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

Dikgatlong Local Municipality

THE DECISION

1. At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered the Dikgatlong 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 the tariff analysis section of this document.

2. Based on the available information and the analysis performed, the REC decided:

   2.1. to approve the tariffs that are based on the cost drivers, as recommended in the tariff analysis section, for implementation by the municipality with effect from 1 July 2026;
   2.2. to note the cost information submitted by the municipality;
   2.3. that the municipality must submit a report accounting for all the costs noted in its cost drivers to enable the National Energy Regulator of South Africa to perform its independent verification or audit process by 31 January 2027; and
   2.4. that the licensee must submit a quarterly smart efficiency plan with improvement measures identified for reducing high energy losses and submit it 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
IBT	Inclining Block Tariff
IPP	Independent Power Producer
DLM	Dikgatlong Local Municipality
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), in accordance with its statutory mandate to regulate electricity prices and tariffs, assesses tariff applications submitted by licensees on an annual basis. As part of this process, municipal electricity tariffs must be approved by the Energy Regulator prior to implementation, which typically takes effect on 1 July of each financial year.

1.2. The Dikgatlong Local Municipality (Dikgatlong or DLM) is located in the Northern Cape and has a total of 3 518 customers. The domestic customer category accounts for 58% of total electricity sales, followed by commercial customers at 28%. 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 **Error! Reference source not found.**1 below.

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

Customer categories	*MWh*	*% MWh*	*Customer numbers*
Domestic(Prepaid)	4 263	39%	2 498
Domestic(Conventional)	2 125	19%	279
Manufacturing	1 594	14%	36
Commercial Prepaid	1 324	12%	625
Commercial Conventional	1 709	16%	80
TOTAL	**11 015**	**100%**	**3 518**
FBE	965	15,11%	1152

1.3. NERSA received the municipality's tariff application and its cost of supply (COS) study on 31 March 2026.

1.4. The municipality implemented an average price increase of 11.7% in the 2025/26 financial year and is applying for an average price increase of 9.01% for the 2026/27 financial year.

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

1.6. The Energy Regulator's decision was made on 6 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

2.1.1. The approval of 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 Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

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

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

2.2. NERSA's Statutory Mandate

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator is 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 is responsible for exercising regulatory authority over all activities regulated in terms of 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 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. Therefore, public participation processes conducted by the Energy Regulator 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 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 NERSA.

2.7. Judicial Oversight of the Tariff Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to the 2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

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

2.7.4. NERSA subsequently launched a variation application seeking to vary the timelines set by the Court on 4 December 2025 in light of practical difficulties that arose in relation 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 financial year 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 the 2027/28 financial year 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 reasons for decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. Level of Reliability of Information

3.1.1. In evaluating the financial and technical performance of DLM, the assessment was based on the 2024/25 Distribution forms (D-forms) submitted with the tariff application. The data was verified against supporting documents, including the trial balance and annual financial statements, and is therefore considered reliable for tariff analysis purposes.

3.1.2. **Error! Reference source not found.**e 2 below shows DLM's technical and financial performance.

Table 2: Performance indicators

Performance Indicators Obtained from D-Forms		
Performance Indicators	2023/24	2024/25
Percentage Surplus (Deficit) %	-57,85	-65,36
Percentage Energy Losses %	25,19	30,15

3.2. Percentage Surplus

3.2.1. The municipality recorded a deficit of 65.36% in the 2024/25 financial year, worsening from 57.85% in 2023/24, indicating a deterioration in the financial position of the electricity business. The municipality remains in a deficit position, meaning that revenue is still insufficient to fully cover operating costs. NERSA notes that this is mainly due to expenditure increasing faster than revenue, which continues to place pressure on the financial performance of the electricity business.

3.2.2. To address this, the municipality is required to implement targeted corrective measures. These include strengthening revenue collection through improved billing accuracy and effective credit control, reducing both technical and non-technical losses and ensuring that tariffs are cost-reflective in accordance with COS principles. The municipality has further appointed a Debtors Collector to assist in collecting revenue.

3.3. Energy Losses

3.3.1. The energy losses increased to 30.15% in the 2024/25 financial year from 25.19% in 2023/24, indicating a significant deterioration in the management and control of both technical and non-technical losses within the electricity network.

3.3.2. The Dikgatlong Local Municipality experienced extremely high electricity losses in 2024/25 alongside low revenue collection rates, placing severe strain on financial sustainability.

3.3.3. These losses are driven by technical inefficiencies and non-technical factors such as theft, illegal connections and weaknesses in billing and revenue collection systems.

3.3.4. Furthermore, the municipality has appointed electricians to assist with issues of maintenance.

3.3.5. Table 3 below reflects the revenue impact analysis under two energy loss scenarios, namely:

i. the actual losses of 65.36%, representing the current operating position; and
ii. and a reduced loss level of 12%, reflecting an efficient and regulatory-aligned scenario, for assessment purposes.

Table 3: Assessment of energy losses and revenue impact

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	295,69		
Sales kWh	11 016 169,99	16 080 659,53	17 177 068,13
Purchases kWh	18 273 476,74	18 273 476,74	18 273 476,74
Losses kWh	7 257 306,75	2 192 817,21	1 096 408,60
Losses percentage	**39,71%**	**12,00%**	**6,00%**
Additional Energy (kWh)		5 064 489,54	6 160 898,14
Additional Revenue (Rands)		14 975 208,38	18 217 183,16
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Net Profit (Loss)	R -29 509 269,73	R -14 534 061,35	R -11 292 086,57
Percentage Surplus/Deficit	**-65,36%**	**-24,17%**	**-17,82%**

3.3.6. Under the current loss level of 65.36%, the municipality experiences a significant revenue shortfall, which adversely affects its financial sustainability, as a substantial portion of purchased electricity is not billed or recovered. This continues to place pressure on the municipality's ability to meet its operating and maintenance obligations.

3.3.7. In an alternative scenario where losses are reduced to 12%, the financial position improves but remains in deficit, decreasing from -65.36% to -24.17%. While this reflects a material improvement in revenue recovery and operational efficiency, it indicates that loss reduction alone is not sufficient to fully restore financial viability. Additional measures, including cost containment, improved revenue collection and the implementation of cost-reflective tariffs, are required to achieve a financially sustainable position.

3.3.8. In accordance with the cost-plus methodology, only prudent and efficient costs are recognised. The comparison between the two scenarios demonstrates that the current level of losses is inefficient and not supportable for tariff-setting purposes. Accordingly, operational improvements, particularly the reduction of energy losses, are required. Tariff adjustments alone will not restore financial sustainability without the implementation of effective loss-reduction interventions.

3.4. General Conclusion on the Financial and Technical Indicators

3.4.1. In conclusion, the municipality has not demonstrated improvement in its financial performance or energy losses. The municipality remains in a deficit position, indicating that revenue is still insufficient to fully cover costs. The municipality is required to ensure that tariffs are cost-reflective and aligned with COS principles. Furthermore, targeted interventions to reduce energy losses, strengthen revenue collection and control expenditure must be implemented to improve financial sustainability.

4. DETERMINATION OF DLM TARIFFS BASED ON THE COS ADJUSTED DATA

4.1. The licensee submitted its existing COS study, which supports the tariff application that will be approved in the 2026/27 financial year. The licensee's COS study included all requirements of the NERSA COS Framework (i.e. revenue requirement, cost functionalisation, cost classification, cost allocation and rate setting).

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. Section 18.7 of the October 2023 NERSA-approved Cost of Supply Framework states that:

> *An adjustment index will be issued to licensees to allow them to submit the tariff applications, which will be used to determine the costs that must increase with CPI, purchase costs, and other OPEX. Where annual plans, such as repairs and maintenance, and CAPEX plans have been assessed and approved by NERSA.*

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

i. Column 1 is the actual 2024/25 licensee performance and is sourced from the D-forms that are based on the audited annual statements.
ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for 2026/27 tariffs.
iii. Column 3 is for the licensee's submitted 2026/27 budgeted figures to be tested for reasonableness for determining tariffs for the control period under review.
iv. Column 4 is for NERSA's recommended adjustments after considering the reasons, facts, and evidence the licensee provided to motivate/justify the budgeted figures.
v. Column 5 is for NERSA's recommended amounts that sum up to the allowable revenues the licensee must recover in FY2026/27.

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

4.6. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its projected costs as requested by NERSA, with a total required revenue of R59 113 484 for the 2026/27 tariff review. After adjusting, NERSA approved an allowable revenue of R58 955 712.

Table 4: Municipality's revenue requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	11 016 170	11 346 655	12 367 854	-	12 367 854
Eskom bulk purchases	kWh	17 741 240	18 273 477	18 821 681	-	18 821 681
Total Energy Requirements	**kWh**	**17 741 240**	**18 273 477**	**18 821 681**		**18 821 681**
Total Losses	kWh	6 725 070	6 926 822	6 453 827		6 453 827
Technical losses	kWh	2 128 949	2 192 817	2 258 602	-	2 258 602
Non-technical losses	kWh	-4 596 121	-4 734 004	-4 195 225	-	-4 195 225
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	37,91%	37,91%	34,29%		34,29%
Cost drivers						
Energy purchases from Eskom	Rand	30 698 011	35 198 217	41 822 838		41 822 838
total energy purchases		**30 698 011**	**35 198 217**	**41 822 838**	**0**	**41 822 838**
Operational expenditure (incl. Depreciation)	**Rand**	**18 218 155**	**19 019 754**	**19 977 720**	**- 143 429**	**19 834 291**
General & Other	0	18 093 653	18 889 774	19 842 541	-143 429	19 699 112
Salaries and allowances	Rand	5 148 129	5 374 647	5 643 379		5 643 379
Materials and supplies	Rand	2 548 542	2 660 678	2 767 105	0	2 767 105
Contracted Services	Rand	2 154 880	2 249 695	2 339 683	0	2 339 683
Current year depreciation	Rand	8 242 102	8 604 754	8 948 945	0	8 948 945
FBE paid to Eskom	Rand			143 429	-143 429	
Shared OPEX	Rand	124 502	129 980	135 179	0	135 179
Bad debts (Allowance for Impairment)	Rand	124 502	129 980	135 179	**0**	135 179
Total Expediture before surplus		48 916 166	54 217 971	61 800 558		61 657 129
Surplus	Rand	1 442 770	1 506 252	1 571 877		1 557 534
Total Expenditure Including Surplus		50 358 936	55 724 223	63 372 435	0	63 214 663
Other revenues	Rand	**-3 922 553**	**-4 095 145**	**-4 258 951**	**0**	**-4 258 951**
Reconnection fees	Rand	45 554	47 558	49 461	0	49 461
2. Other Revenue	Rand	3 876 999	4 047 587	4 209 490	-	**4 209 490**
Total Allowable Revenus	**Rand**	**46 436 383**	**51 629 078**	**59 113 484**	**-143 429**	**58 955 712**
increase required				*14,50%*	*14,19%*	

4.7. It is important to test the efficiency and prudency of the costs in the 2025/26 financial year 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 2026/27 financial year will be projected using assumptions to calculate revenue requirements for that year.

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

Bulk Purchases

4.9. The licensee applied for a bulk purchase expenditure of R41 822 838, which accounts for 71% of total costs, inclusive of the 12% energy loss allowance in line with the ERA that requires only the prudently and efficiently incurred cost to be passed through to customers.

4.10. To get to the 2026/27 estimate, the licensee projected the year-to-date amount for 2025/26 since complete financial year data is unavailable, then made an estimate that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.11. NERSA is satisfied that the licensee's approach to forecasting bulk purchases is reasonable. As a result, this cost has been recommended for approval as applied for.

Operating Expenditure (Including Depreciation)

4.12. DLM applied for operational expenditure amounting to R19 977 720, representing 34% of the total costs for the 2026/27 financial year, as reflected in Table 4 above.

4.13. The municipality utilised recent financial data as a basis to project the 2025/26 costs and escalated the 2026/27 costs using assumed cost drivers. NERSA is satisfied that the approach to forecasting operational expenditure is reasonable.

4.14. NERSA notes that the municipality excluded the cost of interest on Eskom from the total cost on the basis that these are within its control.

4.15. The FBE payment to Eskom, amounting to R143 429, was identified as an inefficiency, as it is already funded through government revenue. Including this cost would result in double counting.

4.16. It is recommended that the Energy Regulator approve the total operational expenditure of R19 834 291 for the 2026/27 financial year.

Surplus

4.17. The licensee has provided for a surplus of R1 557 534, representing 3% of the allowable revenue requirement. While the surplus is relatively modest, it provides a prudent operating margin to mitigate financial risks associated with the electricity business, including revenue-collection shortfalls, unexpected increases in operating costs, and infrastructure maintenance requirements. The surplus further enhances the financial resilience of the electricity undertaking and supports its ability to maintain service delivery and network reliability without placing undue reliance on future tariff increases.

4.18. The municipality mentioned risk factors including Illegal connections, vandalised meters, faulty meters, old infrastructure and meter tampering.

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Energy Charge c/kWh	288,90	9,01%	314,93	314,93	9,01%	While this promotes tariff stability, it indicates partial cost recovery and may contribute to ongoing financial pressure on the electricity service.

3. Commercial Prepaid	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings
Energy Charge c/kWh	376,05	9,01%	409,93	409,93	9,01%	The 9.01% increase in energy charges is below cost drivers, indicating that this category is not fully cost-reflective. This may result in some level of cross-subsidisation if costs are recovered from other customer groups.

4. Commercial Conventional	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings
Basic Charge (R/month)	364,22	9,01%	397,04	397,04	9,01%	Basic and energy charges increased by 9.01%, which is below the cost driver increase. This

Energy Charge c/kWh	336,89	9,01%	367,24	367,24	9,01%	suggests that commercial customers are not fully contributing to the recovery of increased costs, potentially affecting revenue adequacy.

5. Commercial Medium	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings
Basic Charge (R/month)	338,99	9,01%	369,53	369,53	9,01%	All tariff components (basic, energy, and demand charges) increased by 9.01%. While the structure is consistent, the increase remains below cost drivers, indicating under-recovery across this customer segment.
Energy Charge c/kWh	302,03	9,01%	329,24	329,24	9,01%	
Demand Charge R/kVA	139,36	9,01%	151,92	151,92	9,01%	

6. Government Institution	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings
Basic Charge (R/month)	521,14	9,01%	568,09	568,09	9,01%	The 9.01% increase applied to both basic and energy charges is below

Energy Charge c/kWh	337,65	9,01%	368,07	368,07	9,01%	the cost driver increase. This may limit cost recovery from government customers, who are typically stable and high-volume consumers.

7. Industrial Tariff	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings
Basic Charge (R/month)	637,33	9,01%	694,75	694,75	9,01%	The increase of 9.01% across all components (basic, energy, and demand charges) is below the cost drivers. While this may support economic activity and competitiveness, it may also result in insufficient revenue recovery from a key consumption segment.
Energy Charge c/kWh	294,61	9,01%	321,15	321,15	9,01%	
Demand Charge R/kVA	216,41	9,01%	235,91	235,91	9,01%	

8. Serviced Vacant Land	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	2026/27 Recommended Tariffs	2026/27 Recommended Increase	Analysis and Key Findings

Basic Charge (R/month)	193,73	9,01%	211,19	211,19	9,01%	The licensee proposed a 9.01% increase, which aligns this category with the other customer categories. However, this increase remains below the cost driver increase of 14.19%, indicating that the tariff is not fully cost-reflective and may result in continued under-recovery.

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. From a conspectus of the facts and evidence presented to the REC, it is appropriate to approve the Dikgatlong Local Municipality's tariff application for the 2026/27 financial year.

End.