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

Emfuleni Local Municipality (ELM)

THE DECISION

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1. At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Emfuleni 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 below.

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 of Supply (COS) study as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
   2.2. to note the COS study submitted by the municipality;
   2.3. that the municipality must submit a report accounting for all the costs that have been noted in its COS study, to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification/audit process; 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
ELM	Emfuleni 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, regulates electricity prices and tariffs and assesses tariff applications submitted by licensees on an annual basis. As part of this process, municipal electricity tariffs must be approved by NERSA prior to implementation, which typically takes effect on 1 July of each financial year.

1.2. The Emfuleni Local Municipality, located in Gauteng, has an electricity sales profile largely driven by industrial customers, which contributed 73% of total electricity sales in the 2024/25 financial year, while domestic customers accounted for 17%. This sales mix reflects a significant reliance on industrial consumption, with implications for tariff design, cost recovery and the long-term financial sustainability of the electricity function.

1.3. The municipality provides Free Basic Electricity (FBE) of 50 kWh per month to registered indigent customers, in line with national policy objectives aimed at ensuring access to basic energy services for low-income households. Detailed customer statistics and consumption patterns are reflected in Table 1 below.

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

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic(Prepaid)	100 852	7%	64 756
Domestic(Conventional)	142 182	10%	8 080
Agriculture	3 645	0%	457
Manufacturing	989 621	73%	1184
Commercial	58 113	4%	7 287
Street Lighting	23 272	2%	N/A
Sold to other departments	4 190	0%	261
Other Consumers	34 150	3%	1
TOTAL	1 356 025	100%	82 026
FBE	2 932	1,21%	3 430

1.4. NERSA received the municipality's tariff application, together with its Cost of Supply (CoS) study, on 31 March 2026.

1.5. The municipality implemented an average price increase of 11.30% in the 2025/26 financial year and is applying for an average price increase of 9.01% for the 2026/27 financial year.

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

1.7. NERSA's decision was made on 9 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination and Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually in order 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 NERSA evaluated and determined the municipal electricity tariff application for the 2026/27 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 the NERA, NERSA, 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.

2.2.2. 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 NERSA 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. The public participation processes conducted by NERSA 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, 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.

2.5.2. 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 NERSA-approved methodology 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 which 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.

2.8. Court-Directed Timelines

2.8.1. The following timelines apply to the approval of municipal tariffs for the 2026/27 financial year:

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.

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

2.9. Conclusion

2.9.1. The determination of municipal electricity tariffs by 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).

2.9.2. 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. Level of Reliability of Information

3.1.1 In evaluating the financial and technical performance of ELM, 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 Table 2 below shows ELM's technical and financial performance.

Table 2: Technical and Financial Performance

Performance Indicators	2023/24	2024/25
Percentage surplus/(Deficit): %	-4.39	-31.29
Energy Losses: %	20.27	24.99

3.2. Percentage Surplus

3.2.1. The Emfuleni Local Municipality recorded an operating deficit of 31.29% in the 2024/25 financial year, compared to 4.39% in 2023/24. This reflects a deterioration in the municipality's financial position and may place additional pressure on the sustainability of the electricity function. NERSA further notes that the municipality is under the debt relief fund programme, highlighting the need for continued financial discipline and effective financial management.

3.3. Energy Losses

3.3.1. The energy losses increased marginally from 20.27% in the 2023/24 financial year to 24.99% in the 2024/25 financial year. Although the increase is relatively

small, the loss levels remain significantly above the acceptable benchmark of 12%.

3.3.2. The main drivers of energy losses identified by the municipality are illegal electricity connections and the bypassing of or tampering with meters. The municipality further highlighted that an aged network and high levels of electricity theft contribute significantly to these losses.

3.3.3. To address this, the municipality has appointed a service provider to assist in curbing the losses. The results will be visible in the next financial year.

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

a) the actual losses of 24.99%, representing the current operating position; and
b) 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 2024/25 FY

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	232,60		
Sales kWh	1 356 024 646,00	1 590 789 028,40	1 699 251 916,70
Purchases kWh	1 807 714 805,00	1 807 714 805,00	1 807 714 805,00
Losses kWh	451 690 159,00	216 925 776,60	108 462 888,30
Losses percentage	**24,99%**	**12,00%**	**6,00%**
Additional Energy (kWh)		234 764 382,40	343 227 270,70
Additional Revenue (Rands)		546 061 953,46	798 346 631,65
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 3 227 622 853,02	R 3 773 684 806,48	R 4 025 969 484,67
Total Expenses (Rands)	R 4 237 661 721,00	R 4 237 661 721,00	R 4 237 661 721,00
Net Profit (Loss)	R -1 010 038 867,98	R -463 976 914,52	R -211 692 236,33
Percentage Surplus/Deficit	**-31,29%**	**-12,30%**	**-5,26%**

3.3.5. Under the current scenario of 24.99% losses, the municipality experiences a significant revenue shortfall, which adversely affects its financial sustainability. In the alternative scenario, where losses are reduced to 12%, the financial position improves materially from a deficit of 31.29% to a deficit of 12.30%, with net loss reducing to approximately R463.976 million.

3.3.6. 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 shown improvement in both its financial performance and energy losses. However, it remains in a deficit position, indicating that revenue is still insufficient to fully cover costs. The municipality should ensure that its tariffs are cost-reflective and aligned with COS principles. Continued efforts to control costs, improve revenue and sustain low energy losses are required to achieve financial sustainability.

3.5. Other Identified Issues

3.5.1. ELM applied for the debt relief programme; the National Treasury subsequently approved the application on 1 June 2023. The application met the minimum information requirements for applications set out in MFMA Circular No. 124. The National Treasury, in collaboration with the Gauteng Provincial Treasury (GPT), assessed the municipality's compliance with the debt relief conditions, finding that it had met 76% of the conditions during the first cycle of the programme.

3.5.2. The municipality is now in its second year of the debt relief compliance cycle; therefore, the municipality qualified for the 1/3 debt write-off at the end of its second debt relief compliance cycle on 31 May 2025.

3.6. Emfuleni and Eskom Distribution Agency Agreement (DAA) Assessment

3.6.1. NERSA has assessed the Distribution Agency Agreement (DAA) between Eskom Holdings SOC Ltd and Emfuleni Local Municipality. The Agreement designates Eskom as the service delivery agent responsible for the municipality’s electricity distribution function, including revenue collection, operations, maintenance, and customer services, while ownership of the network assets remains vested in the municipality.

3.6.2. NERSA notes that the DAA was implemented in accordance with the court order dated 5 July 2023, to restore the municipality’s financial and operational sustainability and ensure the continued provision of reliable electricity services.

3.6.3. Furthermore, the ring-fencing of electricity revenue and the application of a merit order for the allocation of funds are considered appropriate mechanisms to improve revenue management, prioritise operational and bulk supply costs and address the Municipality’s outstanding debt obligations.

3.6.4. NERSA is satisfied that the roles and responsibilities of the parties are clearly defined and that the inclusion of performance monitoring measures, reporting requirements and an implementation plan provides adequate governance and oversight to support efficient service delivery.

3.6.5. Accordingly, NERSA notes that the DAA provides a reasonable and structured framework to improve operational efficiency, strengthen revenue collection, and support the long-term financial sustainability of the municipality's electricity business.

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

4.1. The process that NERSA followed in considering and approving ELM's tariff application was supported by a COS study.

4.2. ELM utilised the revised 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 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.

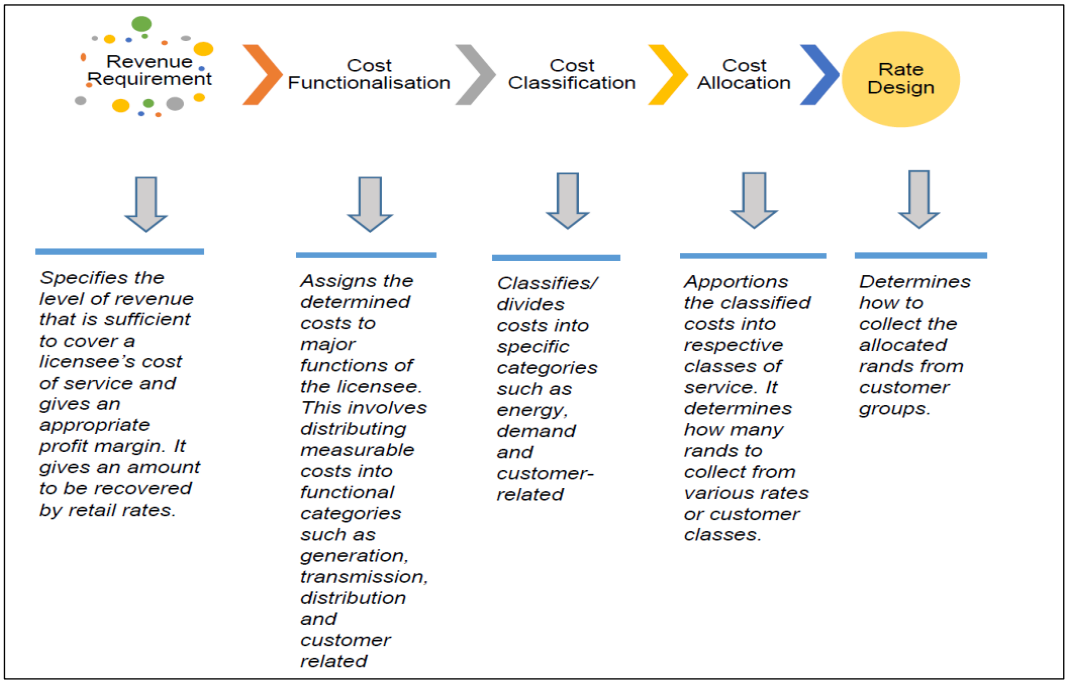


Figure 1: Five Steps of COS

4.5. The following steps are undertaken to analyse the cost of supply study.

Revenue Requirement

4.5.1. To achieve full cost reflectivity, the licensee's revenue requirement for the 2026/27 financial year is R5 324 530 308. Eskom bulk electricity purchases, including a energy loss allowance, constitute 93% of allowable costs, while operational expenditure accounts for 9%. This cost structure indicates that bulk supply costs remain the primary driver of the revenue requirement, as detailed in Table 4 below.

Table 4: Revenue Requirement Components

	Total cost (R)			
Revenue Requirement components	**Wires**	**Retail**	**Total**	**% of Total**
Allowable costs	627 287 333	4 697 242 975	5 324 530 308	100%
Energy purchases from Eskom - net of cost of losses	-	4 259 984 454	4 259 984 454	80%
Energy purchases from Eskom - cost of losses	258 060 551	409 317 067	667 377 618	13%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	339 832 290	113 070 002	452 902 292	9%
Other revenues	**- 4 171 578**	**- 87 668 680**	**- 91 840 259**	**-2%**
Surplus	33 566 071	2 540 132	36 106 203	1%
Not allowable costs	125 732 924	508 385 150	634 118 074	
Cost of losses disallowed	125 732 924	508 385 150	634 118 074	
TOTAL COSTS	**753 020 258**	**5 205 628 125**	**5 958 648 382**	

4.5.2. It is important to test the efficiency of the costs in the 2024/25 financial year since this is the most recent available actual data. This forms the basis from which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements.

4.5.3. 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

4.5.4. The licensee applied for a bulk purchase expenditure of R4 927 362 072 (including energy losses), which accounts for 93% of the total costs. Bulk purchases were verified against Eskom invoices in the 2024/25 financial year.

4.5.5. To arrive at 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).

4.5.6. 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

4.5.7. ELM applied for operational expenditure of R452 902 292, representing 9% of the total costs for the 2026/27 financial year, as reflected in Table 4 above.

4.5.8. The licensee utilised recent actual financial data as a basis to project the 2025/26 financial year costs and adjusted the 2026/27 financial year costs based on assumed cost drivers and relevant inflationary factors. NERSA is satisfied that the approach applied to forecast operational expenditure is reasonable.

4.5.9. Notwithstanding the above, NERSA excluded the cost of Free Basic Electricity (FBE) paid to Eskom, amounting to R1 233 639, as these costs are funded through the equitable share allocation. Furthermore, inefficient costs, including notified maximum demand (NMD) exceedance penalties amounting to R1 585 952 were excluded from the total cost, as these costs are within the municipality's control and are therefore not recoverable through tariffs.

Surplus

4.5.10. In assessing the licensee's proposed surplus, NERSA relied on section 15(1)(a) of the ERA, which requires that tariffs enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision together with the COS Methodology, NERSA seeks to ensure that the licensee recovers efficiently and prudently incurred costs while preventing excessive compensation at the expense of consumers.

4.5.11. The licensee applied for a surplus of R36 397 467, representing approximately 1% of the allowable revenue requirement. The municipality submitted that the surplus is necessary to strengthen the financial sustainability of the electricity undertaking and to provide a prudent margin for managing operational and financial risks associated with the provision of electricity distribution services.

4.5.12. The municipality identified a number of risks affecting the electricity business, including illegal electricity connections, meter tampering, meter vandalism, faulty meters, ageing infrastructure, revenue collection challenges and increasing maintenance requirements.

4.5.13. NERSA considered the municipality's risk profile, financial position and the principles of the COS Methodology. Although the municipality continues to experience high distribution losses and a deficit position, the proposed surplus remains at the lower end of the range contemplated in the COS Framework. NERSA is therefore of the view that the surplus is reasonable, proportionate to the risks associated with the licensed activity and does not place an undue burden on consumers. It provides an appropriate operating margin to support the financial sustainability of the electricity undertaking while maintaining cost-reflective tariffs.

4.5.14. Based on the above assessment, NERSA recommends the approval of a surplus of R36 106 203 as part of the allowable revenue requirement. The approved surplus is considered sufficient to support the continued financial viability of the electricity undertaking while ensuring that tariffs remain reasonable, cost-reflective and consistent with the requirements of the ERA.

Cost Functionalisation

4.5.15. The licensee has categorised its revenue requirements of R5 324 530 308 into two main functions: wires and retail business, which is in line with the NERSA COS Framework, as demonstrated in Figure 2 below. These costs align with revenue requirements on verification.

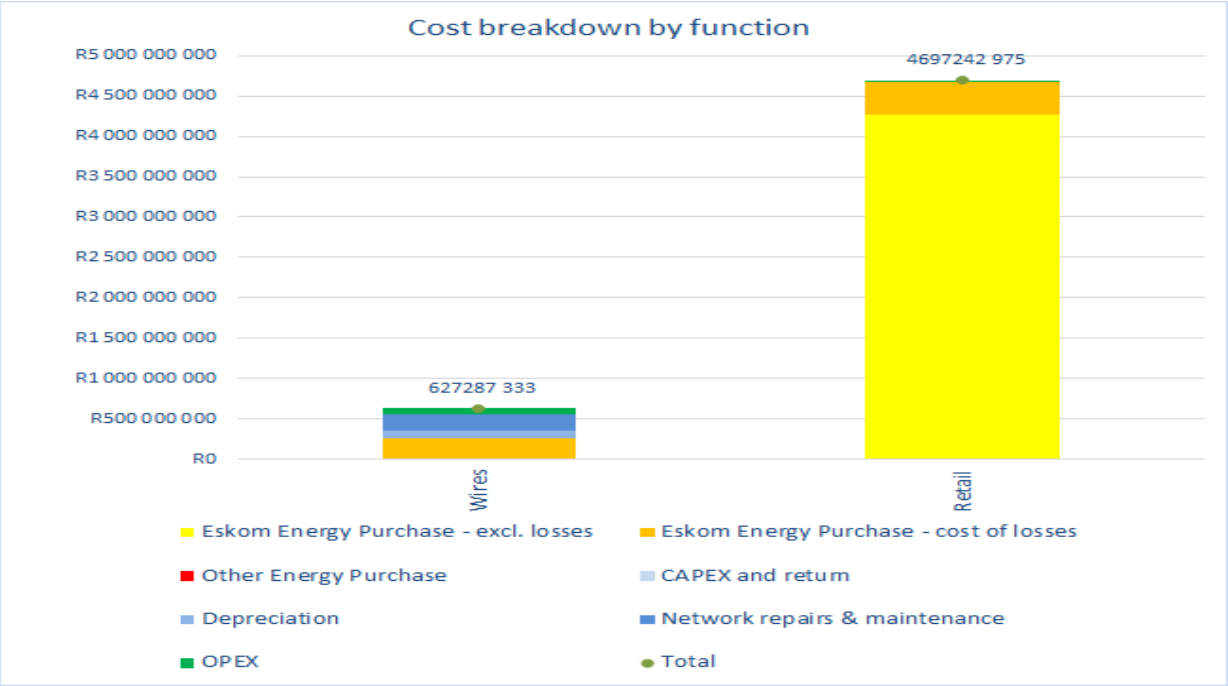


Figure 2: Cost Breakdown by Function

4.5.16. 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

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

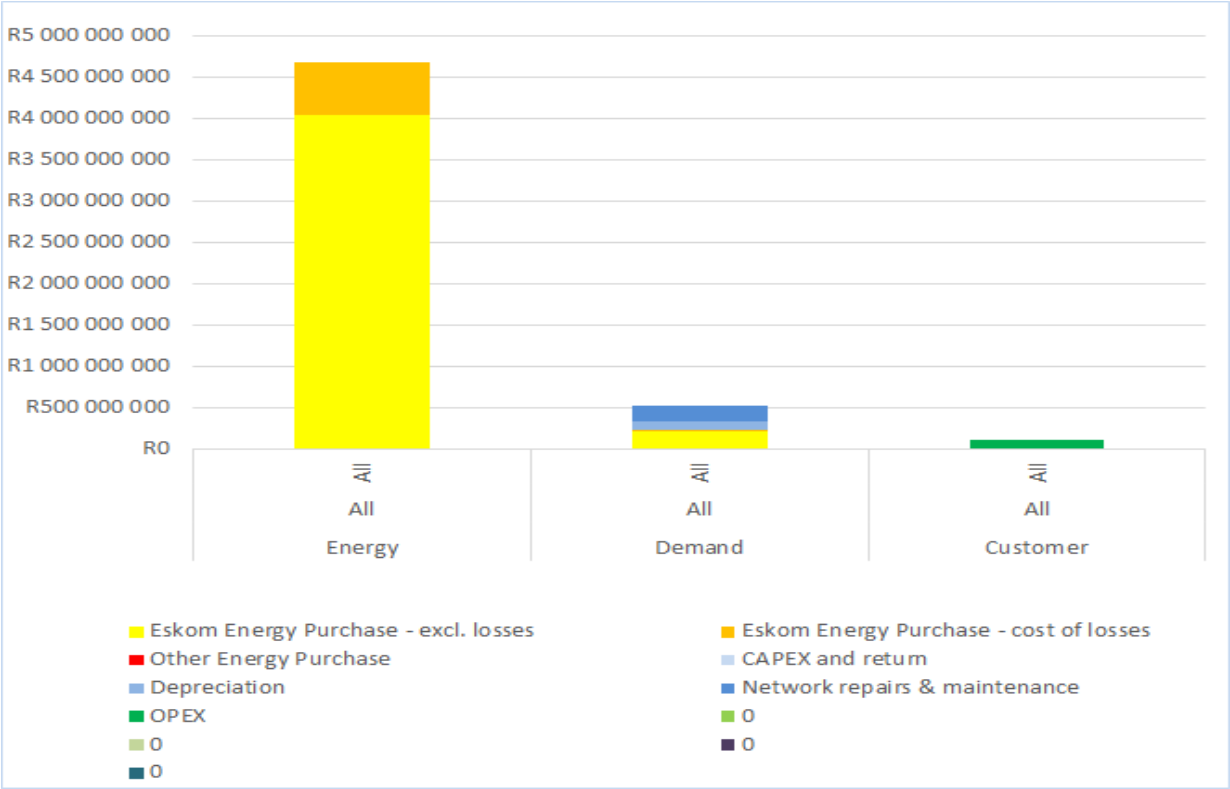


Figure 3: Cost Classification

4.5.18. 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

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

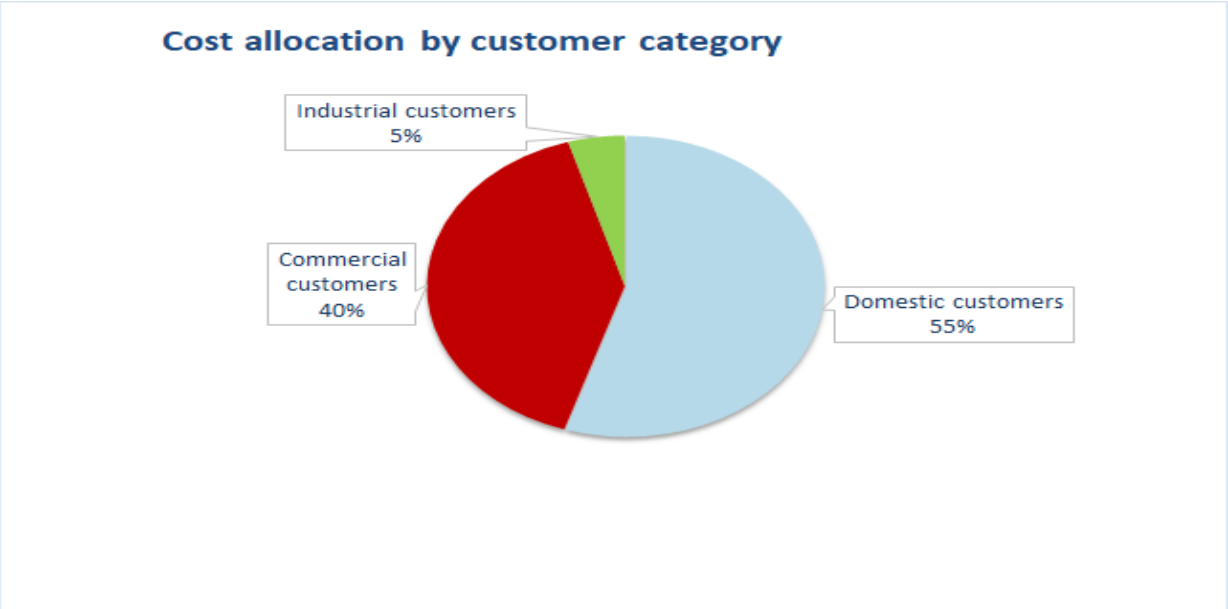


Figure 4: Allocation of Costs between Customer Categories

4.5.20. The domestic customer category accounts for the largest share of allocated costs at 55%, followed by commercial customers at 40%, while industrial customers account for 9% of the total costs. The variation in cost allocation across customer categories is primarily driven by differences in supply characteristics, including connection voltage levels, load factors, coincidence factors and average consumption patterns.

Rate Design

4.5.21. The Cost of Supply analysis demonstrates the total costs against revenue impact of the various tariffs. Figure 5 below compares the current tariff components with the costs for the same tariff components and indicates that certain rates should increase and others decrease.

4.5.22. Comparing these costs to the income per tariff category reveals the over- or under-recovery per tariff category, as shown in Figure 5. When reading this graph, it is important to note that it is presented in % terms and not absolute rand terms.



Figure 5: Revenue Recovery by Customer Category

4.5.23. The licensee is not proposing any structural changes to its tariffs for the 2026/27 financial year.

5. CONCLUSION ON THE COS

5.1. The COS study results suggest a 13.4% increase, as illustrated in Table 5 below. However, the municipality is proposing a 9.01% increase for the 2026/27 financial year. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to stimulate demand, the ability to cover Eskom bulk electricity costs and to ensure customer affordability while maintaining long-term financial stability.

5.2. NERSA notes that the municipality has appointed an external service provider to redesign its tariffs in the 2027/28 financial year to improve its alignment with COS principles.

5.3. NERSA recognises that significantly high tariff increases may result in reduced consumption, lower revenue collection and constraints in meeting financial obligations, including payments to Eskom.

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Basic Charge (R/month)	418,18	9,01%	455,86	455,86	9,01%	The 9.01% increase remains well below the CoS requirement, resulting in under-recovery of fixed network costs. Although the tariff recognises grid usage by solar customers and limits customer impact, it does not fully reflect the cost of maintaining network infrastructure.

3. Domestic Single Phase (High) / Three Phase/Flat/ Town Houses	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Summer Energy Charges (Sep-May)						The proposed 9.01% increase is below the Cost of Supply requirement, resulting in under-recovery of costs and non-cost-reflective tariffs. While indigent customers remain subsidised, the Municipality is required to redesign its tariffs to progressively achieve cost reflectivity and ensure financial sustainability impact on indigent and low-consumption households and preserves the inclining block structure, it delays progress toward cost-reflective tariffs and may impact long-term
Block 1(0-50kwh)	199,98	9,01%	218,00	217,81	8,92%	
Block 2 (51 – 350 kWh)	233,85	9,01%	254,92	254,92	9,01%	
Block 3 (351 – 600 kWh)	312,36	9,01%	340,50	340,50	9,01%	
Block 4 (>600 kWh)	375,75	9,01%	409,61	409,61	9,01%	
Basic Charge (R/month) (Three phase)	940,77	9,01%	1025,53	1025,53	9,01%	
Basic Charge (R/month) Single Phase /Two Phase /Flat/ Town houses	418,18	9,01%	455,86	455,86	9,01%	
Winter Energy Charges (Jun-Aug)						
Block 1(0-50kwh)	261,27	9,01%	284,81	284,81	9,01%	

Block 2 (51 – 350 kWh)	294,29	9,01%	320,81	320,81	9,01%	sustainability.
Block 3 (351 – 600 kWh)	393,77	9,01%	429,25	429,25	9,01%	
Block 4 (>600 kWh)	472,5	9,01%	515,07	515,07	9,01%	
Basic Charge (R/month) Single Phase /Two Phase /Flat/ Town houses	418,18	9,01%	455,86	455,86	9,01%	
Basic Charge (R/month) Three Phase	940,77	9,01%	1025,53	1025,53	9,01%	

4.Domestic Bulk resellers	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Summer Energy Charge (c/kWh)	267,39	9,01%	291,48	291,48	9,01%	The increase below CoS levels results in partial cost recovery from bulk residential customers. While this supports affordability, it may create cross-subsidisation pressures and limit financial sustainability. The Municipality is therefore required to redesign its tariffs to achieve cost reflectivity.
Winter Energy Charge (c/kWh)	361,8	9,01%	394,40	394,40	9,01%	
All season Basic Charge (R/month)	1570,01	9,01%	1711,47	1711,47	9,01%	

5. Commercial(Prepaid)	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Basic Charge: R/month	1678,69	9,01%	1829,94	1829,94	9,01%	

Summer Energy Charge (c/kWh)	365,94	9,01%	398,91	398,91	9,01%	The 9.01% increase is below the CoS requirement, reducing the cost burden on commercial customers but resulting in under-recovery of costs. This may limit the municipality's ability to fully recover supply costs from this customer segment.
Winter Energy Charge(c/kWh)	382,00	9,01%	416,42	416,42	9,01%	

6. Commercial(Conventional)	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Basic charge: R/month	1763,93	8,91%	1921,13	1921,13	8,91%	The tariff increase remains below cost-reflective levels, moderating the impact on businesses but contributing to a revenue gap. While supportive of economic activity, the approach may not be sustainable in the long term.
Summer Energy charge: c/kWh	341,66	8,91%	372,10	372,10	8,91%	
winter Energy charge: c/kWh	472,46	8,91%	514,57	514,57	8,91%	

7. Commercial (SPU) Low Voltage 400V	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Basic Charge: (R/month)	6199,00	9,01%	6757,53	6757,53	9,01%	Across these categories, the 9.01% increase is significantly below the 13.4% CoS outcome, indicating under-recovery of both
Demand Charge (R/kVA)	618,55	9,01%	674,28	674,28	9,01%	
Summer Energy charge: (c/kWh)	156,63	9,01%	170,75	170,75	9,01%	

Winter Energy Charge (c/kWh)	227,94	9,01%	248,48	248,48	9,01%	energy and network costs. While this supports competitiveness of large customers, it may result in insufficient recovery of infrastructure and supply costs.

8. Commercial (SPU) >400V & ≤66kV Medium Voltage	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: (R/month)	6199,00	9,01%	6757,53	6757,53	9,01%	Across these categories, the 9.01% increase is significantly below the CoS outcome, indicating under-recovery of both energy and network costs. While this supports competitiveness of large customers, it may result in insufficient recovery of infrastructure and supply costs.
Demand Charge (R/kVA)	639,12	9,01%	696,70	696,70	9,01%	
Summer Energy charge: (c/kWh)	156,63	9,01%	170,74	170,74	9,01%	
Winter Energy Charge (c/kWh)	227,94	9,01%	248,48	248,48	9,01%	

9. Commercial >400V & ≤66kV LPU-Medium Voltage	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: (R/month)	6198,92	9,01%	6757,44	6757,44	9,01%	Across these categories, the 9.01% increase is significantly below the CoS outcome, indicating under-recovery of both energy and network costs. While this supports competitiveness of large customers, it may result in insufficient recovery of infrastructure and supply costs.
Demand Charge (R/kVA)	639,11	9,01%	696,69	696,69	9,01%	
Summer Energy charge: (c/kWh)	164,89	9,01%	179,75	179,75	9,01%	
Winter Energy Charge (c/kWh)	263,71	9,01%	287,47	287,47	9,01%	

10. Commercial LPU-High Voltage >66kV & ≤ 132kV	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: (R/month)	6199,00	9,01%	6757,53	6757,53	9,01%	Across these categories, the 9.01% increase is significantly below the CoS outcome, indicating under-recovery of both energy and network costs. While this supports competitiveness of large customers, it may result in insufficient recovery of infrastructure and supply costs.
Demand Charge (R/kVA)	607,74	8,91%	661,90	661,90	8,91%	
Summer Energy charge: (c/kWh)	164,89	8,91%	179,58	179,58	8,91%	
Winter Energy Charge (c/kWh)	229,28	8,97%	249,85	249,85	8,97%	

11. AGRICULTURAL TARIFFS: Conventional	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge (R/month)	440,37	9,01%	480,05	480,05	9,01%	The increase below CoS levels provides relief to the agricultural sector, which is sensitive to input costs. However, the tariffs remain below cost-reflective levels, potentially requiring cross-subsidisation from other customer classes.
Summer period Energy charge(c/kWh)	355,78	9,01%	387,84	387,84	9,01%	
Winter period Energy Charge (c/kWh)	472,01	9,01%	514,54	514,54	9,01%	

12. AGRICULTURAL TARIFFS: Conventional Three Phase	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge (R/month)	880,73	9,01%	960,08	960,08	9,01%	

Summer Period Energy Charge(c/kWh)	322,70	9,01%	351,78	351,78	9,01%	The increase below CoS levels provides relief to the agricultural sector, which is sensitive to input costs. However, the tariffs remain below cost-reflective levels, potentially requiring cross-subsidisation from other customer classes.
Winter Period Energy Charge (c/kWh)	419,85	9,01%	457,68	457,68	9,01%	

13. AGRICULTURAL TARIFFS: PREPAID	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Single Phase Basic Charge (R/month)	433,09	9,01%	472,11	472,11	9,01%	The increase below CoS levels provides relief to the agricultural sector, which is sensitive to input costs. However, the tariffs remain below cost-reflective levels, potentially requiring cross-subsidisation from other customer classes.
Three Phase Basic Charge(R/month)	990,07	9,01%	1079,24	1079,24	9,01%	
Summer Period Energy Charge(c/kWh)	392,02	9,01%	427,34	427,34	9,01%	
Winter Period Energy Charge (c/kWh)	409,00	9,01%	445,85	445,85	9,01%	

14. Miniflex Tariff	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic charge	5573,69	9,01%	6075,88	6075,88	9,01%	The 9.01% increase preserves time-of-use price signals but remains significantly below CoS. While this supports efficient consumption behaviour, it limits full recovery of peak and network-
Network capacity charge	122,99		134,07	134,07	9,01%	

Excess network access charge	53,81	9,01%	58,66	58,66	9,01%	related costs.
Reactive energy charge	31,30	9,01%	34,12	34,12	9,01%	
Summer period energy charges			0,00	0,00		
Peak hours energy (c/kWh)	386,67	9,01%	421,51	421,51	9,01%	
Standard hours energy(c/kWh)	256,31	9,01%	279,40	279,40	9,01%	
Off peak hours energy (c/kWh)	146,57	9,01%	159,78	159,78	9,01%	
Winter period energy charges						
Peak hours energy (c/kWh	1141,28	9,04%	1244,44	1244,44	9,04%	
Standard hours energy (c/kWh)	330,37	9,01%	360,14	360,14	9,01%	
Off peak hours energy (c/kWh)	154,62	9,01%	168,55	168,55	9,01%	

15. Megaflex 400V and 66 KV Medium Voltage	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge	32 825,65	9,01%	35 783,24	35 783,24	9,01%	The 9.01% increase preserves time-of-use price signals but remains significantly below CoS. While this supports efficient consumption behaviour, it limits full recovery of peak and network-related costs.
Network demand charge	138,71	9,01%	151,21	151,21	9,01%	
Network access charge	122,99	9,01%	134,07	134,07	9,01%	
Excess network access charge (penalty)	53,81	9,01%	58,66	58,66	9,01%	
Reactive energy	31,31	9,01%	34,13	34,13	9,01%	
Summer period energy charge						
Peak	337,65	9,01%	368,07	368,07	9,01%	

Standard	206,87	9,01%	225,51	225,51	9,01%	
Off- Peak	139,66	9,01%	152,24	152,24	9,01%	
Winter period energy charge						
Peak	1100,98	9,01%	1200,18	1200,18	9,01%	
Standard	286,93	9,01%	312,78	312,78	9,01%	
Off- Peak	155,76	9,00%	169,79	169,79	9,00%	

16. Bulk Nightsave:	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Service Charge (R/Account/day)						The increases across bulk supply tariffs are below CoS requirements, resulting in under-recovery of bulk purchase and network costs. Although this moderate impacts on large users, it may weaken the financial position of the electricity function
>1MVA Service Charge	430,19	9,01%	468,95	468,95	9,01%	
Key Customers	8430,12	9,01%	9189,67	9189,67	9,01%	
Administrative Service Charges: (R/POD/Day)						
>1MVA Service Charge	193,86	9,01%	211,33	211,33	9,01%	
Key Customers Service Charge	268,55	9,01%	292,75	292,75		
Network demand charge (R/kVA)	65,20	9,01%	71,07	71,07	9,01%	
Network access charge (R/kVA)	34,38	9,01%	37,48	37,48	9,01%	
Transmission network charge (/kVA)	17,21	9,01%	18,76	18,76	9,01%	
Excess network access charge (penalty) (/kVA)	53,17	9,01%	57,96	57,96	9,01%	
Winter Energy Charge	154,18	9,01%	168,07	168,07	9,01%	
Summer Energy Charge	120,32	9,01%	131,16	131,16	9,01%	
Winter Energy Demand Charge	479,40	9,01%	522,59	522,59	9,01%	

Summer Energy Demand Charge	67,01	9,01%	73,05	73,05	9,01%	
Electrification and Rural Subsidy	16,77	9,01%	18,28	18,28	9,01%	
Ancilliary service	0,86	9,01%	0,93	0,93	9,01%	
Affordability service	6,80	9,01%	7,41	7,41	9,01%	

17. Bulk Time of Use: Bulk Megaflex	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Service Charges: (R /Account/day)						The increases across bulk supply tariffs are below CoS requirements, resulting in under-recovery of bulk purchase and network costs. Although this moderate impacts on large users, it may weaken the financial position of the electricity function
>1MVA	423,12	9,01%	461,24	461,24	9,01%	
Key Customers	8292,86	9,01%	9040,05	9040,05	9,01%	
Administrative Service Charges: (R/POD/Day)						
>1MVA	193,86	9,01%	211,33	211,33	9,01%	
Key Customers	269,20	9,01%	293,46	293,46	9,01%	
Transmission network charge	17,20	9,01%	18,75	18,75	9,01%	
Network capacity Charge R/kVA	34,37	9,01%	37,47	37,47	9,01%	
Network demand charge	65,19	9,01%	71,06	71,06	9,01%	
Reactive energy	30,87	8,99%	33,65	33,65	8,99%	
Electrification and Rural Subsidy	16,75	9,01%	18,26	18,26	9,01%	
Affordability levy	6,80	9,01%	7,41	7,41	9,01%	
Ancillary services levy	0,86	9,01%	0,93	0,93	9,01%	
Summer Period Energy Charge						
Peak c/kWh	211,18	8,96%	230,10	230,10	8,96%	

Standard	145,79	9,01%	158,93	158,93	9,01%	
Off-peak	90,12	9,01%	98,24	98,24	9,01%	
Winter Period Energy Charge						
Peak	638,21	9,01%	695,71	695,71	9,01%	
Standard	196,50	9,01%	214,20	214,20	9,01%	
Off-peak	106,74	9,02%	116,36	116,36	9,02%	

18. TOU - Nightsave	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
≤100kVA Basic Charge	1576,68	9,01%	1718,74	1718,74	9,01%	The increases across bulk supply tariffs are below CoS requirements, resulting in under-recovery of bulk purchase and network costs. Although this moderate impacts on large users, it may weaken the financial position of the electricity function
< 1 MVA Basic Charge	7585,70	9,01%	8269,17	8269,17	9,01%	
≥ 1 MVA Basic Charge	26 409,71	9,01%	28 789,22	28 789,22	9,01%	
Network Capacity Charge						
≤ 100 kVA	77,35	11,30%	84,32	84,32	9,01%	
< 1 MVA	70,79	9,01%	77,16	77,16	9,01%	
≥ 1 MVA	70,79	9,01%	77,16	77,16	9,01%	
Excess Network Capacity Charge						
≤ 100 kVA	72,97	9,01%	79,54	79,54	9,01%	
< 1 MVA	74,40	9,00%	81,10	81,10	9,00%	
≥ 1 MVA	75,83	9,01%	82,66	82,66	9,01%	
Network demand charge						
≤ 100 kVA	97,61	9,01%	106,40	106,40	9,01%	
< 1 MVA	89,53	9,01%	97,60	97,60	9,01%	
≥ 1 MVA	89,02	9,01%	97,04	97,04	9,01%	
Summer Energy Charge						

≤ 100 kVA	196,24	9,01%	213,92	213,92	9,01%	
< 1 MVA	196,24	9,01%	213,92	213,92	9,01%	
≥ 1 MVA	196,24	9,01%	213,92	213,92	9,01%	
Winter Energy Charge						
≤ 100 kVA	243,52	9,01%	265,46	265,46	9,01%	
< 1 MVA	243,52	9,01%	265,46	265,46	9,01%	
≥ 1 MVA	243,52	9,01%	265,46	265,46	9,01%	
Summer Energy Demand Charge						
≤ 100 kVA	86,44	9,02%	94,23	94,23	9,02%	
< 1 MVA	86,44	9,01%	94,22	94,22	9,01%	
≥ 1 MVA	119,22	9,00%	129,96	129,96	9,00%	
Winter Energy Demand Charge						
≤ 100 kVA	589,90	9,01%	643,05	643,05	9,01%	
< 1 MVA	589,90	9,01%	643,05	643,05	9,01%	
≥ 1 MVA	688,45	9,01%	750,48	750,48	9,01%	

19. Bulk Miniflex	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Service Charge (R/Account/Day)						The increases across bulk supply tariffs are below CoS requirements, resulting in under-recovery of bulk purchase and network costs. Although this moderate impacts on large users,
< 100kVA	30,62	9,01%	33,38	33,38	9,01%	
≥ 100 KVA & <500 KVA	139,78	9,01%	152,37	152,37	9,01%	
≥ 500kVA & 1MVA	430,21	9,01%	468,97	468,97	9,01%	
≥ 1 MVA	430,20	8,76%	467,87	467,87	8,76%	

Key Customer	8430,07	9,01%	9189,62	9189,62	9,01%	it may weaken the financial position of the electricity function
Administrative Charge (R/POD/day)						
< 100kVA	7,41	9,01%	8,08	8,08	9,01%	
≥ 100 KVA & <500 KVA	39,21	9,01%	42,74	42,74	9,01%	
≥ 500kVA & 1MVA	77,84	9,00%	84,85	84,85	9,00%	
≥ 1 MVA	193,87	9,01%	211,34	211,34	9,01%	
Key Customer	269,21	9,01%	293,47	293,47	9,01%	
Network Capacity Charge (R/KVA	51,55	9,01%	56,19	56,19	9,01%	
Excess Network Capacity Charge	53,17	9,01%	57,96	57,96	9,01%	
Network demand charge	14,59	9,01%	15,90	15,90	9,01%	
Reactive Energy Charge	13,23	9,01%	14,42	14,42	9,01%	
Electrification and Rural Subsidy	16,79	9,01%	18,30	18,30	9,01%	
Ancillary Service	0,86	9,01%	0,94	0,94	9,01%	
Affordability Subsidy	6,81	9,01%	7,42	7,42	9,01%	
Summer Energy Charge						
Peak c/kWh	211,80	9,01%	230,88	230,88	9,01%	
Standard	145,80	9,01%	158,94	158,94	9,01%	
Off-peak	90,76	9,01%	98,94	98,94	9,01%	
Winter Energy Charge						
Peak c/kWh	638,22	9,01%	695,72	695,72	9,01%	
Standard	196,56	9,01%	214,27	214,27	9,01%	
Off-peak	106,74	9,01%	116,36	116,36	9,01%	

20. Residential Single/3 Phase / Flats / Townhouses	Approved 2025/26 tariffs	2026/27 Proposed % Increase	2026/27 Proposed tariffs	Recommended 2026/27 tariffs	2026/27 Recommended increase	Analysis and Key Findings
Basic Charge: (R/month)	885,68	9,01%	965,48	965,48	9,01%	The 9.01% increase in fixed charges is below CoS and does not fully recover network-related fixed costs. While this supports affordability, it may place pressure on revenue adequacy and cost recovery.
21. Business/Commercial Industrial	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**
Basic Charge: (R/month)	1764,91	9,01%	1923,93	1923,93	9,01%	The 9.01% increase in fixed charges is below CoS and does not fully recover network-related fixed costs. While this supports affordability, it may place pressure on revenue adequacy and cost recovery.
22. Agricultural	**Approved 2025/26 tariffs**	**2026/27 Proposed % Increase**	**2026/27 Proposed tariffs**	**Recommended 2026/27 tariffs**	**2026/27 Recommended increase**	**Analysis and Key Findings**

Basic Charge: (R/month)	864,06	9,01%	941,91	941,91	9,01%	The 9.01% increase in fixed charges is below CoS and does not fully recover network-related fixed costs. While this supports affordability, it may place pressure on revenue adequacy and cost recovery.

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

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

End.