	

9. Commercial three-phase two-part tariff up to 100 A: Credit	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	742.44	754.69	1.65%	754.69	1.65%	The COS study indicates that this tariff is over-recovering by approximately 9.80%, suggesting that current tariff levels exceed the cost of supply. The proposed tariff adjustments include a reduction in the basic charge (-25.45%) and a slight decrease in the energy charge (-1.55%). For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency, and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Energy charge (c/kWh)	289.69	285.20	-1.55%	285.20	-1.55%	
Capacity Charge (R/Month): 40 A	1 009.20	1 171.20	16.05%	1 171.20	16.05%	
Capacity Charge (R/Month): 60 A	1 513.80	1 756.80	16.05%	1 756.80	16.05%	
Capacity Charge (R/Month): 80 A	2 018.40	2 342.40	16.05%	2 342.40	16.05%	
Capacity Charge (R/Month): 100 A	2 523.00	2 928.00	16.05%	2 928.00	16.05%	

10. Commercial three-phase two-part tariff up to 100 A: Prepaid	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Basic Charge (R/month)	742.44	754.69	1.65%	754.69	1.65%	The COS study indicates this tariff is over-recovering by approximately 11.7%, indicating that current tariff levels exceed the cost of supply. The proposed tariff adjustments reflect a reduction in the basic charge (-25.45%) and a negligible change in the energy charge (0.02%). For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services
Energy charge (c/kWh)	279.58	279.64	0.02%	279.64	0.02%	
Capacity Charge (R/Month): 40 A	1 009.20	1 171.20	16.05%	1 171.20	16.05%	
Capacity Charge (R/Month): 60 A	1 513.80	1 756.80	16.05%	1 756.80	16.05%	
Capacity Charge (R/Month): 80 A	2 018.40	2 342.40	16.05%	2 342.40	16.05%	
Capacity Charge (R/Month): 100 A	2 523.00	2 928.00	16.05%	2 928.00	16.05%	

11. Businesses, flats, sportsgrounds, churches (minimum of 800 kWh average for 12 months)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	323.99	303.48	-6.33%	303.48	-6.33%	The COS study indicates that this tariff category is over-recovering by approximately 8%, suggesting that current tariff levels exceed the cost of supply. The proposed tariff adjustments include a decrease in the energy charge (-6.33%), which partially addresses the over-recovery. For the third year of COS implementation, the 16% increase in the capacity charges moves this tariff closer to economic efficiency, discouraging cross-subsidisation and ensuring fairness across customer categories. The increase in capacity charges for the 2026/27FY is a necessary step to achieve cost-reflective tariffs and ensure financial sustainability of the municipality. It is also a crucial step in ensuring that costs are distributed fairly throughout all customer categories The municipality further indicated that customer education is recognised as a critical component of demand management, transparency and good governance. In this regard, the municipality committed to implementing additional customer awareness campaigns and support initiatives during the 2026/27FY to assist customers in better understanding their municipal accounts and electricity services.
Basic Charge (R/month)	108.62	126.18	16.16%	126.18	16.16%	
Capacity Charge (R/Month): 40 A	1 009.20	1 171.20	16.05%	1 171.20	16.05%	
Capacity Charge (R/Month): 60 A	1 513.80	1 756.80	16.05%	1 756.80	16.05%	
Capacity Charge (R/Month): 80 A	2 018.40	2 342.40	16.05%	2 342.40	16.05%	
Capacity Charge (R/Month): 100 A	2 523.00	2 928.00	16.05%	2 928.00	16.05%	

12. Streetlights (metered)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge: c/kWh	252.32	332.64	31.83%	332.64	31.83%	The COS study indicates that the Streetlighting (metered) tariff is significantly under-recovering by approximately 896.50%, reflecting a substantial misalignment between current tariffs and the cost of supply. The proposed increase of 31.83% represents a positive step toward improving cost recovery. However, given the magnitude of the under-recovery, the adjustment remains insufficient to meaningfully close the gap to cost-reflective levels. Accordingly, a phased tariff adjustment approach is required to progressively move toward cost reflectivity while managing affordability and fiscal impacts.

13. Streetlights (consumption)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge: c/kWh)	88.26	116.36	31.84%	116.36	31.84%	The COS study indicates that the Streetlighting (consumption-based) tariff is significantly under-recovering by approximately 670%, reflecting a substantial gap between current tariff levels and the cost of supply. The proposed increase of 31.84% is directionally appropriate in improving cost recovery; however, it remains insufficient to meaningfully address the magnitude of the under-recovery. As such, the tariff will continue to fall materially below cost-reflective levels even after the adjustment. Accordingly, a phased approach to tariff restructuring is required to progressively move toward cost reflectivity while managing affordability and municipal budget impacts.

14. Illuminated street sign boards	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge-c/kWh	88.26	116.36	31.84%	116.36	31.84%	The COS indicates that the tariff for illuminated street signboards is set below cost-reflective levels and does not adequately recover fixed maintenance costs. The proposed increase of 31.84% in the energy charge is therefore directionally appropriate in improving cost recovery. However, reliance solely on an energy-based charge may not sufficiently address the recovery of fixed costs associated with maintenance and infrastructure.

15. TOU MV Metering Points (11 000 V)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariffs***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	4 886.95	4 870.94	-0.33%	4 870.94	-0.33%	The COS study indicates that the TOU MV tariff (11 kV) is under-recovering by approximately 9.7%, suggesting that current tariff levels are below the cost of supply. The proposed tariff adjustments are broadly aligned with improving cost recovery, with increases observed across most energy charges (particularly standard and off-peak periods), as well as in capacity (26.05%), demand (14.64%) and reactive energy charges (64.53%). The marginal decrease in the basic charge (-0.33%) has limited impact on overall revenue recovery. However, the decrease in the low-season peak energy charge (-9.33%) partially offsets the intended recovery. The increases in demand- and capacity-related charges are consistent with cost-reflective principles, as they better align revenue recovery with network cost drivers. The significant increase in reactive energy charges is also appropriate to strengthen signals for power factor correction. Accordingly, the proposed tariff is generally supported as it moves toward cost reflectivity.
Demand charge (R/kVA)	80.78	101.82	26.05%	101.82	26.05%	
Capacity charge (R/kVA)	49.81	57.10	14.64%	57.10	14.64%	
Reactive Energy charge (R/kVArh)	0.1184	0.1948	64.53%	0.1948	64.53%	
High season energy charges:						
Peak (c/kWh)	649.53	761.87	17.30%	761.87	17.30%	
Standard (c/kWh)	213.85	257.52	20.42%	257.52	20.42%	
Off-peak (c/kWh)	127.55	157.50	23.48%	157.50	23.58%	
Low season energy charges:						
Peak (c/kWh)	417.06	378.15	-9.33%	378.15	-9.33%	
Standard (c/kWh)	186.80	212.86	13.95%	212.86	13.95%	
Off-peak (c/kWh)	119.90	144.88	20.83%	144.88	20.83%	

16. TOU LV metering points (400 V)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariffs***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	3 108.74	2 305.21	-25.85%	2 305.21	-25.85%	The COS study indicates that the TOU LV tariff (400 V) is under-recovering by approximately 16.90%, suggesting that current tariff levels are below the cost of supply. The proposed tariff adjustments are broadly aligned with improving cost recovery, with notable increases in high-season energy charges across all periods, as well as in capacity (36.58%), demand (25.02%) and reactive energy charges (65.08%). Increases in low-season standard (13.44%) and off-peak (19.71%) charges further support improved revenue recovery. However, the decrease in the basic charge (-25.85%) and the reduction in low-season peak energy charges (-9.24%) partially offset these increases. The strengthening of capacity and demand charges is consistent with cost-reflective principles, as it aligns revenue recovery with network cost drivers. The increase in reactive energy charges is also appropriate to incentivise improved power factor management. Accordingly, the proposed tariff is generally supported as it moves toward cost reflectivity.
Demand charge (R/kVA)	110.64	151.11	36.58%	151.11	36.58%	
Capacity charge (R/kVA)	62.72	78.41	25.02%	78.41	25.02%	
Reactive Energy charge (R/kVArh)	0.1180	0.1948	65.08%	0.1948	65.08%	
Low season energy charges						
Peak (c/kWh)	422.90	383.81	-9.24%	383.81	-9.24%	
Standard (c/kWh)	192.62	218.51	13.44%	218.51	13.44%	
Off-peak (c/kWh)	125.75	150.54	19.71%	150.54	19.71%	
High season energy charges						
Peak (c/kWh)	655.38	767.53	17.11%	767.53	17.11%	
Standard (c/kWh)	219.68	263.16	19.79%	263.16	19.79%	
Off-peak (c/kWh)	133.39	163.16	22.32%	163.16	22.32%	

17. TOU tariff small customer < 100 kVA	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariffs***	***Recommended % increase***	***Analysis and Key Findings***
Basic charge (R/month)	468.09	507.88	8.50%	507.88	8.50%	The COS results indicate that the TOU Tariff for Small Customers (< 100 kVA) is broadly cost reflective, with no material over- or under-recovery identified across the tariff components. The proposed increases of approximately 8.50% across the basic charge, energy charges, reactive energy charge and network capacity charge are therefore considered reasonable and consistent with the municipality's cost allocation outcomes. Furthermore, the proposed adjustments remain within the NERSA guideline increase.
Capacity charge (R/kVA)	62.94	68.29	8.50%	68.29	8.50%	
Reactive Energy charge (R/kVArh)	0.2361	0.2562	8.51%	0.2562	8.51%	
Low season-Energy charges:						
Peak (c/kWh)	276.35	299.84	8.50%	299.84	8.50%	
Standard (c/kWh)	206.17	223.69	8.50%	223.69	8.50%	
Off-peak (c/kWh)	149.49	162.20	8.50%	162.20	8.50%	
High season-Energy charges:						
Peak (c/kWh)	741.46	804.49	8.50%	804.49	8.50%	
Standard (c/kWh)	260.30	282.43	8.50%	282.43	8.50%	
Off-peak (c/kWh)	164.78	178.79	8.50%	178.79	8.50%	

18. Small-Scale embedded generation (residential feed in)	***2025/26 approved tariff***	***2026/27 proposed tariff***	***% increase***	***Recommended tariff***	***Recommended % increase***	***Analysis and Key Findings***
Energy charge (c/kWh)	(125.68)	(143.70)	14.34%	(143.70)	14.34%	The export energy tariff, the Municipality has proposed an increase of 14.34%, which is in line with the Eskom bulk increase. Given that export tariffs are designed to compensate customers for energy supplied to the grid—typically at a rate lower than import tariffs to account for network costs—this lower increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. From a conspectus of the facts and evidence presented to the REC, supporting information, stakeholder inputs and applicable legal framework, it is appropriate to consider and approve Overstrand's tariff application as set out in this Reasons for Decision for the 2026/27FY

End.