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

Alfred Duma Local Municipality

THE DECISION

At its meeting held on 6 May 2026, the Regulator Executive Committee (REC) considered the Alfred Duma 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 8 on page 23 of the RFD Based on the information submitted and the analysis conducted, the REC decided to:

1. approve the tariffs that are based on the Cost of Supply (COS) report as recommended in the tariff analysis section for implementation by the licensee with effect from 1 July 2026;
2. to note the COS report submitted by the licensee;
3. that the licensee must submit a report accounting for all the costs that have been noted in its COS study to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification/audit process by 30 September 2026; and
4. that the municipality must submit specific, measurable, achievable, realistic and time-bound (SMART) energy loss reduction progress reports quarterly for NERSA to monitor implementation thereof.

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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 the Energy Regulator to be implemented on 1 July of each financial year.

1.2. The Alfred Duma Municipality (Alfred Duma) is in KwaZulu-Natal (KZN). It was established through the amalgamation of the Emnambithi/Ladysmith and Indaka Local municipalities in August 2016. The main economic sectors driving the municipality's economy are agriculture, fishing and forestry, mining and quarrying, manufacturing, water, electricity, construction, wholesale and retail trade, and tourism. The municipal jurisdiction covers the following towns: Ladysmith, Staedville, Ezakheni and Colenso.

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

CUSTOMER STATISTICS			
Consumer classification	Sales (MWh)	%MWh	Number of consumers
Domestic (Pre-paid)	63 919	28,39%	18 550
Domestic (Conventional)	6 384	2,84%	2 235
Commercial (Conventional)	9 068	4,03%	1 230
Manufacturing/Industrial	140 483	62,40%	97
Street lighting, own use and other municipal department	5 286	2,35%	N/A
Totals	225 140	100%	22 112
Free Basic Electricity	0	-	0

1.3. Industrial customers account for 62,4% of total electricity sales, followed by domestic customers accounting for 31,23%.

1.4. NERSA received Alfred Duma's tariff application together with its Cost of Supply (COS) study on 30 March 2026.

1.5. Alfred Duma implemented a 15% average price increase in the 2025/26 financial year (FY) and is applying for an average price increase of 14.08% for FY2026/27.

1.6. For this application, the licensee confirmed that the tariffs applied for are authorised by the Municipal Council, but that customer consultation had not yet been undertaken.

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

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-year Price Determination and 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 2026/2027 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 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 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 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 Cost of Supply methodologies have historically not been consistently applied across the electricity distribution industry.

2.6.3. Policy Position 23 of the EPP therefore requires electricity distributors to undertake Cost of Supply 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. To ensure 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, given the practical difficulties arising from NERSA's compliance with the Court order. The Court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

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

a) Written notice of bulk tariffs must be communicated by 6 March 2026.
b) Municipal tariff applications must be submitted by 31 March 2026.
c) Public participation processes must be concluded by 21 April 2026.
d) 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 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 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 contained in this document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Alfred Duma, 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. Alfred Duma recorded a surplus of 8.58% in the 2023/24 financial year; this improved to 10.5% in the 2024/25 financial year.

3.3. Table 22 below shows that Alfred Duma recorded energy losses of 13.97% in the 2023/24 financial year 16.71% in the 2024/25 financial year. Although the licensee indicated that the energy losses are attributable to electricity theft, it has not developed a feasible plan to reduce them. The licensee will be requested to submit

a specific, measurable, realistic and time-bound plan, which will ensure that losses are reduced to acceptable levels.

Table 2: Performance indicators

Outputs:	2024/25	2023/24
Percentage Surplus:	0,43%	6,22%
Percentage Energy Losses:	16,71	13,97

3.4. Based on the above information, the municipality's performance is satisfactory as it is able to generate a surplus.

Table 3: Energy losses revised surplus / deficit simulation

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	255,70		
Sales kWh	214 211 863,00	226 315 512,72	241 746 115,86
Purchases kWh	257 176 719,00	257 176 719,00	257 176 719,00
Losses kWh	42 964 856,00	30 861 206,28	15 430 603,14
Losses percentage	16,71%	12,00%	6,00%
Additional Energy (kWh)		12 103 649,72	27 534 252,86
Additional Revenue (Rands)		30 949 322,95	70 405 745,67
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 572 980 000,00	R 603 929 322,95	R 643 385 745,67
Total Expenses (Rands)	R 570 517 732,00	R 570 517 732,00	R 570 517 732,00
Net Profit (Loss)	R 2 462 268,00	R 33 411 590,95	R 72 868 013,67
Percentage Surplus/Deficit	0,43%	5,53%	11,33%

3.5. The licensee has the potential to improve the surplus further to 5.5% if energy losses are limited to 12%, and the surplus could potentially increase to 11.33% if the energy losses are reduced to 6%, all else equal.

4. DETERMINATION OF ALFRED DUMA'S TARIFFS BASED ON THE COS STUDY

4.1. The municipality's COS is assessed based on compliance with the COS Framework, which follows the five steps detailed in section 4, 15 to 18.

4.2. The validity period of the referenced COS studies is five years, in accordance with Electricity Pricing Policy Position 23, which stipulates 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 structures.

4.3. A Cost of Supply (COS) study is a critical component in the determination and design of electricity tariffs, ensuring that rates both enable the provision of reliable services to customers and facilitate the recovery of costs incurred by licensees. The primary objective of a COS study is to allocate the full cost of service delivery across customer classes in a fair and equitable manner. To support this, the National Energy Regulator of South Africa has developed a COS Framework aimed at promoting the long-term sustainability of the electricity supply industry while safeguarding customers from unduly high tariffs.

4.4. The framework follows a five-step process as shown in figure 1 below. The steps cover revenue requirement, cost functionalisation, cost classification and cost allocation with an ultimate goal of rate setting.

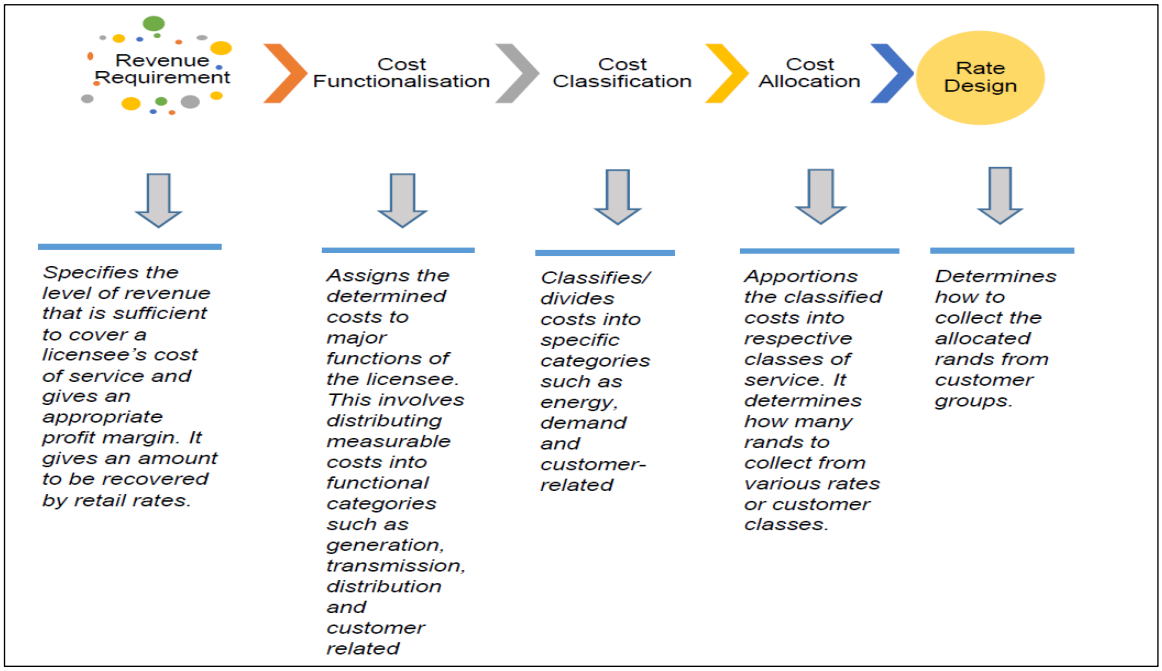


Figure 1: Five steps of COS study

4.5. Consideration in the Tariff Application, the licensee has considered and applied these requirements as follows:

4.5.1. The tariff application is based on a COS model incorporating financial, technical, and customer data inputs.

4.5.2. Bulk purchase costs were updated using the approved 12.72% Eskom bulk tariff adjustment.

4.5.3. Controllable electricity Opex costs were adjusted using CPI-linked assumptions.

4.5.4. Adjustments were supported by source documents and reasonability checks (D`-Forms, Trial Balance and AFS).

4.6. This ensures that tariff adjustments are grounded in cost-reflective principles.

Revenue Requirement

4.6.1. The revenue requirement step specifies the level of revenue that is sufficient to cover a licensee's cost of service and appropriate margin. It indicates the amount to be recovered from the approved tariffs.

4.6.2. The licensee applied a cost-plus methodology in the determination of its revenue requirement and did not utilise a Rate of Return (ROR) approach.

4.6.3. Alfred Duma submitted a COS study detailing a revenue requirement of R625 958 035 (R603 014 512 after NERSA adjustments) for the 2026/27 financial year. As shown in Table 5 below, this revenue requirement is dominated by Eskom purchases accounting for 76%, including an energy losses allowance. Operational expenditure accounts for 28%.

Table 4: Alfred Duma revenue requirement

	Total cost (R)					
Revenue Requirement components	**Wires**	**Retail**	**Applied for 2026/27**	**NERSA Adjustments**	**NERSA Decision 2026/27**	**% of Total**
Allowable costs	166 001 390	459 956 645	625 958 035	- 22 943 523	603 014 512	100%
Energy purchases from Eskom - net of cost of losses	-	412 630 236	412 630 236	- 12 909 176	399 721 060	66%
Energy purchases from Eskom - cost of losses	47 421 240	13 462 642	60 883 883	- 2 023 161	58 860 721	10%
Other energy purchases	-	-	-			0%
Capital expenditure	-	-	-			0%
Operational expenditure (incl. Depreciation)	127 839 316	41 129 235	168 968 551	- 1 905 652	167 062 899	28%
Other revenues	**- 17 016 746**	**- 9 480 855**	**- 26 497 601**	**- 5 581 438**	**- 32 079 039**	**-5%**
Surplus	7 757 580	2 215 387	9 972 967	- 524 096	9 448 870	2%
Not allowable costs	16 944 907	16 906 663	33 851 570	- 1 927 339	31 924 231	
Cost of losses disallowed	16 944 907	16 906 663	33 851 570	- 1 927 339	31 924 231	
TOTAL COSTS	**182 946 297**	**476 863 308**	**659 809 605**	**-24 870 862**	**634 938 743**	
	28%	72%				

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

4.6.4. Furthermore, NERSA has verified all expense items included in the revenue requirements to ensure that they relate only to the licensee's electricity function. In instances where expenses are deemed inflated or unjustified, these have been adjusted accordingly and expanded on below.

Bulk Purchases

4.6.5. Alfred Duma's COS projects a bulk purchase expenditure of R473 514 118 for 2026/27, NERSA recommends R458 581 781 in line with the adjustments discussed below.

4.6.6. Bulk purchases were verified against Eskom invoices in the 2022/23 financial year. The licensee projected its bulk purchases for the 20246/27 financial year using the 2025/26 financial year Eskom tariffs as a base and made the following assumptions: sales growth of between 1% and 6%, and a bulk purchase cost increases of 9.01% for the 2026/27 financial year which is in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.6.7. The sales forecasts have since been revised to a conservative 0% considering the increasing energy losses trend and general energy consumption trajectory of the country. The Eskom tariffs have been verified against Eskom schedules

Operational Expenditure

4.6.8. Alfred Duma's COS projects operational expenditure of R168 968 551 for the 2026/27 financial year, NERSA recommends an operational expenditure of R167 062 899. This is in line with the adjustments below

Table 5: Operational expenditure[1]

Cost Drivers	Actual 2024/25	Budget 2025/26	Applied for 2026/27	NERSA Adjustments	NERSA Decision 2026/27
General & Other	R 65 922 436	R 68 981 837	R 72 665 175	-R 1 644 071	R 71 021 104
Salaries and allowances	R 42 250 381	R 44 362 900	R 46 913 767	-R 446 798	R 46 466 969
Materials and supplies	R 12 100 006	R 12 584 007	R 13 162 871	R 48 626	R 13 211 497
Contracted Services	R 3 451 197	R 3 589 245	R 3 754 350	-R 1 245 900	R 2 508 450
Salaries, wages and allowances (exclu. Re	R -	R -	R -		
Payments to consultants (operational work)	R -	R -	R -		
Eskom debts' interests	R -	R -	R -		
Other creditors interests	R 71 696	R 74 564	R 77 993	R -	R 77 993
Current year depreciation	R 8 049 156	R 8 371 122	R 8 756 194	R -	R 8 756 194
NMD exceedance penalties	R -	R -	R -		
Shared OPEX	R 88 533 569	R 92 074 912	R 96 303 376	-R 261 581	R 96 041 795
Bad debts written-off	R 6 659 014	R 6 925 374	R 7 243 941	R -	R 7 243 941
FBE paid to Eskom	R -	R -	R -		
Charges from other Municipal Departments	R -	R -	R -		
General Expenses	R 40 817 048	R 42 449 730	R 44 402 418	R -	R 44 402 418
Operational Costs	R 24 759 946	R 25 750 343	R 26 934 859	-R 130 155	R 26 804 704
Lease rental	R 44 797	R 46 589	R 48 732	R -	R 48 732
Contracted services	R 16 106 817	R 16 751 090	R 17 521 640	-R 131 425	R 17 390 215
Inventory consumed	R 145 947	R 151 785	R 151 785	R -	R 151 785
Total	**R 154 456 006**	**R 161 056 750**	**R 168 968 551**	**-R 1 905 652**	**R 167 062 899**

4.6.9. NERSA relied on audited financial statements for 2024/25 to correct the base year and project increases in line with projected inflation.

4.6.10. Major operating expenditure items include:

4.6.10.1. Shared operational expenditure of R96 041 795;

4.6.10.2. Salaries and allowances of R44 466 969;

4.6.10.3. Materials and supplies of R13 211 497; and

4.6.10.4. depreciation, as a proxy for asset consumption and future asset replacement of R8 756 194.

4.6.10.5. network repairs and maintenance of R62 186 million; and

4.6.11. The approach adopted by Alfred Duma in forecasting operational expenditure is considered reasonable, and the amount has therefore been recommended as requested. Furthermore, the licensee is not incurring inefficient costs such as Notified Maximum Demand (NMD) exceedance penalties and interest incurred on Eskom-related debt.

[1] COS tool Comm and Fin Forecasts (Year 2)

Surplus

4.6.12. Alfred Duma's revenue requirement includes a surplus of R9 962 342, calculated using a margin of 7% applied to operating expenditure, exclusive of bulk purchases, for both the wires and retail components of the electricity business.

4.6.13. To ensure that the applied surplus is not excessive and remains within acceptable regulatory bounds, the following validation procedures were undertaken:

4.6.13.1. The applied margin of 7% was benchmarked against the 10–20% range prescribed in the approved NERSA COS Framework, as supported by the EPP Policy Position 1.

4.6.13.2. The margin was further assessed against the municipality's risk profile to ensure alignment with the principle of cost reflectivity and financial sustainability.

4.6.14. Risk factors considered include the following:

4.6.14.1. Revenue collection risk, with current collection levels below 95%, reflecting exposure to non-payment.

4.6.14.2. Operational risk, including energy losses.

4.6.14.3. Financial sustainability requirements, including the need to maintain adequate cash flows for ongoing operations and infrastructure investment.

4.6.15. Based on the above, the applied surplus margin of 7% is considered conservative, justified, and commensurate with the licensee's risk profile, while remaining within the acceptable parameters of the NERSA COS Framework. This approach supports the financial viability of the electricity distribution function without imposing undue burden on consumers.

4.6.16. Furthermore, in recommending a surplus, NERSA relied on section 15(1)(a) of the ERA under the tariff principles which specifies that the tariffs set by NERSA: 'must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return'.

4.6.17. In applying the ERA, NERSA is required to ensure that Alfred Duma recovers efficient costs and a reasonable return, while preventing excessive compensation. The return proposed by Alfred Duma is considered reasonable, as it falls within the NERSA COS Framework established target range of 10–20%. Consequently, the requested amount has been recommended as applied for.

4.6.18. The recommended revenue requirement will be applied in the subsequent COS steps, namely Cost Functionalisation, Cost Classification, Cost Allocation and Rate Setting. These steps have been verified and confirmed to align with the approved revenue requirement. Further details on these steps are provided below.

Cost Functionalisation

4.6.19. The licensee has categorised its revenue requirement of R153.4 million into two primary functional components, namely the wires business (5%) and the retail business (95%), in accordance with the NERSA COS Framework, as illustrated in Figure 2 below. Upon verification, the allocation of costs to these functional components is found to be consistent with the stated revenue requirement.

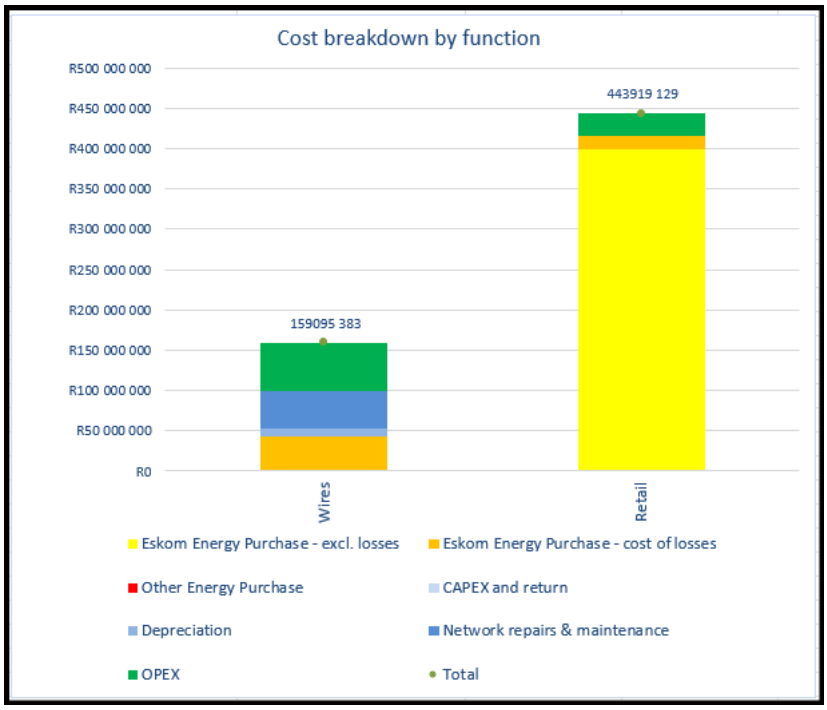


Figure 2*:* Cost breakdown by functions

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

Cost Classification

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

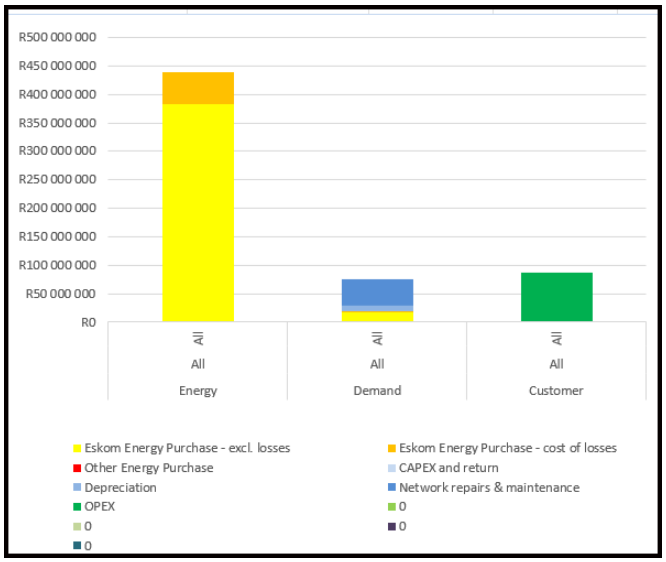


Figure 3: Cost breakdown by cost structure (classification)

4.6.22. Energy purchases constitute energy-driven costs, with the highest expenditure incurred during the summer period under the standard time-of-use structure, largely due to the longer duration of the summer season, as shown in Figure 3 above. Demand-driven costs are similarly concentrated in the summer period. Customer-driven costs are primarily associated with 'Other OPEX', which includes expenses related to the provision of electricity distribution services to customers.

Cost Allocation

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

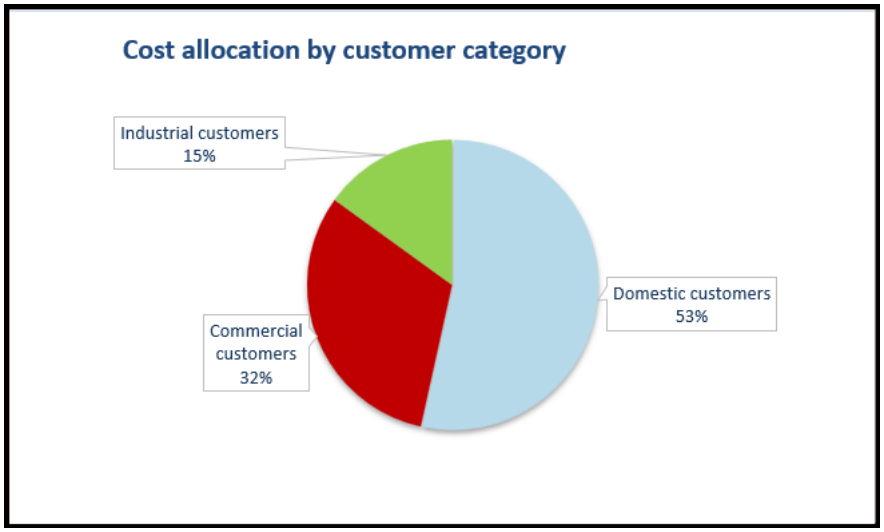


Figure 4: Costs allocated

Rate Design

4.6.24. Figure 5 below reflects the outcome of the COS study, indicating that certain customer categories require upward adjustments, while others warrant decreases. A comparison between the cost of supply and the revenue generated per tariff category highlights the extent of over- or under-recovery within each category, as illustrated in figure 5 below.

4.6.25. To achieve full cost reflectivity, the municipality would be required to implement differentiated tariff adjustments across customer categories. However, the municipality has adopted a less aggressive approach, opting for a 14.08% uniform tariff increase across all customer categories.



Figure 5: Revenue recovery by customer category

5. CONCLUSION ON THE COS STUDY

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

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

5.3. In addition, the licensee may take into account its ability to meet financial obligations, including payments to Eskom, as well as the broader affordability

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Commercial Tariffs						
Commercial Credit Meter	**2025/26 Approved Tariff**	**2026/27 Proposed Tariff**	**% Increase**		**% Increase**	**Analysis and Key Findings**
Basic charge: R/month	212,29	242,180432	14,08%	233,52	10%	
Energy charge: c/kWh	407,422	464,7870176	14,08%	448,16	10%	

Commercial Prepaid Meter	**2025/26 Approved Tariff**	**2026/27 Proposed Tariff**	**% Increase**		**% Increase**	**Analysis and Key Findings**
o Energy charge: c/kWh	409,009	466,5974672	14,08%	449,91	10%	
Non- Standard Tariffs	**2025/26 Approved Tariff**	**2026/27 Proposed Tariff**	**% increase**		**% increase**	
Basic charge: R /month	6956,109	7935,53	14,08%	7651,72	10%	
Network Access Charge: R/kVA	177,7095	202,73	14,08%	195,48	10%	
Network Demand Charge: R/kVA	199,847	227,99	14,08%	219,83	10%	
Low Demand						
o Energy Charges:						
Ø 6h to 22h: c/kWh	148,1085	168,96	14,08%	162,92	10%	
Ø 22h to 6h: c/kWh	121,1755	138,24	14,08%	133,29	10%	
High Demand						
o Energy Charges:						
Ø 6h to 22h: c/kWh	390,839	445,87	14,08%	429,92	10%	
Ø 22h to 6h: c/kWh	130,295	148,64	14,08%	143,32	10%	

Seasonal Tariffs	2025/26 Approved Tariff	2026/27 Proposed Tariff	% Increase		% Increase	Analysis and Key Findings
Basic charge: R/month	10509,79	11989,57	14,08%	11560,77	10%	
Network Access Charge: R/kVA	168,8775	192,66	14,08%	185,77	10%	
Network Demand Charge: (R/kvA)	190,6355	217,48	14,08%	209,70	10%	
Low Demand						
Ø 6h to 22h: c/kWh	160,0685	182,61	14,08%	176,08	10%	
Ø 22h to 6h: c/kWh	130,985	149,43	14,08%	144,08	10%	
High Demand						
Ø 6h to 22h: c/kWh	426,673	486,75	14,08%	469,34	10%	
Ø 22h to 6h: c/kWh	142,2435	162,27	14,08%	156,47	10%	

Commercial Time of Use (TOU)	2025/26 Approved Tariff	2026/27 Proposed Tariff	% Increase		% Increase	Analysis and Key Findings
Basic charge: R/month	14860,36	16952,70	14,08%	16346,39	10%	
Network Access Charge: R/kVA	152,4095	173,87	14,08%	167,65	10%	
Low Demand						
o Energy Charges:						
Ø Peak: c/kWh	275,2065	313,96	14,08%	302,73	10%	
Ø Standard: c/kWh	195,73	223,29	14,08%	215,30	10%	
Ø Off Peak: c/kWh	131,606	150,14	14,08%	144,77	10%	
High Demand				0		
o Energy Charges:				0		
Ø Peak: c/kWh	801,8835	914,79	14,08%	882,07	10%	
Ø Standard: c/kWh	256,956	293,14	14,08%	282,65	10%	
Ø Off Peak: c/kWh	148,764	169,71	14,08%	163,64	10%	

Industrial Time of Use (TOU)	2025/26 Approved Tariff	2026/27 Proposed Tariff	% Increase		% Increase	Analysis and Key Findings
Basic charge: R/month	15196,82	17336,54	14,08%	16716,51	10%	
Network Access Charge: R/kVA	131,3875	149,89	14,08%	144,53	10%	
Low Demand						
o Energy Charges:						
Ø Peak: c/kWh	265,696	303,11	14,08%	292,27	10%	
Ø Standard: c/kWh	188,991	215,60	14,08%	207,89	10%	
Ø Off Peak: c/kWh	127,0405	144,93	14,08%	139,74	10%	
High Demand						
o Energy Charges:						
Ø Peak: c/kWh	773,697	882,63	14,08%	851,07	10%	
Ø Standard: c/kWh	248,1125	283,05	14,08%	272,92	10%	
Ø Off Peak: c/kWh	143,7385	163,98	14,08%	158,11	10%	

Medium Voltage Bulk Commercial Resellers	2025/26 Approved Tariff	2026/27 Proposed Tariff	% Increase		% Increase	Analysis and Key Findings
Basic charge: R/month	16524,65	18851,32	14,08%	18177,11	10%	
Network Access Charge: R/kVA	140,392	160,16	14,08%	154,43	10%	
Low Demand						
o Energy Charges:						
Ø Peak: c/kWh	283,82	323,78	14,08%	312,20	10%	
Ø Standard: c/kWh	201,871	230,29	14,08%	222,06	10%	
Ø Off Peak: c/kWh	135,723	154,83	14,08%	149,30	10%	
High Demand						
o Energy Charges:						

Ø Peak: c/kWh	826,5165	942,89	14,08%	909,17	10%	
Ø Standard: c/kWh	265,0635	302,38	14,08%	291,57	10%	
Ø Off Peak: c/kWh	153,5135	175,13	14,08%	168,86	10%	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered Alfred Duma's application, supporting information, stakeholder inputs and applicable legal framework, approves the tariff adjustments as set out in this document.

End.