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

Cape Agulhas Local Municipality

THE DECISION

1. At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered Cape Agulhas's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) set out in
2. Table 1 below.

Table 1: Summary of the REC Decision

Tariff Category	2026/27 Approved % Increase
1. Domestic High Single Phase (Conventional / Pre-paid above 30 Amp)	9.01%
2. Domestic High Three Phase Conventional / Pre-paid above 30 Amp	9.01%
3. Domestic (Pre-paid meter 30 Amp)	9.01%
4. Domestic (Pre-paid and conventional meter indigent up to 20 Amp)	9.01%
5. Commercial Small consumer/Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	9.01%

6. Commercial consumer/Over 20 Amp Single Phase	9.01%
7. Commercial consumer/Over 20 Amp Three Phase	9.01%
8. Commercial consumer/Pre-paid meter (Over 20 Amp) Single Phase 9.	9.01%
10. Commercial consumer/Pre-paid meter (Over 20 Amp) Three Phase	9.01%
11. Industrial (11 000V) Time of Use	9.01%
12. Industrial (380/220V)	9.01%
13. Public schools/ hostels/charity and welfare organisations (Single Phase) Prepaid / Over 20 Amp)	9.01%
14. Public schools/hostels/charity and welfare organisations (Three Phase)	9.01%
15. Public schools/hostels/Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	9.01%
16. Public schools/hostels, etc. /Pre-paid meter (Over 20 Amp) Single Phase	9.01%
17. Public schools/hostels, etc. /Pre-paid meter (Over 20 Amp) Three Phase	9.01%
18. Agricultural Small Holdings / Over 20 Amp Single Phase	9.01%
19. Agricultural Small Holdings/Over 20 Amp Three Phase	9.01%
20. Agricultural Small Holdings/Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	9.01%
21. Agricultural Small Holdings/Pre-paid meter (Over 20 Amp) Single Phase	9.01%
22. Agricultural Small Holdings/Pre-paid meter (Over 20 Amp) Three Phase	9.01%
23. Telephone cubicles (per month/per cubicle)	9.01%
24. Advertising signs (per month/per sign)	9.01%
25. Sports clubs: Conventional/Pre-paid	9.01%
26. Municipal usage	9.01%
27. SSEG Tariffs – Fixed Charges	9.01%
28. SSEG Tariff – Import Energy Charge	9.01%
29. SSEG Tariff – Export Energy Charge	9.01%

3. Based on the information submitted and the analysis conducted, the REC decided:

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;
c) that the municipality must submit a report accounting for all costs noted in its COS study to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification or audit process by 31 January 2027; and
d) that the municipality must submit quarterly SMART energy loss reduction progress reports for NERSA to monitor implementation thereof 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 yearly, 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 Cape Agulhas Local Municipality (Cape Agulhas) is situated in the Western Cape. The municipality is made up mostly of domestic customers, who account for 44.60% of total electricity sales. The municipality provides its indigent customers with 50kWh 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 **2** below.

Table 2: Customer statistics (data obtained from the latest D-forms – 2024/25)

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	14 262	22.54	5 044
Domestic Conventional	13 959	22.06	2 994
Agriculture	1 49	0.24	114
Manufacturing	18 242	28.83	109
Commercial Prepaid	2 401	3.79	572
Commercial Conventional	8 251	13.04	778
Other Consumers	2771	4.38	765
Street Lighting	905	1.43	0
Own Use	2 341	3.70	204
TOTAL	**63 281**	**100**	**10 580**
Free Basic Electricity (FBE)[1]	1 299	4.60[2]	2 198

1.3. NERSA received Cape Agulhas's tariff application, together with its revised Cost of Supply (COS), on 30 March 2026. The municipality indicated that the revision was necessitated by structural changes to the Bulk and Time-of-Use (TOU) tariff categories at the 11kV and 400V levels, including the introduction of a Notified Demand Charge in both tariff categories.

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

[2] Percentage of Domestic MWh

1.4. Cape Agulhas implemented an 11.32% average price increase in the 2025/26FY and is applying for an average price increase of 9.01% for the 2026/27FY.

1.5. In accordance with NERSA requirements, all tariff applications must include confirmation that the proposed tariffs have been approved by the municipal council and have undergone customer consultation.

1.6. For this application, the municipality has indicated that the tariff application has been approved by Council. The Council meeting at which this application was approved took place on 30 March 2026, and the Council resolution has been submitted to NERSA. Proof of customer consultation will be submitted on 30 April 2026.

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

1.8. NERSA's decision was made on 30 April 2026, considering the written comments received from the affected stakeholders and the analysis it performed.

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 ('the ERA'), the Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000) (PAJA), and the Electricity Pricing Policy for the South African Electricity Supply Industry, 2008 (EPP).

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and the Eskom Retail Tariff and Structural Adjustment decision, and it is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

2.1.3. In addition, the municipal tariff approval process has recently been the subject of judicial scrutiny in the High Court of South Africa (Gauteng Division, Pretoria) in AfriForum NPC v National Energy Regulator of South Africa and Others (Case

No. 2025/137620), which resulted in structural directives governing the timing and conduct of NERSA's tariff approval process.

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

2.2. Statutory Mandate of the Energy Regulator

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of the NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA 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 COS methodologies have historically not been consistently applied across the electricity distribution industry.

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

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

2.7. Judicial Oversight of the Tariff Approval Process

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

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

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

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

2.8. Court-Directed Timelines

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

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

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

a) Written notice of bulk electricity tariffs must be communicated by 31 January each year.

b) Municipal tariff applications must be submitted to NERSA by 20 March each year.
c) Municipal tariffs and the tariff reasons for decision documents must be approved and published by 5 May of each year.

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

3.2. Cape Agulhas's electricity business operated at a percentage surplus of 7.39% in the 2024/25FY, an increase from 3.90% in the 2023/24FY, as highlighted in Table 3 below. This improvement is largely attributed to increased revenue from reconnections and other income streams.

3.3. Table 3 below indicates that Cape Agulhas's energy losses increased slightly in the 2024/25FY to 9.02%, compared to 6.84% in the 2023/24FY.

Table 3: Performance indicators

Percentage Indicators: Obtained from D-Forms		
Indicators	**2024/25 (Actuals)**	**2023/24 (Approved)**
Percentage Surplus (Deficit)	7.39%	3.90%
Percentage Energy Losses	9.02%	6.84%

3.4. Based on the above information provided, Cape Agulhas's electricity business appears to be in a stable financial position, as evidenced by the surplus of 7.39%

and energy losses of 9.02%. However, Cape Agulhas is encouraged to implement stronger financial controls to further enhance and sustain its financial performance.

4. DETERMINATION OF CAPE AGULHAS'S TARIFFS BASED ON THE COST OF SUPPLY STUDY

4.1. The process followed in considering and approving Cape Agulhas's tariff application was supported by a COS study.

4.2. Cape Agulhas utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer's class fairly and equitably. The study follows the NERSA COS Framework and uses the latest available audited data, which is based on the 2024/25 financial year

4.3.

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

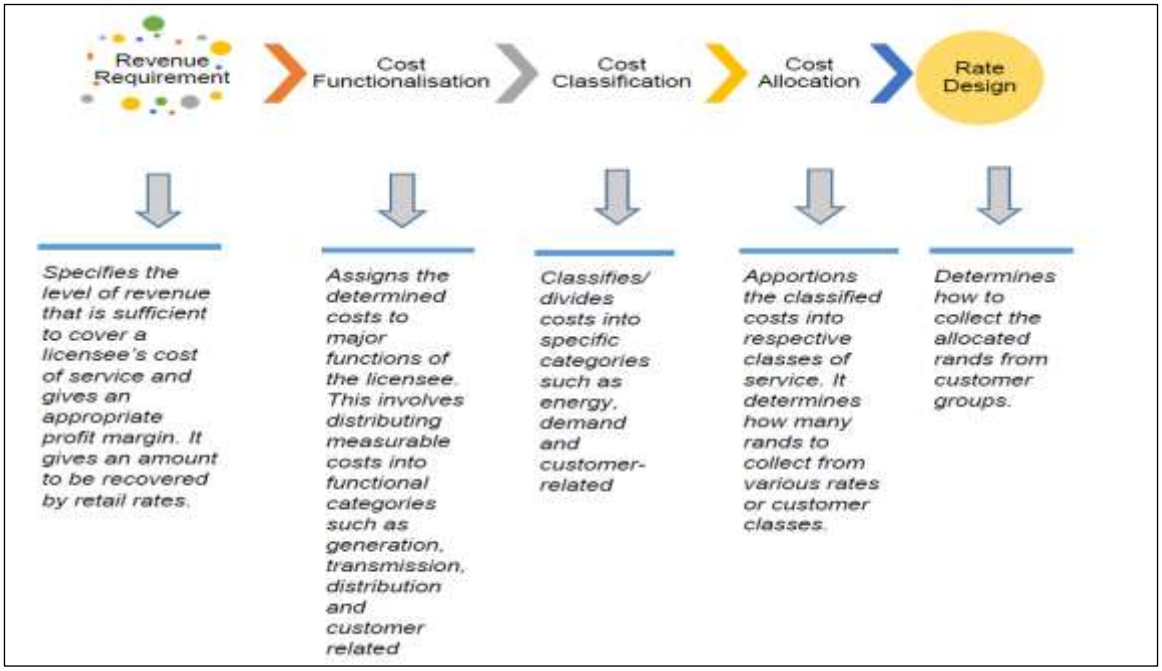


Figure 1: Five steps of COS study

4.5. The following steps are undertaken to analyse the COS study:

4.5.1. Revenue Requirement

4.5.1.1. To be fully cost-reflective, the licensee's revenue requirement is R232 million for the 2026/27 financial year. This amount is primarily driven by Eskom purchases,

which account for 79%, while operational expenditure makes up the remaining 21%, as highlighted in Table 4 below.

Table 4: Revenue requirement components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	52 672 046	209 636 478	232 076 220	100%
Energy purchases from Eskom - net of cost of losses	-	168 882 653	168 882 653	73%
Energy purchases from Eskom - cost of losses	5 319 493	8 129 485	13 448 977	6%
Other energy purchases	-	31 422	31 422	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	23 053 795	7 178 510	30 232 304	13%
Other revenues	**- 1 447 604**	**- 169 371**	**- 1 616 975**	**-1%**
Surplus	2 692 568	18 405 270	21 097 838	9%
Not allowable costs	-	-	-	
Cost of losses disallowed	-	-	-	
TOTAL COSTS	**52 672 046**	**209 636 478**	**232 076 220**	

4.5.1.2. The efficiency of costs for the 2024/25 financial year has been assessed, as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for the 2026/27 financial year, applying stated assumptions to determine the revenue requirement for that period.

4.5.1.3. All expenses included in the revenue requirement have been examined to confirm that they pertain exclusively to the licensee's electricity function. Where any amounts were found to be inflated or insufficiently substantiated, adjustments have been effected accordingly, as detailed below.

Bulk purchases

4.5.1.4. Cape Agulhas applied for bulk purchase expenditure amounting to R182 million, representing 79% of total costs. The bulk purchase figures were verified against Eskom invoices for the 2024/25 financial year.

4.5.1.5. To derive the 2026/27 bulk purchase estimate, the 2025/26 COS amount was escalated by 9.01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.5.1.6. The methodology applied by Cape Agulhas in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval.

Operational Expenditure

4.5.1.7. Cape Agulhas has applied for operational expenditure totaling R30 million, representing 13% of overall costs, as reflected in Table 5 above.

Table 5: Operational Expenditure

Functions	Total OPEX		Wires		Retail	
Depreciation	R	2 627 871	R	2 627 871	R	-
Network repairs & maintenance	R	14 560 531	R	14 560 531	R	-
OPEX	R	13 043 902	R	5 865 392	R	7 178 510
	Total			23 053 795		7 178 510

4.5.1.8. The approach adopted by Cape Agulhas in forecasting operational expenditure is considered reasonable, and the amount has therefore been approved as requested. However, inefficient cost components, such as NMD exceedance penalties and interest incurred on Eskom-related debt, have been excluded from the total, as these items fall within the municipality's control.

Surplus

4.5.1.9. Cape Agulhas has requested a surplus of R21 million, calculated using a surplus factor of 9% applied to operating expenditure, inclusive of bulk purchases, for both the wires and retail components of the business.

4.5.1.10. Although the surplus proposed by the municipality falls below the established target range of 10–20, its is considered reasonable,

4.5.1.11. The return proposed by Cape Agulhas, at 9%, is considered reasonable, although it falls slightly below the established target range of 10–20%. Consequently, the requested amount has been approved as applied for.

4.5.1.12. To ensure that the surplus is not excessive or detrimental to consumers, verification was undertaken by benchmarking the applied surplus margin of 9% against the established target range of 10–20%, in line with the approved NERSA Cost of Supply framework, EPP Policy Position 1.

4.5.1.13. Therefore, the applied surplus margin is considered modest and commensurate with these risks, particularly in the context of a municipal distributor that is not profit-maximising but must remain financially viable. Thus, it is NERSA's decision to allow the revenue requirement as applied for.

4.5.1.14. The decision to approve the revenue requirement as submitted will be applied in the subsequent stages, namely Cost Functionalisation, Cost Classification, Cost Allocation, and Rate Setting. These stages have been verified and confirmed to align with the approved revenue requirement. Further details on these stages are provided below.

4.5.2. **Cost Functionalisation**

4.5.2.1. The licensee has categorised its revenue requirement of R232 million into two primary functional components, namely the wires business (13%) and the retail business (87%), in accordance with the NERSA COS Framework, as illustrated in Table 5 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

Table 6: Cost Functionalisation

	Total Functionalised Costs (R)		
Functions	Wires	Retail	Total
Eskom Energy Purchase - excl. losses	-	168 882 653	168 882 653
Eskom Energy Purchase - cost of losses	5 319 493	8 129 485	13 448 977
Other Energy Purchase	-	31 422	31 422
CAPEX and return	-	-	-
Depreciation	2 890 658	-	2 890 658
Network repairs & maintenance	14 424 220	-	14 424 220
OPEX	6 983 881	25 414 408	32 398 289
	29 618 252	202 457 968	232 076 220
	13%	87%	TRUE

4.5.2.2. These costs, upon verification, are consistent with the approved revenue requirements. Network repairs and maintenance constitute the predominant cost drivers within the wires business, while energy purchases represent the primary cost driver within the retail business

4.5.3. Cost Classification

4.5.3.1. The licensee has classified its costs into energy, demand, and customer-related cost components, in accordance with NERSA's COS Framework. The costs align with revenue requirements and cost functionalisation upon verification.

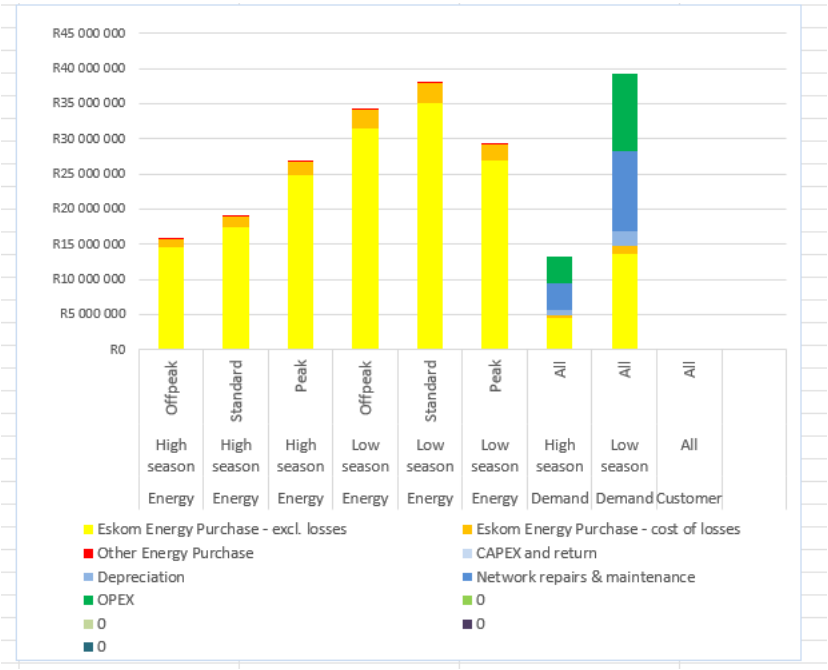


Figure 2: Cost breakdown by cost structure (classification)

4.5.3.2. Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season, as highlighted in Figure 2 above. Demand-driven costs are similarly concentrated in the summer period. Customer-driven costs are primarily associated with 'Other OPEX', which includes expenses related to the provision of electricity distribution services to customers.

4.5.4. Cost Allocation

4.5.4.1. In this step, the licensee's revenue requirement is allocated across customer categories, in accordance with the NERSA COS Framework. Upon verification, the allocation is found to be consistent with the stated revenue requirement and aligned with the principles of cost allocation.

4.5.4.2. As indicated in Table 6 below, the domestic customer category carries the largest proportion of costs, followed by the manufacturing/industrial customers.

4.5.4.3. Differences in the results between the customer categories are mainly driven by differences in the voltage of the connection points, load factors, coincidence factors and average specific consumption.

Table 7: Costs allocated

Business area:	Wires	Retail	Total
Customer Categories			
Domestic (pre-paid)	7 010 576	47 157 255	54 167 831
Domestic (conventional)	6 651 170	44 709 287	51 360 458
Agriculture	66 192	437 468	503 659
Mining & quarrying	-	-	-
Manufacturing / Industrial	6 939 464	51 874 674	58 814 138
Commercial (pre-paid)	2 618 926	17 320 488	19 939 414
Commercial (conventional)	2 633 223	17 403 237	20 036 460
Transport	-	-	-
Redistributors/Resellers	-	-	-
Street lighting	89 464	503 964	593 428
Electricity department	-	-	-
FBE	836 587	4 726 872	5 563 459
Other consumers	1 310 886	8 663 778	9 974 664
Sold to other municipal departments	1 461 764	9 660 944	11 122 708
	29 618 252	202 457 968	232 076 220

4.5.5. Rate Design

4.5.5.1. Figure 3 below reflects the outcome of the COS study, indicating that most customer categories require upward adjustments. A comparison between the COS and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in Figure 3 below.

4.5.5.2. To achieve full cost reflectivity, the municipality would be required to implement differentiated tariff adjustments across customer categories. However, the municipality has adopted a less aggressive approach, opting instead for a uniform tariff increase of 9.01% across all customer categories.

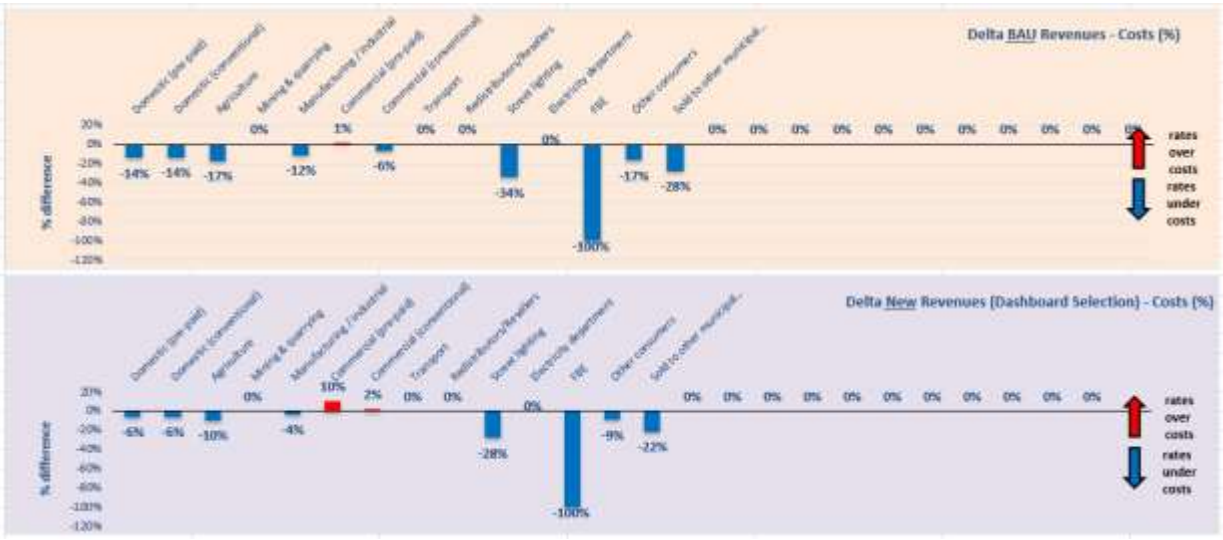


Figure 3: Revenue recovery by customer category

5. CONCLUSION ON THE COS STUDY

5.1. While the outcome of the COS study may indicate an average tariff adjustment of a certain percentage for a licensee to achieve full cost reflectivity, a municipality may elect to implement such adjustments on a phased basis, including applying an increase below the COS-derived level.

5.2. This approach may be informed by a range of considerations, including the need to maintain tariff sustainability to support ongoing demand for electricity services. Excessive tariff increases may adversely affect consumption levels, thereby impacting revenue stability.

5.3. In addition, the licensee may consider its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability constraints faced by customers, in determining the appropriate trajectory for tariff adjustments.

5.4. This approach is intended to safeguard the municipality's revenue base and support its financial sustainability, in line with applicable legislative requirements.

5.5. The COS study is based on forecast assumptions and, as such, does not guarantee that the projected outcomes will materialise. Accordingly, the licensee retains the discretion to review the results and determine its own revenue requirements to ensure financial sustainability. In this regard, the municipality will be required to submit a report accounting for all costs that remain unverified.

5.6. The COS study results indicate a required increase of 15.1% for the municipality to reach cost reflectivity, as illustrated in Figure 4 below. However, to mitigate the impact on customers, the licensee has proposed a lower increase of 9.01%. Based on the available information, the municipality is expected to remain financially sustainable under the proposed tariff increase of 9.01%.

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3. Domestic (pre-paid meter 30 Amp)	***2024/25 Approved***	***2025/26 Proposed***	***Proposed % Increase***	***2025/26 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Tariff Blocks	***c/kWh***					
Block 1 (0 - 50kWh)	209.43	228.28	9.01%	228.28	9.01%	The COS analysis indicates that domestic customers are under-recovering by 14%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Block 2 (51 - 350 kWh)	266.99	291.04	9.01%	291.04	9.01%	
Block 3 (351 - 600kWh)	375.86	409.72	9.01%	409.72	9.01%	
Block 4 (>600 kWh)	430.26	469.02	9.01%	469.02	9.01%	

4. Domestic (prepaid and conventional meter indigent up to 20 Amp)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Tariff Blocks	***c/kWh***					
Block 1 (0 - 50kWh)	195.36	212.96	9.01%	212.96	9.01%	The COS analysis indicates that domestic customers are under-recovering by 14%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the *proposed tariff is considered fair and is recommended for approval.*
Block 2 (51 - 350 kWh)	250.97	273.58	9.01%	273.58	9.01%	
Block 3 (351 - 600kWh)	353.51	385.36	9.01%	385.36	9.01%	
Block 4 (>600 kWh)	418.19	455.85	9.01%	455.85	9.01%	

5. Commercial Small consumer / Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	404.34	440.77	9.01%	440.77	9.01%	The COS findings show that commercial conventional customers are over-recovering by approximately 1%. The proposed increase in the energy charge is aligned with bulk supply cost pressures. Therefore, the proposed tariff is considered fair and is recommended for approval.

6. Commercial consumer / Over 20 Amp Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp/month)	20.45	22.29	9.01%	22.29	9.01%	The COS analysis indicates that commercial conventional customers are under-recovering by 6%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	325.58	354.91	9.01%	354.91	9.01%	

7. Commercial consumer / Over 20 Amp Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp/month)	56.49	61.58	9.01%	61.58	9.01%	The COS analysis indicates that commercial customers are under-recovering by 6%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the
Energy Charge (R/kWh)	325.58	354.91	9.01%	354.91	9.01%	

						proposed tariff is considered fair and is recommended for approval.

8. Commercial consumer / Pre-paid meter (Over 20 Amp) Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp/month)	20.45	22.29	9.01%	22.29	9.01%	The COS analysis indicates that commercial customers are under-recovering by 1%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	331.16	360.99	9.01%	360.99	9.01%	

9. Commercial consumer / Pre-paid meter (Over 20 Amp) Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp/month)	56.49	61.58	9.01%	61.58	9.01%	The COS analysis indicates that commercial customers are under-recovering by 1%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	331.16	360.99	9.01%	360.99	9.01%	

10. Industrial (11 000V) Time of Use	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Tariff Blocks						
Basic Monthly Charge per meter (R/Ampere/day)	13.06	14.23	9.01%	14.23	9.01%	The COS analysis indicates that industrial customers are under-recovering by 12%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Network Capacity Charge (R/kVA)	215.34	234.74	9.01%	234.74	9.01%	
Energy Charge (c/kWh)						
High Demand (June to August):						
Peak	514.70	561.07	9.01%	561.07	9.01%	
Standard	214.58	233.91	9.01%	233.91	9.01%	
Off-peak	106.95	116.58	9.01%	116.58	9.01%	
Low Demand (September to May)			9.01%		9.01%	
Peak	203.95	222.32	9.01%	222.32	9.01%	
Standard	181.32	197.65	9.01%	197.65	9.01%	
Off-peak	94.64	103.16	9.01%	103.16	9.01%	

11. Industrial (380/220V)	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	*Analysis and Key Findings*
Tariff Blocks						
Basic Monthly Charge per meter (R/Ampere/day)	13.06	14.23	9.01%	14.23	9.01%	The COS analysis indicates that industrial customers are under-recovering by 12%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Network Capacity Charge (R/kVA)	278.71	303.82	9.01%	303.82	9.01%	
Time of Use Energy Charge (c/kWh): High Demand (June to August)						
Peak	514.70	561.07	9.01%	561.07	9.01%	
Standard	214.58	233.91	9.01%	233.91	9.01%	
Off-peak	106.95	116.58	9.01%	116.58	9.01%	
Time of Use Energy Charge (c/kWh): Low Demand (September to May)						

Peak	203.95	222.32	9.01%	222.32	9.01%	
Standard	181.32	197.65	9.01%	197.65	9.01%	
Off-peak	99.64	103.16	9.01%	103.16	9.01%	

12. Public schools/ hostels/ charity and welfare organisations (Single Phase) Prepaid / Over 20 Amp	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	20.46	22.30	9.01%	22.30	9.01%	This tariff category is compared to commercial tariffs. The COS analysis indicates that commercial conventional customers are under-recovering by 6%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (c/kWh)	292.79	319.17	9.01%	319.17	9.01%	

13. Public schools/ hostels/ charity and welfare organisations (Three Phase)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	50.98	55.57	9.01%	55.57	9.01%	This tariff category is compared to commercial tariffs. The COS analysis indicates that commercial conventional customers are under-recovering by 6%. The proposed increase represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (c/kWh)	292.79	319.17	9.01%	319.17	9.01%	

14. Public schools/hostels / Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	376.56	410.49	9.01%	410.49	9.01%	This tariff category is compared to commercial tariffs. The COS findings show that commercial prepaid customers are over-recovering by approximately 1%. The proposed increase in the energy charge is aligned with bulk supply cost pressures. Therefore, the proposed tariff is considered fair and is recommended for approval.

15. Public schools/ hostels, etc. / Pre-paid meter (Over 20 Amp) Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	20.46	22.30	9.01%	22.30	9.01%	This tariff category is compared to commercial tariffs. The COS findings show that commercial prepaid customers are over-recovering by approximately 1%. The proposed increase in the energy charge is aligned with bulk supply cost pressures. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	292.79	319.17	9.01%	319.17	9.01%	

16. Public schools/ hostels, etc. / Pre-paid meter (Over 20 Amp) Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter	50.98	55.57	9.01%	55.57	9.01%	This tariff category is compared to commercial tariffs. The

connection (R/Amp)						COS findings show that commercial prepaid customers are over-recovering by approximately 1%. The proposed increase in the energy charge is aligned with bulk supply cost pressures. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	292.79	319.17	9.01%	319.17	9.01%	

17. Agricultural Small Holdings / Over 20 Amp Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	13.69	14.92	9.01%	14.92	9.01%	The COS analysis indicates that agricultural customers are under-recovering by 17%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	291.81	318.10	9.01%	318.10	9.01%	

18. Agricultural Small Holdings / Over 20 Amp Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	41.14	44.85	9.01%	44.85	9.01%	The COS analysis indicates that agricultural customers are under-recovering by 17%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant
Energy Charge (R/kWh)	293.16	319.17	9.01%	319.17	9.01%	

						tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

19. Agricultural Small Holdings / Pre-paid meter (Maximum supply demand of 20 Amp - Single Phase)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	378.42	412.52	9.01%	412.52	9.01%	The COS analysis indicates that agricultural customers are under-recovering by 17%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

20. Agricultural Small Holdings / Pre-paid meter (Over 20 Amp) Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	13.69	14.92	9.01%	14.92	9.01%	The COS analysis indicates that agricultural customers are under-recovering by 17%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks.
Energy Charge (R/kWh)	291.81	318.10	9.01%	318.10	9.01%	

						Therefore, the proposed tariff is considered fair and is recommended for approval.

21. Agricultural Small Holdings / Pre-paid meter (Over 20 Amp) Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge per meter connection (R/Amp)	41.14	44.85	9.01%	44.85	9.01%	The COS analysis indicates that agricultural customers are under-recovering by 17%. The proposed increase, while not sufficient to fully address the under-recovery, represents a gradual step towards improved cost reflectivity without imposing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.
Energy Charge (R/kWh)	291.81	318.10	9.01%	318.10	9.01%	

22. Telephone cubicles (per month / per cubicle)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge: (R/cubicle/month)	148.65	162.04	9.01%	162.04	9.01%	The telephone booth tariff category has been benchmarked against the streetlighting category, as no dedicated telephone cubicle category exists within the COS. The COS analysis indicates that streetlighting tariffs are currently under-recovering costs by approximately 34%. While the proposed increase does not fully eliminate this under-recovery, it represents a measured step toward improved cost

						reflectivity without introducing significant tariff shocks. Accordingly, the proposed tariff is considered fair and is recommended for approval.

23. Advertising signs (per month / per sign)	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Network capacity charge: (R/sign/month)	370.64	404.03	9.01%	404.03	9.01%	The advertising signs tariff category has been benchmarked against the streetlighting category, as no dedicated telephone cubicle category exists within the COS. The COS analysis indicates that streetlighting tariffs are currently under-recovering costs by approximately 34%. While the proposed increase does not fully eliminate this under-recovery, it represents a measured step toward improved cost reflectivity without introducing significant tariff shocks. Accordingly, the proposed tariff is considered fair and is recommended for approval.

24. Sport clubs: Conventional / Pre-paid	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	328.72	358.33	9.01%	358.33	9.01%	The COS analysis indicates that electricity sold to other municipal department tariff categories is under-recovering by 28%. While the proposed increase does not fully eliminate this under-recovery, it represents a measured step toward improved cost

						reflectivity without introducing significant tariff shocks. Therefore, the proposed tariff is considered fair and is recommended for approval.

25. Municipal usage	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Energy charge: c/kWh	264.05	287.84	9.01%	287.84	9.01%	The COS analysis indicates that the own use tariff category is neither under-recovering nor over-recovering and is currently at a breakeven or neutral level, with tariffs reflecting the cost of providing electricity services to this customer category. The proposed phased increase of 9.01% is considered appropriate, as it aligns with the Eskom bulk tariff increase of 9.01%. Therefore, the proposed tariff is considered fair and is recommended for approval.

26. SSEG Tariffs – Fixed Charges	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Fixed network charge per month: 0kW to 6.8kW (30 Amp)	697.22	359.28	-48.47%	359.28	-48.47%	The fixed charge for the 0 kW to 6.8 kW (30 Amp) category is decreasing by 48.47%. The remaining fixed network charges are newly introduced tariffs; therefore, no direct percentage change is applicable. The tariff design aligns with Time-of-Use (TOU) principles and supports the
Fixed network charge per month: 6.9kW to 9.1kW (40 Amp)	New	479.04	New	479.04	New	
Fixed network charge per month: 9.2kW to 11.4kW (50 Amp)	New	598.80	New	598.80	New	

Fixed network charge per month: 11.5kW and above (60 Amp)	New	718.56	New	718.56	New	integration of distributed generation in a controlled and cost-reflective manner.

27. SSEG Tariff – Import Energy Charge	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Tariff Blocks	***c/kWh***					
Block 1 (0 - 50kWh)	209.43	262.54	9.01%	262.54	9.01%	The import energy tariff is aligned with the domestic prepaid meter 30 Amp tariff. The COS analysis indicates that these domestic prepaid customers are currently under-recovering costs of approximately 14%. While the proposed increase does not fully address this shortfall, it represents a gradual step toward improved cost reflectivity without introducing significant tariff shocks. Accordingly, the proposed tariff is considered fair and is recommended for approval.
Block 2 (Above 50.1 - 350 kWh)	266.90	334.59	9.01%	334.59	9.01%	
Block 3 (350.1 - 600kWh)	375.86	409.72	9.01%	409.72	9.01%	
Block 4 (>600.1 kWh)	430.26	469.02	9.01%	469.02	9.01%	

28. SSEG Tariff – Export Energy Charge	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Export Tariff Energy Charge (c/kWh) Infeed tariff per kWh	(137.39)	(137.39)	0%	(137.39)	0%	The SSEG tariff supports energy security, promotes renewable energy uptake, and enables more efficient use of the municipal network within Cape Agulhas Municipality. The proposed Export Energy Charge of

						137.39 c/kWh, unchanged from 2025/26, provides pricing stability and avoids tariff shocks while remaining aligned with cost-reflective principles. It balances customer incentives with municipal financial sustainability and supports the controlled integration of embedded generation. Accordingly, the tariff is considered appropriate and is recommended for approval.

9. CONFIDENTIALITY

None.

10. CONCLUSION

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

End.