NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

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Decision and Reasons for Decision (RfD)

In the matter regarding the

Municipal Tariff Application for the 2026/27 Financial Year

By

Makana Local Municipality

THE DECISION

At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered Makana Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year as set out in section 7 of the RfD.

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

1. to approve the tariffs based on the Cost of Supply (COS) study as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026.
2. to note the COS study submitted by the municipality;
3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study, to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification/audit process by 31 January 2027; and
4. that the municipality must submit quarterly progress reports on the efficiency improvement measures taken to reduce high energy losses and deficits to enable NERSA to monitor the implementation thereof by 30 September 2026.

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ABBREVIATIONS AND ACRONYMS

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

1. INTRODUCTION

1.1 The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications on a yearly basis, in accordance with its mandate to regulate prices and tariffs. Municipal tariffs must be approved by NERSA to be implemented on 1 July of each financial year.

1.2 Makana Local Municipality is located in the Sarah Baartman district in the Eastern Cape. Makana's customer base accounts for 75 230 MWh of total electricity sales. The details regarding customer statistics are highlighted in Table 1 below. The municipality offers Free Basic Electricity (FBE) per month to registered indigent customers.

Table 1: Customer Statistics (Data obtained from 2024/25 D-forms)

CONSUMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS)			
Consumer Classification	**Sales (KWh)**	**%KWh**	**Number of Consumers**
Domestic (Prepaid)	16 195 556	21,53%	6 765
Domestic (Conventional)	8 850 073	11,76%	1 274
Manufacturing/Industrial	38 764 013	51,53%	138
Commercial (Prepaid)	495 287	0,66%	61
Commercial (Conventional)	10 636 662	14,14%	395
Municipal Consumption & Streetlighting	288 770	0,38%	25
TOTAL SALES	**75 230 361**	**100%**	**8 658**
Free Basic Electricity (FBE)	**260 950**	**1,04%**	**1 359**

1.3 NERSA received Makana's tariff application together with its revised Cost of Supply (COS) study on 31 March 2026. This revision is primarily due to the following:

a) The restructuring of Eskom's tariff structure for the 2025/26 financial year, which introduced new cost components and reallocated existing charges across energy, network, and service-related elements
b) Concerns about customer affordability and tariff shock.

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

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

2. LEGAL AND REGULATORY FRAMEWORK

Background

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

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

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

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

NERSA's Statutory Mandate

2.5 NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. NERSA's electricity regulatory mandate is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.6 In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions;
b) section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs; and

c) section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

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

Tariff Determination Principles under the ERA

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

2.9 Section 15(1) provides that the Energy Regulator:

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

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

Administrative Law Requirements

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

2.12 NERSA's public participation processes therefore form an essential component of the municipal tariff approval process and are intended to ensure transparency, accountability and fairness in regulatory decision-making.

Policy Framework: Electricity Pricing Policy (2008)

2.13 In addition to the statutory framework, NERSA must have regard to the EPP. The EPP establishes national policy principles for electricity tariff setting, including cost reflectivity, transparency, economic efficiency and equity.

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

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

Cost of Supply Studies

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

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

2.18 Policy position 23 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.

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

Judicial Oversight of the Tariff Approval Process

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

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

2.22 However, recognising the potentially disruptive consequences of setting aside tariff determinations already implemented by municipalities, the Court declined to

invalidate the tariffs. Instead, to assist in the timeous and lawful approval of municipal tariffs, the Court issued a structural interdict regulating the municipal tariff approval process going forward.

2.23 NERSA subsequently launched a variation application that sought to vary the timelines that had been set by the Court on 4 December 2025, considering the practical difficulties that 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.

Court-Directed Timelines

2.24 The following timelines are applicable in respect of the 2026/27 municipal tariff approvals:

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

2.25 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 tariff approvals and the tariff reasons for decision document must be approved and published by 5 May of each year.

Conclusion

2.26 The determination of municipal electricity tariffs by NERSA 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).

2.27 The reasons that follow in this Reasons for Decision document demonstrate how NERSA complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1 In evaluating the financial and technical performance of Makana, NERSA relied on the 2024/25 financial year Distribution forms (D-forms) information provided in analysing the licensee's tariff application. The D-forms information was validated by NERSA against the relevant source documents submitted by the municipality (i.e. the Trial Balance/Annual Financial Statement). Hence, the information provided on the D-forms is considered reliable to analyse the tariffs.

3.2 The municipality's financial position improved to a 6.21% surplus in the 2024/25 financial year from a 10.18% deficit in the 2023/24 financial year, reflecting stronger overall financial health. This turnaround was driven by a 16% (R198.204 million to R230.180 million) increase in total income mainly from electricity sales, along with a R4.9 million debt relief on its Eskom account provided by the National Treasury.

3.3 Furthermore, energy losses reduced from 17.69% in the 2023/24 financial year to 15.32% in the 2024/25 financial year. The high energy losses are due to:

a) tampering with electricity meters;
b) incorrect ratio used on bulk meters;
c) estimation of meter readings;
d) faulty and unreadable meters; and
e) illegal connections.

3.4 The following action plans are aimed at addressing high energy losses:

a) Conduct internal meter verification/audits to identify potential tampering and theft of electricity
b) Data cleansing to identify households that are not billed
c) Undertake a plan to make sure that no household's meter reading is estimated for more than three consecutive months
d) Replace faulty meters with prepaid meters
e) Perform random audits to identify illegal connections
f) The municipality has been awarded a project to replace 1000 conventional meters with prepaid meters to reduce meter estimations and losses.

Table 2: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)	6,21%	-10,18%
Percentage Energy Losses	15,32%	17,69%

3.5 Based on the above information, the municipality demonstrates measurable progress in both financial and technical performance. However, the municipality is required to continue to monitor the plans put in place to reduce the energy losses.

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

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

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

4.3

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

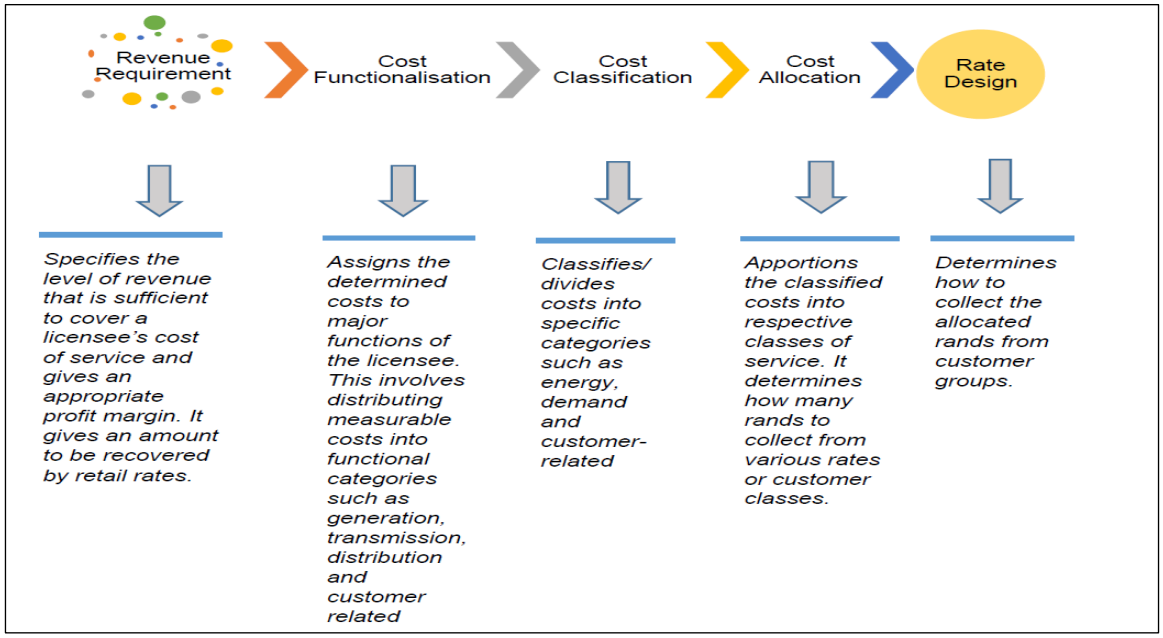


Figure 1: Five Steps of COS

4.4 The following steps are undertaken to analyse the cost of supply study:

Revenue Requirement

4.5 In order to be fully cost-reflective, the licensee's revenue requirements are R327.796 million for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases, accounting for 77%, including energy losses allowance. Operational expenditure accounts for 17%.

Table 3: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	102 729 770	280 755 646	327 796 388	100%
Energy purchases from Eskom - net of cost of losses	-	218 701 071	218 701 071	67%
Energy purchases from Eskom - cost of losses	26 503 996	5 100 143	31 604 139	10%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	35 159 989	20 529 039	55 689 029	17%
Other revenues	**- 236 912**	**- 7 760 610**	**- 7 997 522**	**-2%**
Surplus	6 142 707	23 656 964	29 799 672	9%
Not allowable costs	7 750 989	5 311 627	13 062 616	

4.6 The efficiency of the costs in the 2024/25 (base year) financial year has been assessed, as this constitutes the most recent set of actual data. This forms the basis from which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements for that year.

4.7 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 and expanded on below.

Bulk Purchases

4.8 The licensee applied for a bulk purchase expenditure of R218,701 million, which accounts for 67% of the total costs. Bulk purchases were verified against Eskom invoices in the 2024/25 financial year.

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

4.10 NERSA is satisfied that the approach taken by the licensee to forecast bulk purchases is reasonable. As a result, this cost has been recommended for approval as applied for.

Operational Expenditure

4.11 The licensee applied for operational expenditure of R55,689 million, which accounts for 17% of total costs as shown in Table 4 below.

Table 4: Operating Expenditure

Cost Drivers	2024/25FY Actuals	2025/26FY Budgeted	2026/27FY Applied	NERSA Adjustment	2026/27FY NERSA Decision
General Costs and Other	**R53 528 719**	**R42 413 917**	**R43 771 162**	**0**	**R43 771 162**
Salaries and Allowances	R23 038 716	R17 666 688	R18 232 022		R18 232 022
Materials and supplies	R1 218 003	R1 864 008	R1 923 656		R1 923 656
Contracted services	R1 820 745	R4 258 000	R4 394 256		R4 394 256
Salaries, wages and allowances (exclu. R&M)					
Payments to consultants					
Eskom debts interest	R8 663 551	R2 570 000	R2 652 240		
Other creditors interests	R13 731 028	R11 548 320	R11 917 866		R11 917 866
Current year Depreciation	R5 056 676	R4 506 901	R4 651 122		R4 651 122
NMD exceedance penalties					
Shared OPEX	**R13 874 810**	**R11 548 320**	**R11 917 866**		**R11 917 866**
Bad debts (Allowance for Impairments)					
FBE paid to Eskom					
Charges from other municipal departments	R141 333				
General Expenses	R13 733 478	R11 548 320	R11 917 866		R11 917 866
Total OPEX	**R67 403 529**	**R53 962 237**	**R55 689 029**	**0**	**R55 689 029**

4.12 The difference between contracted services and consultants is mainly based on the nature and purpose of the service provided.

4.13 Contracted services (Payments) refer to services outsourced to external service providers to perform operational or technical functions on behalf of the Municipality. These are usually ongoing or project-based services, e.g. meter reading, security services, maintenance work, revenue collection, information technology (IT) support and grass-cutting.

4.14 Payments to consultants (operational work) refer to payments made to professional experts or specialists who provide advisory, technical, analytical, or professional support services. Consultants usually provide expertise rather than perform routine operational functions, e.g. engineers, financial advisers, legal consultants, tariff or COS specialists, auditors and project management consultants

Surplus

4.15 The licensee applied for a surplus of R29,800 million, which is based on a surplus factor of 9% return on operating expenditure including bulk purchases for both the wires and retail businesses.

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

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

4.18 NERSA is satisfied that the surplus applied for by Makana is reasonable and supports the financial sustainability of the electricity business, Therefore, the applied surplus is considered modest and reasonable having regard to the relevant risk factors, including ageing infrastructure, financial stability requirements, and customer affordability constraints. This is particularly so in the context of a municipal electricity distributor, which, while not operating on a profit-maximising basis, is nonetheless required to maintain financial sustainability and operational viability.

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

Cost Functionalisation

4.20 The licensee has categorised its revenue requirements of R327.796 million into two main functions: wires (21%) and retail business (79%), which is in line with the NERSA COS Framework, as demonstrated in Figure 2 below.

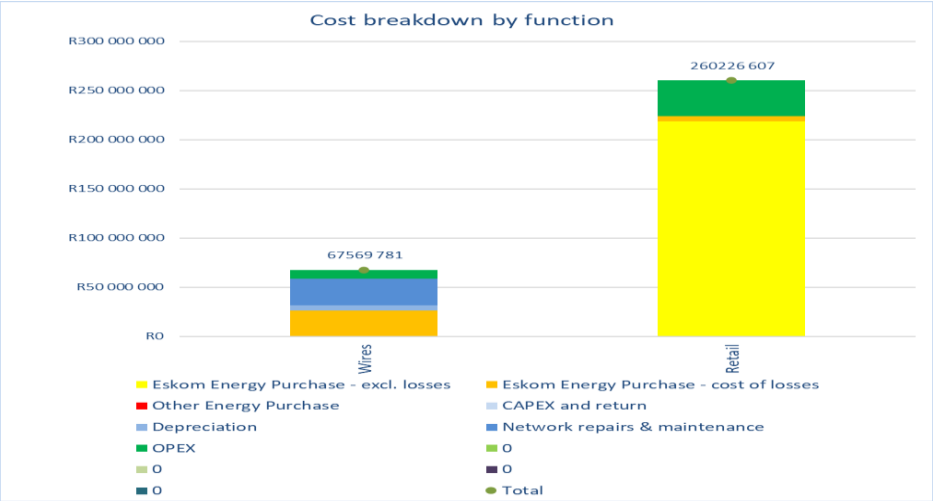


Figure 2: Cost Breakdown by Function

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

Cost Classification

4.22 The licensee classified its costs into energy, demand and customer-related costs, which is in line with the requirements of the NERSA COS Framework. The costs align with revenue requirements and cost functionalisation on verification.

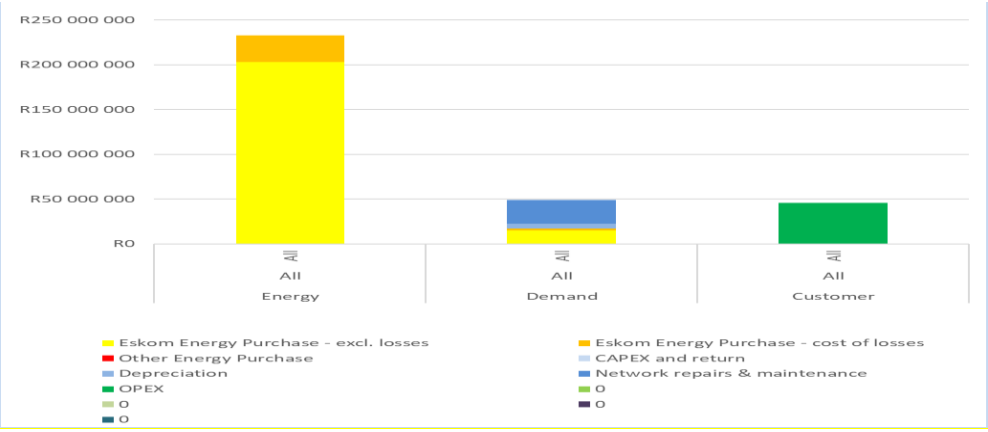


Figure 3: Cost Breakdown by Cost Structure (Classification)

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

Cost Allocation

4.24 In this step, the licensee's revenue requirements are allocated between customer categories, which is in line with the NERSA COS Framework. The costs align with revenue requirements, cost functionalisation and cost classification on verification.

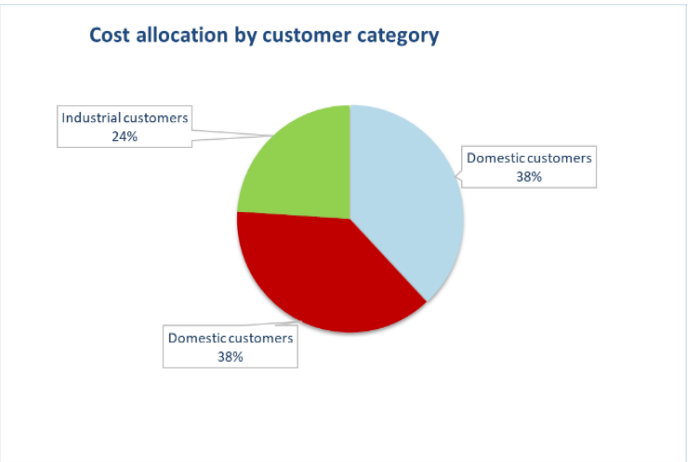


Figure 4: Costs Allocated

Rate Design

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

4.26 In order for the municipality to reach full cost reflectivity, it must increase tariffs for the different customer categories as demonstrated below. In doing so, it will increase some categories more than others to manage the cross-subsidies in the system. However, the municipality has opted for a uniform tariff increase of 11.8%. After the proposed changes are implemented, the under- and over-recovery per tariff category are presented as shown in the second graph of Figure 5.

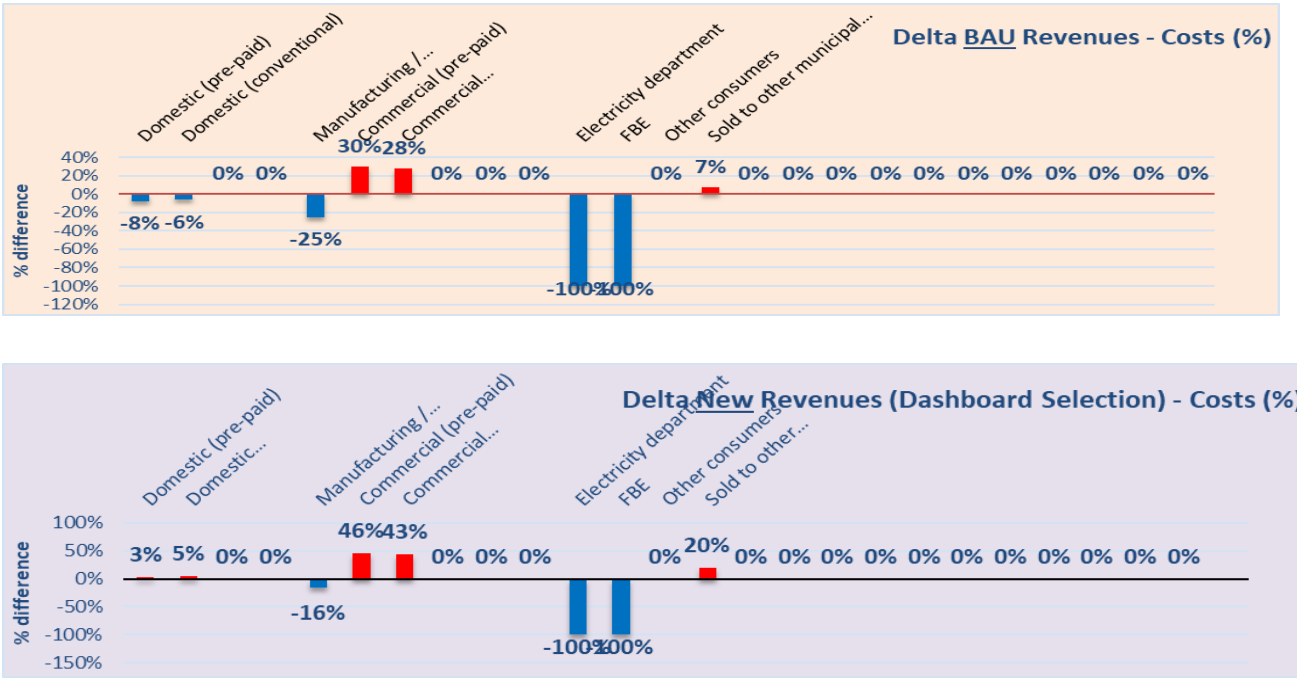


Figure 5: Rate Design

5. CONCLUSION ON THE COS

5.1 The COS analysis shows that full cost reflectivity requires a 16.8% tariff increase, but the municipality proposes a lower 11.8% phased increase to balance financial sustainability with customer affordability.

5.2 The analysis recognises that excessively high tariff increases may reduce consumption, weaken revenue collection and affect the municipality's ability to meet its financial obligations, including payments to Eskom. Furthermore, as the COS study is based on forecasts, there is inherent uncertainty regarding the realisation of projected costs and revenues.

5.3 This approach mitigates risks of reduced demand, revenue instability, and payment challenges to Eskom, while allowing gradual progression toward cost-reflective tariffs as conditions improve.

	BAU	CTS (net of subsidies)	New rates (Dashboard selection)
Total revenue forecast (with new rates)	280 647 878	327 796 388	313 764 328
		Delta =	- 14 032 060
Average increase in rates	11,8%		
Average increase in rates to reach overall cost-reflectivity	16,8%		
Share of total cost recovered with the new rates	95,7%		
Share of total costs recovered (existing rates)	85,6%		

Figure 6: COS Results

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This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
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The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9323/Makana_ReasonsforDecisionontariffapplicationforFY2026-27.pd

3. Domestic Prepaid 60A	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
	c/kWh	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that domestic customers are under-recovering, with tariffs below the cost of supply; however, the proposed 11.8% phased increase is appropriate as it gradually improves cost recovery while protecting customers from tariff shocks and maintaining a balance between financial sustainability and affordability.*
Energy charge (c/kWh)	*334,89*	*11,8%*	*374,41*	*374,41*	*11,8%*	

4. Domestic conventional 20A Single Phase	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 4	*c/kWh*	*11,8%*	c/kWh	c/kWh	*11,8%*	*The COS analysis indicates that domestic customers are under-recovering, with tariffs below the cost of supply; however, the proposed 11.8% phased increase is appropriate as it gradually improves cost recovery while protecting customers from tariff shocks and maintaining a balance between financial sustainability and affordability.*
Energy Charge: c/kWh	*238,31*	*11,8%*	*266,43*	*266,43*	*11,8%*	
Amp charge (R/A/m)	*11,39*	11,8%	*12,73*	*12,73*	*11,8%*	

5. Domestic conventional 40A Single Phase	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 4	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that domestic customers are under-recovering, with tariffs below the cost of supply; however, the proposed 11.8% phased increase is appropriate as it gradually improves cost recovery while protecting customers from tariff shocks and maintaining a balance between financial sustainability and affordability.*
Energy charge: c/kWh	*299,02*	*11,8%*	*334,30*	*334,30*	*11,8%*	
Amp charge (R/A/m)	*14,06*	*11,8%*	*15,72*	*15,72*	*11,8%*	

6. Domestic conventional 60A Single Phase	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 4	*c/kWh*	*11,8%*	c/kWh	c/kWh	*11,8%*	*The COS analysis indicates that domestic customers are under-recovering, with tariffs below the cost of supply; however, the proposed 11.8% phased increase is appropriate as it gradually improves cost recovery while protecting customers from tariff shocks and maintaining a balance between financial sustainability and affordability.*
Energy charge: c/kWh	*300,92*	*11,8%*	*336,43*	*336,43*	*11,8%*	
Amp charge (R/A/m)	*14,59*	*11,8%*	*16,31*	*16,31*	*11,8%*	

7. Domestic conventional 25A & 40A Three Phase	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 4	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that domestic customers are under-recovering, with tariffs below the cost of supply; however, the proposed 11.8% phased increase is appropriate as it gradually improves cost recovery while protecting customers from tariff shocks and maintaining a balance between financial sustainability and affordability.*
Energy charge: c/kWh	*338,01*	*11,8%*	*377,90*	*377,90*	*11,8%*	
Amp charge (R/A/m)	*15,43*	*11,8%*	*17,25*	*17,25*	*11,8%*	

8. Commercial, Industrial and General Prepaid	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
	c/kWh	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis shows that commercial customers are over-recovering, with tariffs above the cost of supply and effectively subsidising other groups, particularly domestic users. The proposed 11.8% phased approach is appropriate as it gradually reduces cross-subsidies while preserving revenue stability and supporting economic sustainability.*
Energy charge: c/kWh	*396,86*	*11,8%*	*443,69*	*443,69*	*11,8%*	

9. Commercial, Industrial and General Single Phase	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Scale 3.1	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis shows that commercial customers are over-recovering, with tariffs above the cost of supply and effectively subsidising other groups, particularly domestic users. The proposed 11.8% phased approach is appropriate as it gradually reduces cross-subsidies while preserving revenue stability and supporting economic sustainability.*
Energy charge: c/kWh	*360,5*	*11,8%*	*403,04*	*403,04*	*11,8%*	
Amp charge (R/A/m)	*22,26*	*11,8%*	*24,89*	*24,89*	*11,8%*	

10. Municipal Basic	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Scale 3.1	*c/kWh*	*11,8%*	c/kWh	c/kWh	*11,8%*	*A phased approach is also recommended to allow for a gradual reduction in cross-subsidies while maintaining revenue adequacy and supporting economic sustainability*
Energy charge: c/kWh	*37,73*	*11,8%*	*42,18*	*42,18*	*11,8%*	
Amp charge (R/A/m)	*21,61*	*11,8%*	*24,16*	*24,16*	*11,8%*	

11. Sports Club	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Scale 8	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*A phased approach is also recommended to allow for a gradual reduction in cross-subsidies while maintaining revenue adequacy and supporting economic sustainability.*
Energy charge: c/kWh	*313,02*	*11,8%*	*349,96*	*349,96*	*11,8%*	
Amp charge (R/A/m)	*20,94*	*11,8%*	*23,41*	*23,41*	*11,8%*	

12. Commercial, Industrial and General	2025/26 Approved	Proposed % Increase	2026/27 Proposed	2026/27 Recommended	Recommended % Increase	Analysis and Key Findings
Scale 3.2	*c/kWh*	*11,8%*	c/kWh	c/kWh	*11,8%*	*The COS analysis shows that commercial customers are over-recovering, with tariffs above the cost of supply and effectively subsidising other groups, particularly domestic users. The proposed 11.8% phased approach*
Energy charge: c/kWh	*360,5*	*11,8%*	*403,04*	*403,04*	*11,8%*	
Amp charge (R/A/m)	*20,06*	*11,8%*	*22,43*	*22,43*	*11,8%*	

						is appropriate as it gradually reduces cross-subsidies while preserving revenue stability and supporting economic sustainability.

13. Bulk Supply Low Voltage	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 2	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed 11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and ensuring stable revenue for the municipality.*
Energy charge: c/kWh	*184,39*	*11,8%*	*206,15*	*206,15*	*11,8%*	
Basic charge (R/month)	*2 490,84*	*11,8%*	*2 784,76*	*2784,76*	*11,8%*	
Demand charge (R/kVA)	*481,48*	*11,8%*	*538,29*	*538,29*	*11,8%*	

14. Bulk Supply Medium Voltage	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 1A	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed 11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and ensuring stable revenue for the municipality.*
Energy charge: c/kWh	*223,58*	*11,8%*	*249,96*	*249,96*	*11,8%*	
Basic charge (R/month)	*4 981,71*	*11,8%*	*5 569,55*	*5 569,55*	*11,8%*	
Demand charge (R/kVA)	*398,61*	*11,8%*	*445,65*	*445,65*	*11,8%*	

15. Bulk Supply Munic Basic	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 1A	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed 11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and*
Energy charge: c/kWh	*223,58*	*11,8%*	*249,96*	*249,96*	*11,8%*	
Basic charge (R/month)	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
Demand charge (R/kVA)	*436,92*	*11,8%*	*488,48*	*488,48*	*11,8%*	

						ensuring stable revenue for the municipality.

16. Bulk Supply Munic Basic	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Scale 2	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed 11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and ensuring stable revenue for the municipality.*
Energy charge: c/kWh	*192,84*	*11,8%*	*215,58*	*215,58*	*11,8%*	
Basic charge (R/month)	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	
Demand charge (R/kVA)	*480,62*	*11,8%*	*537,33*	*537,33*	*11,8%*	

17. TOU	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Low Voltage	*c/kWh*	*11,8%*	*c/kWh*	*c/kWh*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed 11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and ensuring stable revenue for the municipality.*
Basic charge (R/month)	*2 314,06*	*11,8%*	*2 587,12*	*2 587,12*	*11,8%*	
Energy charge (c/kWh)						
Low Season						
Peak	*276,28*	*11,8%*	*308,88*	*308,88*	*11,8%*	
Standard	*220,06*	*11,8%*	*246,03*	*246,03*	*11,8%*	
Off-peak	*157,65*	*11,8%*	*176,25*	*176,25*	*11,8%*	
Demand charge (R/kVA)	*149,02*	*11,8%*	*166,60*	*166,60*	*11,8%*	
High Season						
Peak	*752,18*	*11,8%*	*840,93*	*840,93*	*11,8%*	
Standard	*279,67*	*11,8%*	*312,68*	*312,68*	*11,8%*	
Off-peak	*174,42*	*11,8%*	*195,00*	*195,00*	*11,8%*	
Demand charge (R/kVA)	*190,53*	*11,8%*	*213,02*	213,02	*11,8%*	
Reactive Energy	*7,05*	*11,8%*	*7,88*	7,88	*11,8%*	

18. TOU	***2025/26 Approved***	***Proposed % Increase***	***2026/27 Proposed***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
Medium/High Voltage	*c/kWh*	*11,8%*	c/kWh	c/kWh	*11,8%*	
Basic charge (R/month)	*4 628,11*	*11,8%*	*5 174,23*	*5 174,23*	*11,8%*	*The COS analysis indicates that industrial customers are under-recovering, with tariffs below the cost of supply; the proposed*
Energy charge (c/kWh)						
Low Season						
Peak	*263,12*	*11,8%*	*294,17*	*294,17*	*11,8%*	

Standard	*209,56*	*11,8%*	*234,28*	*234,28*	*11,8%*	*11.8% phased increase supports gradual improvement in cost recovery while maintaining competitiveness and ensuring stable revenue for the municipality.*
Off-peak	*150,14*	*11,8%*	*167,86*	*167,86*	*11,8%*	
Demand charge (R/kVA)	*135,47*	*11,8%*	*151,46*	*151,46*	*11,8%*	
High Season						
Peak	*716,38*	*11,8%*	*800,92*	*800,92*	*11,8%*	
Standard	*266,37*	*11,8%*	*297,81*	*297,81*	*11,8%*	
Off-peak	*166,10*	*11,8%*	*185,70*	*185,70*	*11,8%*	
Demand charge (R/kVA)	179,35	*11,8%*	*200,51*	200,51	*11,8%*	
Reactive Energy	7,06	*11,8%*	*7,89*	7,89	*11,8%*	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

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

End.