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

Ubuntu Local Municipality

THE DECISION

At its meeting held on 9 May 2026, the Regulator Executive Committee (REC) considered Ubuntu Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) the decision is set out on the tariff analysis section 7 on page 18 of the RfD Based on the information submitted and the analysis conducted, the REC decided:

1. to approve the tariffs that are based on the Cost of Supply (COS) Report as recommended in the tariff analysis section for implementation by the municipality with effect from 1 July 2026;
2. to note the Cost of Supply Report submitted by the municipality;
3. that the municipality is required to 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 is required to submit quarterly specific, measurable, achievable, realistic and time-bound (SMART) energy losses reduction progress reports for 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
IBT	Inclining Block Tariff
IPP	Independent Power Producer
MFMA	Municipal Finance Management Act
NERA	National Electricity Regulation Act
NERSA	National Energy Regulator of South Africa
OPEX	Operating Expenditure

1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications 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. Ubuntu Local Municipality is located in Victoria West in the Northern Cape. It serves the towns of Victoria West, Richmond and Loxon as well as the two small railway villages of Hutchinson and Merriman. It is bordered by Kareeberg and Emthanjeni to the north, the Western Cape and Eastern Cape provinces to the south, the Eastern Cape to the east, and the Namakwa District to the west. Generally, the municipality is a rural area, and its main economic sector is agriculture.

1.3. The municipality accounts for 8 319 MWh of total electricity sales. The details regarding consumer statistics are highlighted in Table 1 below. The municipality is implementing Inclining Block Tariffs (IBTs) fully and is offering 50kWh of Free Basic Electricity per month to all registered indigent consumers.

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

CUSTOMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS)			
Consumer Classification	**Sales (KWh)**	**%KWh**	**Number of Consumers**
Domestic (Prepaid)	5 355 842	64,38%	2 040
Domestic (Conventional)	441 651	5,31%	92
Manufacturing/Industrial	177 891	2,14%	1
Commercial (Prepaid)	829 799	9,97%	76
Commercial (Conventional)	643 817	7,74%	116
Street Lighting	152 472	1,83%	-
Municipal Consumption	717 726	8,63%	46
TOTAL SALES	**8 319 198**	**100%**	**2 371**
Free Basic Electricity (FBE)	**577 050**	**9,95%**	**1 047**

1.4. NERSA received Ubuntu's tariff application together with its Cost of Supply (COS) study based on the cost-plus methodology on 31 March 2026.

1.5. Ubuntu implemented a 10.83% average price increase in 2025/26FY and is applying for an average price increase of 10.30% for the 2026/27FY.

1.6. For this application, the municipality indicated that its tariff application had been approved by Council at a meeting held on 31 March 2026, and the relevant Council resolution was submitted to NERSA. Proof of customer consultation was also submitted on the same date (31 March 2026).

1.7. NERSA followed the notice and comment consultation process. Ubuntu'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.

1.8. NERSA's decision was made on 8 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 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, NERSA as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The 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, NERSA 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, NERSA must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of the PAJA. Procedural fairness requires that affected parties and the public be afforded a reasonable opportunity to make representations before a final decision is taken.

2.4.2. Public participation processes conducted by 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 which were set by the Court on 4 December 2025, considering the practical difficulties which arose as it relates to the NERSA's compliance with the court order. Having heard NERSA's application, the Court granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

2.8.1. 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.

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

a) Written notice of bulk electricity tariffs 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 reasons for decision document must be approved and published by 5 May of each year.

2.9. **Conclusion**

2.9.1. NERSA's determination of municipal electricity tariffs 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 PERFORMACE

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

3.2. Ubuntu's electricity business operated at a deficit of 40.38% for the 2024/25 financial year, representing a significant decline from the 11.99% deficit recorded in 2023/24. Apart from high energy losses, the increased deficit is mainly due to a 51.09% (R25 million) reduction in other income, following the once-off write-off of Eskom debt (R25,830,907) in the previous financial year. No bad debts were written off in 2024/25.

3.3. The municipality is in arrears on its bulk electricity account with Eskom and has recently been placed under a debt relief arrangement, under which R29 million of its debt was written off. The municipality has further indicated that it is awaiting a second debt write-off, which is expected to amount to approximately one-third of its total outstanding debt.

3.4. Total revenue increased by 19%, while total expenditure rose sharply by 49%. In addition, high energy losses resulted in approximately R5 million (R5,609,796) in lost revenue.

3.5. Table 2 below indicates that energy losses increased to 26.16% in the 2024/25 financial year, compared to 21.14% in 2023/24. These losses can primarily be attributed to both technical and administrative factors. The municipality has implemented the following interventions:

a) Addressed billing errors and inaccurate meter readings as well as ensured the development of an effective energy loss database management system.

b) Installed smart pre-paid meters and conventional meters.
c) Installed solar systems at municipal buildings and pump stations. This will enable the export of excess electricity back to the grid during weekends and public holidays.
d) Invested in new infrastructure, such as replacement of ageing transformers and performed maintenance.
e) Converted all streetlights and high mast lights to LED technology.

Table 2: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**2024-25FY (Actuals)**	**2023-24 FY (Approved)**
Percentage Surplus (Deficit)	-40,38%	-11,99%
Percentage Energy Losses	26,16%	21,14%

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	316,03		
Sales kWh	8 319 197,60	9 914 260,94	10 590 233,27
Purchases kWh	11 266 205,61	11 266 205,61	11 266 205,61
Losses kWh	2 947 008,01	1 351 944,67	675 972,34
Losses percentage	**26,16%**	**12,00%**	**6,00%**
Additional Energy (kWh)		1 595 063,34	2 271 035,67
Additional Revenue (Rands)		5 040 884,47	7 177 162,31
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 28 237 917,22	R 33 278 801,69	R 35 415 079,53
Total Expenses (Rands)	R 39 641 468,04	R 39 641 468,04	R 39 641 468,04
Net Profit (Loss)	R -11 403 550,82	R -6 362 666,35	R -4 226 388,51
Percentage Surplus/Deficit	**-40,38%**	**-19,12%**	**-11,93%**

3.6. If the municipality were to reduce energy losses to the NERSA benchmark of 12%, the deficit would decrease to 19.12%, resulting in additional revenue of R33,278,801.69. Reducing energy losses to 6% would further reduce the deficit to 11.93%, translating into additional revenue of R35,415,079.53, as illustrated in Table 3 above.

3.7. Based on the above information, the municipality is required to address operational inefficiencies by reducing high expenditure on its electricity account and considering a shift to a more cost-effective tariff from Eskom bulk supply points. These measures are necessary to improve surplus levels and support the municipality's long-term financial sustainability. Currently, approximately 98% of the municipality's electricity is purchased from Eskom under the Ruralflex tariff (with the remaining 2% under Miniflex), which is considered more expensive than alternative tariff options.

4. DETERMINATION OF UBUNTU'S TARIFFS BASED ON THE COST OF SUPPLY ADJUSTED DATA

4.1. The municipality submitted its existing COS study in support of the tariff application that will be approved in the 2026/27 financial year. The municipality's COS study was inclusive of all the requirements of NERSA's approved COS Framework (i.e. Revenue Requirement, Costs Functionalisation, Costs Classification, Costs Allocation and Rate Setting).

4.2. Policy position 23 states that:

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 structure'.

4.3. Section 18.7 of 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, these can be adjusted based on that.

4.4. In line with section 18.7 mentioned above, Table 3 below was developed, and the definitions of the columns are 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. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when NERSA considered and approved the 2026/27 cost of supply base tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

iii. Column 3 is for the licensee's submitted FY2026/27 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 must reflect the adjustments on their cost drivers for the FY2026/27. NERSA used the budgeted figures submitted by the licensee to check the reasonableness as well as the licensee's current operational requirement 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 R45.460 million for the FY2026/27 tariff review. After the adjustment, NERSA approved an allowable revenue of R45.208 million.

Table 3: Municipality's Revenue Requirement

Energy balance	Unit	Actual FY 2024/25 Costs	FY2025/26 Tariffs Costs per submitted COS	FY2026/27 budgeted Costs as per the Licensee	NERSA Adjustment (considering efficiencies)	FY2026/27 Allowable Revenue
Sales	kWh	8 319 198	8 918 349	9 915 174	-	9 915 174
Eskom bulk purchases	kWh	11 370 725	12 621 505	14 009 870	-	14 009 870
Total Energy Requirements	**kWh**	**11 370 725**	**12 621 505**	**14 009 870**		**14 009 870**
Total Losses	kWh	3 051 527	3 703 155	4 094 696		4 094 696
Technical losses	kWh	1 364 487	1 514 581	1 681 184	-	1 681 184
Non-technical losses	kWh	-1 687 040	-2 188 575	-2 413 512	-	-2 413 512
Allowed losses	%	**12,00%**	**12,00%**	**12,00%**		**12,00%**
Total Energy losses	%	26,84%	29,34%	29,23%		29,23%
Cost drivers						
Energy purchases from Eskom	Rand	26 132 891	27 700 864	29 007 509	-	29 007 509
total energy purchases		**26 132 891**	**27 700 864**	**29 007 509**	**0**	**29 007 509**
Cost of technical losses	Rand	0			3 480 901	3 480 901
Non-Technical Losses		0			-4 997 189	-4 997 189
Operational expenditure (incl. Depreciati	**Rand**	**14 773 067**	**13 938 035**	**16 313 076**	**0,0**	**16 313 076**
General & Other	**0**	**7 685 240**	**8 578 960**	**9 006 367**	**-587 746**	**8 418 621**
Salaries and allowances	Rand	1 579 598	1 785 249	1 892 364	0	1 892 364
Materials and supplies	Rand	1 672	1 773	1 861	0	1 861
Contracted Services	Rand	3 129 458	3 254 636	3 449 914	0	3 449 914
Salaries, wages and allowances (exclu. Repairs and	Rand	1 190 388	1 253 040	1 328 222	0	1 328 222
Eskom debts interest	Rand	554 478	554 478	587 746	-587 746	0
Current year depreciation	Rand	614 942	645 689	651 839	0	651 839
vehicle expense	Rand	204 830	215 072	217 120	0	217 120
other general expenditure	Rand	409 873	430 367	434 466	0	434 466
Commission Paid	Rand	417 767	438 655	442 833	0	442 833
Shared OPEX	**Rand**	**7 087 826**	**5 359 075**	**7 306 710**	**-3 761 136**	**3 545 574**
Bad debts (Allowance for Impairment)	Rand	5 159 652	3 353 774	5 262 845	-3 252 938	2 009 907
FBE paid to Eskom	Rand	479 432	498 609	508 198	-508 198	**0**
Charges from other Municipal Departments	Rand	1 448 743	1 506 692	1 535 667	**0**	1 535 667
General expenses		**0**	**0**	**0**	**0**	**0**
Total Expediture before surplus		40 905 957	41 638 899	45 320 585	3 480 901	43 804 297
Surplus	Rand	0		759 641	0	759 641
Total Expenditure Including Surplus		40 905 957	41 638 899	46 080 226	3 480 901	44 563 938
Other revenues	Rand	**-474 296**	**-651 836**	**-619 244**	**619 244**	**0**
Free Basic Electricity (Equitable share)	Rand	474 296	651 836	619 244	-619 244	
Total Allowable Revenus	**Rand**	**40 431 662**	**40 987 063**	**45 460 982**	**-252 251**	**45 208 730**
increase required				***10,92%***	***10,30%***	

4.7. It is important to test the efficiency and prudency of the costs in the 2025/26 financial year since this is 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 the 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 R29.0 million, which accounts for 64% of total costs inclusive of the 12.00% energy loss allowance in line with the act that requires only the prudently and efficiently incurred cost to be passed through to customers.

4.10. To calculate the 2026/27 estimate, the licensee projected the year-to-date amount for the 2025/26 financial year, since complete financial year data was not unavailable, then estimated 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 approach taken by the licensee to forecast bulk purchases is reasonable. As a result, this cost has been recommended for approval as applied for.

Operating Expenditure (including depreciation)

4.12. The licensee applied for operational expenditure amounting to R16.3 million, representing 35% of the total costs for the 2025/26 financial year, as reflected in Table 4 above.

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

4.14. Notwithstanding the above, NERSA adjusted the cost of interest on Eskom debt from the total cost amounting to R587 746, as these costs are within the control of the municipality and are not recoverable through tariffs. It is recommended that NERSA approve total operational expenditure of R16.3 million for the 2026/27 financial year.

Surplus

4.15. The municipality applied the cost-plus methodology, and not a rate of return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows:
   a) Efficient and prudent operating expenditure (OPEX)
   b) Plus, depreciation (as a proxy for asset consumption and future replacement)
   c) Plus, a reasonable surplus margin.

4.16. The municipality reported an asset value of R9 700 411, as reflected in its submitted D-Forms based on the AFS for the 2024/25FY. Depreciation amounted to R614 942 in the 2024/25 financial year. The projected depreciation for 2025/26FY is R645 689, increasing to R651 839 in the 2026/27FY budget, reflecting a growth of approximately 1%.

4.17. The licensee applied for a surplus of R759 641, which is based on 2% of total costs.

4.18. To align with the municipality's high-risk profile, including high energy losses and the existing financial deficit, a surplus margin of 2% has been applied, as reflected in Table 5 above. This margin has been assessed against the approved NERSA COS Framework, which provides for a range of 10–20%.

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

4.20. Although the return proposed by the Municipality falls below the established target range of 10–20, it is considered reasonable.

4.21. To ensure that the surplus is commensurate with the level of risk, qualitative risk considerations were incorporated, including revenue collection risks (such as non-payment and bad debts), operational risks (including energy losses, ageing infrastructure and consideration of customer affordability), and broader financial sustainability requirements.

4.22. Despite the high losses and deficit position, the applied surplus for Ubuntu remains below the minimum of the framework range and is therefore not excessive or unfair to consumers. The surplus is kept low to balance the need to reduce financial risk, support the recovery of the deficit, and ensure continued electricity supply, without placing an undue burden on consumers or overcompensating the licensee.

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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.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9343/UbuntuMunicipality_ReasonsforDecisionontariffapplicationproce

a) COS results;
b) the extent of cross-subsidisation; and
c) the need to progressively move towards cost-reflective tariffs.

1. Domestic Tariff Pre-paid	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	***Analysis and Key Findings***
Tariff Blocks	*c/kWh*	c/kWh		*c/kWh*		The COS analysis indicates that domestic customers are currently under-recovering. The proposed phased approach of 10,30% is recommended for approval to gradually improve cost recovery while limiting sudden financial impacts on households, thereby balancing financial viability with social and regulatory considerations.
Block 1 (0 – 50kWh)	*197,46*	*217,80*	*10,30%*	*217,80*	*10,30%*	
Block 2 (51 – 350 kWh)	*253,88*	*280,03*	*10,30%*	*280,03*	*10,30%*	
Block 3 (351 – 700kWh)	*357,35*	*394,16*	*10,30%*	*394,16*	*10,30%*	
Block 4 (700 – 1000kWh)	*420,81*	*464,15*	*10,30%*	*464,15*	*10,30%*	

2. Domestic Conventional	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	***Analysis and Key Findings***
Tariff Blocks	*c/kWh*	c/kWh		*c/kWh*		The COS analysis indicates that domestic customers are currently under-recovering. The proposed phased approach of 10,30% is recommended for approval to gradually improve cost recovery while limiting sudden financial impacts on households, thereby balancing financial viability with social and regulatory considerations.
Block 1 (0 – 50kWh)	*197,46*	*217,80*	*10,30%*	*217,80*	*10,30%*	
Block 2 (51 – 350 kWh)	*253,88*	*280,03*	*10,30%*	*280,03*	*10,30%*	
Block 3 (351 – 600kWh)	*357,35*	*394,16*	*10,30%*	*394,16*	*10,30%*	
Block 4 (>600 kWh)	*420,81*	*464,15*	*10,30%*	*464,15*	*10,30%*	
Basic Charge (R/month)	*279,91*	*308,74*	*10,30%*	*308,74*	*10,30%*	

3. Business/Commercial Pre-Paid	*2025/26 Approved*	*2026/27 Proposed*	*Proposed % Increase*	*2026/27 Recommended*	*Recommended % Increase*	***Analysis and Key Findings***
	c/kWh	c/kWh	*9,01%*	c/kWh		The COS analysis indicates that commercial customers are currently over-recovering. The proposed phased approach of 10,30% is recommended for approval to gradually improve cost recovery while limiting sudden financial impacts, thereby balancing financial viability with social and regulatory considerations.
Energy Charge: c/kWh	*401,66*	*443,03*	*10,30%*	*443,03*	*10,30%*	

4. Business/Commercial Conventional Single Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
	c/kWh	c/kWh		*c/kWh*		The COS analysis shows that this customer category is over-recovering, with tariffs above the cost of supply and effectively subsidising other groups, particularly domestic users. The proposed 10,30% phased approach is appropriate as it gradually reduces cross-subsidies while preserving revenue stability and supporting economic sustainability.
Block 1 (0 – 2000kWh)	*393,02*	*433,50*	*10,30%*	*433,50*	*10,30%*	
Block 2 (2001 – 3000 kWh)	*383,88*	*423,42*	*10,30%*	*423,42*	*10,30%*	
Block 3 (3001 – 7000kWh)	*340,47*	*375,54*	*10,30%*	*375,54*	*10,30%*	
Basic Charge (R/month)	*789,42*	*870,73*	*10,30%*	*870,73*	*10,30%*	

4. Business/Commercial/ Industrial Conventional Three Phase	***2025/26 Approved***	***2026/27 Proposed***	***Proposed % Increase***	***2026/27 Recommended***	***Recommended % Increase***	***Analysis and Key Findings***
	c/kWh	c/kWh		*c/kWh*		The COS analysis shows that this customer category is over-recovering, with tariffs above the cost of supply and effectively subsidising other groups, particularly domestic users. The proposed 10,30% phased approach is appropriate as it gradually reduces cross-subsidies while preserving revenue stability and supporting economic sustainability.
Block 1 (0 – 98 550kWh)	*379,31*	*418,38*	*10,30%*	*418,38*	*10,30%*	
Block 2 (98 551 – 730 000 kWh)	*342,75*	*378,05*	*10,30%*	*378,05*	*10,30%*	
Basic Charge (R/month)	*789,42*	*870,73*	*10,30%*	*870,73*	*10,30%*	

8. CONFIDENTIALITY

8.1 None.

9. CONCLUSION

9.1 NERSA, having considered the Ubuntu 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.