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

Bitou Local Municipality

THE DECISION

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1. At its meeting held on 09 May 2026, the Regulator Executive Committee (REC) considered Bitou Local Municipality's (BLM) tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year (FY) as set out in section 7 of the tariff analysis on page 23 of the RFD.

2. Based on the information submitted and the analysis conducted, the REC decided at its meeting on 09 May 2026, that:

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; and

2.3. that the municipality must submit a report accounting for all costs noted in its COS study to enable the National Energy Regulator of South Africa to perform its independent verification/audit process by 31 January 2027.

TABLE OF CONTENTS

THE DECISION....1
ABBREVIATIONS....4
1. INTRODUCTION....5
2. LEGAL AND REGULATORY FRAMEWORK....6
3. FINANCIAL AND TECHNICAL PERFORMANCE....10
4. DETERMINATION OF BLM's TARIFFS BASED ON THE COST-OF-SUPPLY STUDY....11
5. PUBLIC PARTICIPATION....19
6. THE OBJECTORS AND OTHER INTERVENING PARTIES....19
7. TARIFF ANALYSIS. 23
8. CONFIDENTIALITY....67
9. CONCLUSION....67

LIST OF TABLES

Table 1: Customer Statistics (Data obtained from the latest D-forms – 2024/25FY) …..5
Table 2: Performance Indicators……..……10
Table 3: Revenue Requirement Components……13
Table 4: Summary and Analysis of Stakeholder Comments……20

ABBREVIATIONS

AFS	Annual Financial Statement
BLM	Bitou Local Municipality
COS	Cost-of-Supply
D-form	Distribution form
ERTSA	Eskom's 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 annually, 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. Bitou Local Municipality (BLM) is situated in the Western Cape Province. The municipality is made up mostly of domestic customers, who account for 46% of the total electricity sales. The municipality provides its indigent customers with 50kWh of Free Basic Electricity (FBE) per month. The municipality further reports that it maintains an indigent register. The details regarding customer statistics are highlighted in Table 1 below.

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

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic Prepaid	25 060	26	9 549
Domestic Conventional	19 747	20	3 224
Manufacturing	39 328	41	124
Commercial Prepaid	708	1	79
Commercial Conventional	6 482	7	383
Streetlights	591	1	0
Sold to other departments	5 120	5	90
TOTAL	**97 036**	**100**	**13 449**
[1]FBE	4 254	9[2]	7 257

1.3. NERSA received BLM's tariff application together with its existing Cost-of-Supply (COS) on 31 March 2026.

1.4. BLM implemented an average price increase of 9.9% for the 2025/26FY and is applying for an average price increase of 12.12% for the 2026/27FY.

1.5. The municipality submitted the Council resolution and proof of customer consultation together with its tariff application on 31 March 2026.

[1] This information is already included in the customer statistics table above under domestic prepaid/conventional category

[2] Percentage of Domestic MWh

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

1.7. NERSA's decision was made on 9 May 2026, following 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 ("ERA"), the Promotion of Administrative Justice Act, 2000 (Act 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 2026/2027FY municipal financial year.

2.2. Statutory Mandate of the Energy Regulator

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, the Energy Regulator as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The Energy Regulator'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 licensees and may issue licenses subject to conditions.

b) Section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs.

c) Section 14(1)(d) of the ERA authorises the Energy Regulator to impose license 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 licenses 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 that guide 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. Public participation processes conducted by the Energy Regulator, 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, 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, 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 the Energy Regulator.

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 2025/2026FY 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. The court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27FY municipal tariff approvals.

2.8. Court-Directed Timelines

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

a) written notice of bulk tariffs by 6 March 2026;
b) municipal tariff applications to be submitted by 31 March 2026;
c) public participation processes to be concluded by 21 April 2026; and
d) the publication of NERSA decisions by 11 May 2026.

2.8.2. Municipal tariff approvals from 2027/28FY are to comply with the following timelines:

a) written notice of bulk electricity tariffs be communicated by 31 January each year;
b) municipal tariff applications be submitted to NERSA by 20 March each year; and
c) municipal tariff approvals and the tariff reasons for decision document, be approved and published by 5 May of each year.

2.9. Conclusion

2.9.1. The determination of municipal electricity tariffs by the Energy Regulator must therefore be undertaken within a comprehensive regulatory framework consisting of the NERA, ERA, PAJA, EPP and the binding judicial directives issued by the High Court in AfriForum NPC v NERSA (Case No. 2025/137620).

2.9.2. The reasons that follow in this Reasons for Decision document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/2027FY municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of BLM, the assessment relied on the Distribution forms (D-forms) for the 2024/25FY 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 (AFS) and is therefore considered reliable for the purposes of the tariff analysis.

3.2. Table 2 below shows that BLM's electricity business's percentage surplus increased from 9.00% in the 2023/24FY to 9.46% in the 2024/25FY. The increase in the surplus is attributed to a 13% increase in the revenue from electricity sales in the 2024/25FY (R260 million) from 2023/24FY (R230 million). The municipality continues to operate its electricity department profitably and maintains its Eskom account.

3.3. The energy losses declined from 7.02% in the 2023/24FY to 6.99% in the 2024/25FY, as highlighted in Table 2 below. The municipality is encouraged to keep energy losses at low levels.

Table 2: Performance indicators

Performance indicators	***Municipality 2024/25 D-forms Information***	***Municipality 2023/24 D-forms Information***
Percentage surplus: (%)	9.46	9.00[3]
Energy Losses: (%)	6.99	7.02

3.4. Based on the above information, the licensee's electricity department demonstrates satisfactory financial and operational performance, as evidenced by the recorded surplus and relatively low energy losses. The surplus indicates prudent financial management and cost recovery, while the low level of energy losses suggests effective network maintenance and operational efficiency. Collectively, these factors point to a stable and sustainable electricity service function.

[3] Total Electricity Purchases divided by Total Expenditure

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

4.1. The municipality submitted its existing COS study, which supports the tariffs application, which will be approved in the 2026/27FY. The municipality's cost-of-supply study included all 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 in accordance with 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. Bitou Municipality's 2026/27FY tariff application is based on an existing COS study. The study is valid for five years and has been adjusted to reflect key cost drivers for the 2026/27FY in line with section 18.7 of the COS Framework.

4.4. The municipality applied a cost-plus methodology, rather than a rate-of-return (ROR) approach. Under the cost-plus methodology, the allowable revenue is derived as follows:

4.4.1. Efficient and prudent operating expenditure (OPEX)

4.4.2. Plus, depreciation (as a proxy for asset consumption and future replacement)

4.4.3. Plus, a reasonable surplus margin

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

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

4.6. In line with section 18.7 mentioned above, **Error! Reference source not found.** below was developed, and the definition of the columns is as follows:

i. Column 1 is the actual 2024/25FY licensee performance and is sourced from the D-forms that are based on the audited annual statements.

ii. Column 2 is for the 2025/26FY revenues and electricity volume which serve as the base for the 2026/27FY tariffs. The figures were tested for reasonableness (since at the time of approval, they were estimates) when the Regulator considered and approved the

2026/27FY 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 2026/27FY 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 2026/27FY.

4.7. The total allowable revenue of R289 million is for the 2025/26FY tariff review and is based on the cost-of-supply revenue and the volumes used to determine the tariffs that were approved by the Energy Regulator, as shown in Table 3 below.

4.8. The COS study is applicable for five years; however, municipalities need to reflect the adjustments in their cost drivers for the 2026/27FY. 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 2026/27FY tariff review process.

4.9. To determine an increase applicable for the 2026/27 financial year, the licensee submitted its 2026/27FY cost (budgeted cost plus surplus) as requested by NERSA, and the total budgeted required revenue, which amounted to R332 million for the 2026/27FY tariff review process.

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	89 778 215	94 267 126	103 693 838	-	103 693 838
Eskom bulk purchases	kWh	104 438 528	109 660 454	115 143 477	-	115 143 477
Total Energy Requirements	**kWh**	**104 438 528**	**109 660 454**	**115 143 477**		**115 143 477**
Total Losses	kWh	14 660 313	15 393 329	11 449 639		11 449 639
Technical losses	kWh	12 532 623	13 159 255	11 449 639	-	11 449 639
Non-technical losses	kWh	-2 127 690	-2 234 074	0	-	0
Allowed losses	%	**12,00%**	**12,00%**	**9,94%**		**9,94%**
Total Energy losses	%	14,04%	14,04%	9,94%		9,94%
Cost drivers						
Energy purchases from Eskom	Rand	233 306 071	250 424 624	272 987 884	-	272 987 884
total energy purchases		**233 306 071**	**250 424 624**	**272 987 884**	**0**	**272 987 884**
Cost of technical losses	Rand	1 637 490	1 757 638	1 357 269	0	1 357 269
Non-Technical Losses		31 112 302	33 395 130	25 788 105	0	25 788 105
Operational expenditure (incl. Depreciation)	**Rand**	**48 645 476**	**44 424 125**	**44 494 709**	**0,0**	**44 494 709**
General & Other	**0**	**28 859 226**	**25 684 762**	**29 939 978**	**0**	**29 939 978**
Salaries and allowances	Rand	18 899 176	10 377 001	13 340 627	0	13 340 627
Materials and supplies	Rand	2 094 721	2 077 139	2 393 628	0	2 393 628
Contracted Services	Rand	2 252 537	7 498 533	6 995 287	0	6 995 287
Current year depreciation	Rand	5 612 792	5 726 362	7 209 370	0	7 209 370
Meter reading	Rand	1 196	5 727	1 066	0	1 066
Shared OPEX	**Rand**	**19 786 250**	**18 739 363**	**14 554 731**	**0**	**14 554 731**
Bad debts (Allowance for Impairment)	Rand	381 481	750 000	750 000	0	750 000
Charges from other Municipal Departments	Rand	12 786 644	9 373 877	4 179 764	0	4 179 764
Operating Leases	Rand	0	33 728	35 549	0	35 549
General expenses		**6 618 125**	**8 581 758**	**9 589 418**	**0**	**9 589 418**
Other Expenses	Rand	6 618 125	8 581 758	9 589 418	0	9 589 418
Total Expediture before surplus		283 589 037	330 001 517	344 627 966	0	344 627 966
Surplus	Rand	7 079 282	-28 086 981	17 510 183	0	17 510 183
Total Expenditure Including Surplus		290 668 319	301 914 536	362 138 149	0	362 138 149
Other revenues	Rand	**-27 848 057**	**-12 291 755**	**-29 796 226**	**0**	**-29 796 226**
Reconnection fees	Rand	812 735	711 147	656 245	0	656 245
New connections	Rand	117 896	534 416	289 121	0	289 121
Free Basic Electricity (Equitable share)	Rand	5 653 262	6 501 252	10 282 470	0	10 282 470
Interest earned	Rand	1 264 164	1 223 940	991 391	0	991 391
Other Revenue - Government Grants and Subsidies	Rand	20 000 000	3 321 000	17 577 000	0	17 577 000
Total Allowable Revenus	**Rand**	**262 820 262**	**289 622 782**	**332 341 923**	**0**	**332 341 923**
increase required				***14,75%***	***14,75%***	

4.10. It is important to test the efficiency and prudency of the costs in the 2025/26FY financial year as these are the most recently considered revenues in support of the approved tariffs during this period. This forms the basis for projecting costs for the 2026/27FY using assumptions to calculate revenue requirements for that year.

4.11. 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

4.12. The municipality applied for a bulk purchase expenditure of R272 million, which accounts for 82% of total costs inclusive of the 9.94% energy loss allowance in line with the act, which requires only the prudently and efficiently incurred costs to be passed through to customers.

4.13. To arrive at the 2026/27FY estimate, the municipality projected the year-to-date amount for 2025/26FY since complete financial year data is unavailable and estimated that this cost item would increase by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.14. The Eskom bills were analysed, and no NMD exceedance penalties were charged. Furthermore, the municipality is up to date with its Eskom bulk account and therefore does not incur interest charges.

Operating Expenditure (including depreciation)

4.15. The municipality applied for operational expenditure including depreciation of R46 million as highlighted in Table 3 above.

4.16. The municipality adjusted the expenditure linked to the 2025/26FY tariffs, increasing it from R44 424 125 to a budgeted amount of R44 494 709, reflecting a 0.16% increase in costs.

General Costs and Other

4.17. Salaries and allowances under the Electricity Department comprise employee-related costs incurred for staff involved in the operation, maintenance, administration, and management of the electricity function. These costs typically include basic salaries, overtime, standby and travel allowances, and other employee benefits for technical, operational, administrative, and managerial personnel within the department. The charges applied for increased by 29% from R10 million in the 2025/26FY to R13 million in the 2026/27FY.

4.18. The Materials & supplies line item includes cables, transformers, switchgear, meters, poles, streetlight components, protective equipment, maintenance materials, network repair items, electrical consumables and replacement parts for the network. These costs are necessary to ensure continuity and reliability of supply and therefore form part of the prudent cost of service. The charges applied for increased by 15% from R2 million in the 2025/26FY to R2.3 million in the 2026/27FY.

4.19. Contracted services form part of the municipality's prudent operating costs and are necessary to support the operation, maintenance, repair, and technical management of the electricity network. The municipality indicated that it contracted consultants for engineering services and construction contractors for electrification and network upgrades. The charges applied for decreased by 7% from R7.4 million in the 2025/26FY to R6.9 million in the 2026/27FY.

4.20. Meter reading operating expenses comprise costs associated with the collection, recording, and management of customer electricity consumption data. These expenses typically include labour costs for meter readers, transportation and fuel costs, handheld meter-reading devices and systems, data capturing and processing costs, as well as maintenance and support of metering infrastructure and related software systems. The charges applied for decreased by 81% from R5 000 in the 2025/26FY to R1 000 in the 2026/27FY.

Depreciation

4.21. Depreciation is a key component of operational expenditure, as it enables the recovery of electricity infrastructure costs over the useful life of the assets. An adequate depreciation provision is essential to ensure the long-term sustainability of the electricity undertaking and to facilitate the future refurbishment and replacement of ageing network infrastructure.

4.22. The municipality reported an asset value of R261 651 704, as reflected in its submitted D-forms for the 2024/25FY. This amount was verified against the audited AFS, the trial balance and supporting financial information.

4.23. Depreciation amounted to R5 612 792 in the 2024/25FY calculated using the straight-line method over the useful lives of the respective assets. This amount was extracted from the submitted 2024/25FY D-form and verified against the audited 2024/25FY Annual Financial Statements. The projected depreciation for 2025/26FY is R5 726 362, increasing to R7 209 370 in the 2026/27FY budget, reflecting approximately 26% growth.

Shared Operating Expenditure

4.24. Bad debts (Allowance for Impairment) comprise a provision made for amounts owed by customers that may not be recoverable. This operating expense is recognised to account for the risk of non-payment of electricity revenue and is typically based on the municipality's historical collection trends, ageing of debtor accounts, and expected credit losses. The applied amount of R750 000 represents 0.22% of the applied revenue requirement.

4.25. Charges from other municipal departments comprise costs allocated to the Electricity Department for support and shared services rendered by other departments within the municipality. These charges typically include services such as finance, human resources, information technology, legal services, fleet management, internal audit, facilities management, and other corporate or administrative support functions provided to the electricity undertaking. The charges applied for decreased by 55% from R9 million in the 2025/26FY to R4 million in the 2026/27FY.

4.26. Operating lease expenses comprise costs incurred by the Electricity Department for the rental or leasing of assets used in its operations without obtaining ownership of those assets. These expenses typically include lease payments for office buildings, vehicles, equipment, machinery, printers, and other operational assets required to support the provision and administration of electricity services. The charges applied for increased by 5% from R33 000 in the 2025/26FY to R35 000 in the 2026/27FY.

4.27. Other expenses comprise miscellaneous operating costs incurred in the provision and administration of the electricity service that are not specifically classified under other expenditure categories. These expenses may include insurance, bank charges, communication costs, office and administrative expenses, staff training, licensing fees, security services, minor consumables, and other general operational support costs necessary for the functioning of the electricity undertaking. The charges applied for increased by 12% from R8.5 million in the 2025/26FY to R9.5 million in the 2026/27FY.

Surplus/Profit Margin

4.28. The municipality applied for a surplus of R17 million based on a 5% return on OPEX, including bulk purchases. The applied surplus was assessed against the municipality's financial performance, operational requirements, cost-reflectivity principles and the affordability impact on consumers.

4.29. The Energy Regulator notes that maintaining an appropriate level of surplus is necessary to mitigate financial and operational risks associated with the electricity business. An inadequate surplus may expose the municipality to risks such as:

4.29.1. insufficient cash flow to fund operations and maintenance activities;

4.29.2. deterioration of network infrastructure due to underinvestment;

4.29.3. increased reliance on borrowing or cross-subsidisation from other municipal functions;

4.29.4. inability to respond effectively to network failures and emergency repairs; and

4.29.5. weakening of the long-term financial sustainability of the electricity undertaking.

4.30. To ensure that the surplus is not excessive or detrimental to consumers, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision, together with the COS methodology, NERSA is required to ensure that BLM recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.31. NERSA is satisfied that the surplus applied for by BLM is reasonable and supports the financial sustainability of the electricity business, notwithstanding that it falls below the established target range of 10–20%, in line with the approved NERSA Cost-of-Supply Framework.

4.32. The applied surplus is considered proportionate to the risks associated with an inadequate surplus, particularly in the context of a municipal distributor that is not profit-maximising but is required to remain financially sustainable. Accordingly, NERSA has decided to approve the revenue requirement as applied for.

Conclusion on Costs to Serve

4.33. While the COS study outcome reflected an average tariff increase of 42.50% for the licensee to achieve full cost-reflectivity, the municipality adopted a three-year phase-in approach to implement tariff increases below the COS outcomes. Some considerations for this decision include the requirement that the licensee maintain a sustainable tariff level to drive the demand for its electricity services.

4.34. Significantly higher tariffs could negatively impact the licensee by reducing customer demand and sales. The licensee also considered the broader affordability impact on customers in determining the pace of its tariff adjustments.

4.35. This approach will help protect the municipality's revenue base and support its financial sustainability, as required by legislation.

4.36. Furthermore, The COS is based on a forecast, therefore resulting in a higher average percentage increase for the municipality to reach cost-reflectivity. It is for this reason that the municipality will be requested to submit a report accounting for all the costs that have been noted in its COS study, to enable the Regulator to perform its independent verification/audit.

4.37. The cost adjustment tool (Table 3 above) indicates a justified tariff increase of 14.75% for the 2026/27FY. However, the licensee has applied for a lower average tariff increase of 12.12% for the 2026/27FY, considering the factors discussed above. The decision reflects a deliberate balancing of cost recovery requirements with the need to mitigate tariff shock, particularly for vulnerable customer categories.

4.38. The municipality applied differentiated tariff increases across the various customer categories and tariff components, resulting in an overall weighted average increase of 12.12% for the 2026/27 financial year. The increases were not applied uniformly across all tariffs but were determined based on factors such as the cost-of-supply results, customer usage profiles, affordability considerations, and the need to minimise tariff shock for certain customer categories. Consequently, some tariff categories reflect increases above the average, while others reflect lower increases. Notwithstanding these differentiated adjustments, the overall impact of the proposed tariff structure, when applied to the municipality's projected sales volumes and revenue mix, results in an average revenue increase of 12.12%.

4.39. While the applied increase is below the level indicated by the cost adjustment tool, the municipality has demonstrated that the resulting revenue remains sufficient to cover prudent and efficient costs, thereby maintaining financial sustainability without resulting in excessive recovery. Accordingly, the proposed increase is considered reasonable, as it aligns with cost-of-supply principles while moderating the impact on consumers.

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2. Single phase prepaid 30AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge: (R/month)	319.88	339.07	6.00%	339.07	6.00%	

3. Single-phase prepaid 45AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge: (R/month)	479.82	508.61	6.00%	508.61	6.00%	

4. Single-phase prepaid 63AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	670.68	712.05	6.16%	712.05	6.16%	

5. Three-phase prepaid 45AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 477.64	1 525.83	3.00%	1 525.83	3.00%	

6. Three-phase prepaid 63AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	2 172.13	2 136.16	-2%	2 136.16	-2%	

7. Single phase conventional 32AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	482.97	451.48	-7.00%	451.48	-7.00%	

8. Single-phase conventional 45AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	598.96	634.90	6.00%	634.90	6.00%	

9. Single-phase conventional 60AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	925.72	888.86	-3.98%	888.86	-3.98%	

10. Single-phase conventional 80AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 355.55	1 128.71	-16.73%	1 128.71	-16.73%	

11. Single-phase conventional 100AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	270.59	304.44	12.51%	304.44	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 694.44	1 410.89	-16.73%	1 410.89	-16.73%	

12. Three-phase conventional 30AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	***Analysis and Key Findings***
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 333.44	1 413.45	6.00%	1 413.45	6.00%	

13. Three-phase conventional 45AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 875.15	1 987.66	6%	1 987.66	6%	

14. Three-phase conventional 60Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	2 500.20	2 650.21	6.00%	2 650.21	6.00%	

15. Three-phase conventional 80AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	3 333.60	3 533.62	6.00%	3 533.62	6.00%	

16. Three-phase conventional 100AMP	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	287.71	323.70	12.51%	323.70	12.51%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	4 167.00	4 417.02	6.00%	4 417.02	6.00%	

17. Commercial Single-phase prepaid 30 Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	298.27	343.04	15.01%	343.04	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	762.93	808.67	6.00%	808.67	6.00%	

18. Commercial Single-phase prepaid 45 Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	298.27	343.04	15.01%	343.04	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 498.54	1 213.01	-19.05%	1 213.01	-19.05%	

19. Commercial Single-phase prepaid 60 Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	298.27	343.04	15.01%	343.04	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	1 498.54	1 617.34	7.93%	1 617.34	7.93%	

20. Commercial three-phase prepaid 30Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	294.81	339.06	15.01%	339.06	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	2 098.54	2 008.81	-4.00%	2 008.81	-4.00%	

21. Commercial Three-phase prepaid 60Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	294.81	339.06	15.01%	339.06	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge:(R/month)	3 790.18	4 017.62	6.00%	4 017.62	6.00%	

22. Commercial Three-phase prepaid 100Amp	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	294.81	339.06	15.01%	339.06	15.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge (R/month)	6 201.66	6 696.03	7.97%	6 696.03	7.97%	

23. Commercial Single-phase 15 A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	829.64	459.48	-44.62%	459.48	-44.62%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	295.50	339.85	15.01%	339.85	15.01%	

24. Commercial Single-phase 30A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	1 156.03	918.46	-20.55%	918.46	-20.55%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	295.50	339.85	15.01%	339.85	15.01%	

25. Commercial Single-phase 45 A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % increase***	**Analysis and Key findings**
Basic Charge:(R/month)	1 625.66	1 378.44	-15.21%	1 378.44	-15.21%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	295.50	339.85	15.01%	339.85	15.01%	

26. Commercial Single-phase 60A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge (R/month)	2 275.93	1 837.92	-19.25%	1 837.92	-19.25%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	295.50	339.85	15.01%	339.85	15.01%	

27. Commercial Single-phase 80A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	2 890.07	2 450.56	-15.21%	2 450.56	-15.21%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	295.50	339.85	15.01%	339.85	15.01%	

28. Commercial Three-phase 15A (Conventional	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	2 137.66	1 175.40	-45.01%	1 175.40	-45.01%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

29. Commercial Three-phase 30A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % increase***	**Analysis and Key findings**
Basic Charge:(R/month)	2 365.43	2 350.80	-0.62%	2 350.80	-0.62%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

30. Commercial Three-phase 45A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	3 326.38	3 525.20	6.00%	3 525.20	6.00%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

31. Commercial Three-phase 60A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	4 656.93	4 701.60	0.96%	4 701.60	0.96%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

32. Commercial Three-phase 80 A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge:(R/month)	5 913.57	6 268.80	6.00%	6 268.80	6.00%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

33. Commercial Three-phase 100 A (Conventional)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key findings**
Basic Charge:(R/month)	7 391.96	7 836.00	6.00%	7 836.00	6.00%	The COS study indicates that this is over-recovering. However, the proposed increases remain significantly below the 42.50% COS adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	287.27	330.39	15.01%	330.39	15.01%	

34. Streetlight Usage.	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Energy Charge (c/kWh)	291.51	320.69	10%	320.69	10%	The COS study indicates that this tariff is under-recovering, suggesting that current charges are broadly cost-reflective with a marginal shortfall. While higher increases may be justified from a cost-reflectivity perspective given the extent of under-recovery, the magnitude of the proposed adjustments raises affordability concerns for indigent customers, who are particularly vulnerable to tariff shocks. This approach ensures that the tariff moves toward full cost recovery in a measured manner, while avoiding unnecessary tariff pressure on customers. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Basic Charge (R/light/month)	209.59	225.84	7.75%	225.84	7.75%	

35. Availability charge residential	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge (R/month)	583.02	628.23	7.75%	628.23	7.75%	The COS analysis indicates that this tariff category is revenue neutral. The proposed i7.75% increase is considered appropriate, as it aligns with underlying cost drivers while maintaining stability within the tariff structure. The adjustment reflects a measured and phased approach, supporting sustainable revenue recovery without imposing excessive increases on this customer category. Overall, the proposed tariff maintains cost reflectivity, supports revenue stability, and ensures the continued provision of critical public services. It is therefore considered reasonable and appropriate for approval. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.

36. Availability Charge- Other	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge (R/month)	1 327.16	1 430.05	7.75%	1 430.05	7.75%	The COS analysis indicates that this tariff category is revenue neutral. The proposed increase of 7.75% is considered appropriate, as it aligns with underlying cost drivers while maintaining stability within the tariff structure. The adjustment reflects a measured and phased approach, supporting sustainable revenue recovery without imposing excessive increases on this customer category. Overall, the proposed tariff maintains cost reflectivity, supports revenue stability, and ensures the continued provision of critical public services. It is therefore considered reasonable and appropriate for approval.

37. Industrial Low voltage <500V	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge (R/month)	1 797.51	1 905.36	6.00%	1 905.36	6.00%	The COS study found that the Industrial tariff is under-recovering, indicating that energy rates and the basic charge would need to increase by 62% and 304%, respectively, to achieve cost reflectivity. This is further exacerbated by changes in the Eskom bulk supply tariffs, which have increased the municipality's input costs and in turn, led to a substantially greater revenue shortfall for the municipality. The proposed increases remain significantly below the 42.50% adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	132.85	199.29	50.01%	199.29	50.01%	
Demand Charge (R/kVA)	380.25	403.07	6.00%	403.07	6.00%	
Access Charge (R/kVA)	95.59	101.33	6.00%	101.33	6.00%	

38. Industrial Medium Voltage =>500V & <66kV	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge (R/month)	1 797.51	1 905.36	6.00%	1 905.36	6.00%	The COS study found that the Industrial tariff is under-recovering, indicating that energy rates and the basic charge would need to increase by 62% and 304%, respectively, to achieve cost reflectivity. This is further exacerbated by changes in the Eskom bulk supply tariffs, which have increased the municipality's input costs and, in turn, led to a substantially greater revenue shortfall for the municipality. The proposed increases remain significantly below the 42.50% adjustment identified as necessary to achieve full cost-reflectivity. Although the proposed increase does not fully address the identified imbalance, it represents a deliberate and measured step towards better alignment between tariffs and underlying costs. This phased approach facilitates a gradual transition to cost-reflective tariffs, thereby mitigating the risk of abrupt tariff shocks that could adversely affect customers. At the same time, it supports the long-term sustainability and integrity of the tariff structure. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Energy Charge (c/kWh)	126.20	189.31	50.01%	189.31	50.01%	
Demand Charge (R/kVA)	361.11	382.78	6.00%	382.78	6.00%	
Access Charge (R/kVA)	90.78	96.23	6.00%	96.23	6.00%	

39. Industrial (Low Voltage <500V)	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Monthly: R/month	1 797.51	1 905.36	6.00%	1 905.36	6.00%	The COS study found that the TOU tariff is under-recovering, indicating that energy rates and the basic charge would need to increase by 66% and 304%, respectively, to achieve cost reflectivity. The municipality has, however, opted to phase in these increases to mitigate the impact of substantial tariff adjustments on customers. Furthermore, Eskom revised its bulk tariff charged to the municipality, resulting in significantly higher TOU energy rates compared to the previous tariff, particularly during peak and standard periods. This, in turn, led to a substantially greater revenue shortfall in energy charges for the municipality. The municipality indicated that it will conduct a new COS and will redesign its TOU tariff structure to better align with the underlying Eskom cost drivers, particularly for peak and standard periods. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Low Season Energy Charges:						
Peak(c/kWh)	218.25	317.25	45.36%	317.25	45.36%	
Standard c/kWh	155.07	209.90	35.36%	209.90	35.36%	
Off-peak(c/kWh)	104.14	161.79	55.37%	161.79	55.37%	
High Season Energy Charges:						
Peak(c/kWh)	636.61	732.17	15.01%	732.17	15.01%	
Standard c/kWh	203.79	229.28	12.51%	229.28	12.51%	
Off-peak(c/kWh)	117.83	147.30	25.00%	147.30	25.00%	
Demand Charge R/kVA	104.67	110.95	6.00%	110.95	6.00%	
Access Charge R/kVA	84.02	89.06	6.00%	89.06	6.00%	
Reactive Energy Charge(c/kVArh)	30.87	32.72	6.00%	32.72	6.00%	

40. Industrial TOU (High Voltage >=500V & <66kV	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Monthly: R/month	1 797.51	1 905.36	6.00%	1 905.36	6.00%	The COS study found that the TOU tariff is under-recovering, indicating that energy rates and the basic charge would need to increase by 66% and 304%, respectively, to achieve cost reflectivity. The municipality has, however, opted to phase in these increases to mitigate the impact of substantial tariff adjustments on customers. Furthermore, Eskom revised its bulk tariff charged to the municipality, resulting in significantly higher TOU energy rates compared to the previous tariff, particularly during peak and standard periods. This, in turn, led to a substantially greater revenue shortfall in energy charges for the municipality. The municipality indicated that it will conduct a new COS and will redesign its TOU tariff structure to better align with the underlying Eskom cost drivers, particularly for peak and standard periods. Accordingly, the proposed adjustment strikes an appropriate balance between customer affordability and revenue stability.
Low Season Energy Charges:						
Peak(c/kWh)	207.34	279.93	35.01%	279.93	35.01%	
Standard c/kWh	147.34	184.19	25.01%	184.19	25.01%	
Off-peak(c/kWh)	98.92	123.66	25.01%	123.66	25.01%	
High Season Energy Charges:						
Peak(c/kWh)	604.77	665.31	10.01%	665.31	10.01%	
Standard c/kWh	193.60	217.82	12.51%	217.82	12.51%	
Off-peak(c/kWh)	111.94	131.54	17.50%	131.54	17.50%	
Demand Charge R/kVA	113.94	120.78	6.00%	120.78	6.00%	
Access Charge R/kVA	91.50	96.99	6.00%	96.99	6.00%	
Reactive Energy Charge(c/kVArh)	26.93	31.65	17.51%	31.65	17.51%	

41. SSEG Domestic Single-phase **Feed-In**	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge(R/month)-32A	482.97	511.95	6.00%	511.95	6.00%	The proposed 15.01% increase in the export (feed-in) energy charge**,** reflects an increase in the compensation paid to customers for energy exported to the grid. This adjustment is generally aligned with increases in bulk energy costs, as the feed-in rate is typically at a rate lower than import tariffs to account for network costs — this increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic Charge(R/month)-45A	598.96	634.90		634.90		
Basic Charge(R/month)-60A	925.72	981.26		981.26		
Basic Charge(R/month)-80A	1 355.55	1 436.88		1 436.88		
Basic charge(R/month)-100A	1 694.44	1 796.11		1 796.11		
Import- Energy Charge(c/kWh)	270.59	358.56	33%	358.56	33%	
Export- Energy Charge(c/kWh)	(106.90)	(122.95)	15.01%	(122.95)	15.01%	

42. SSEG Domestic Three-phase	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge(R/month)-45A	1 875.15	1 987.66	6.00%	1 987.66	6.00%	The proposed 16.26% increase in the export (feed-in) energy charge**,** reflects an increase in the compensation paid to customers for energy exported to the grid. This adjustment is generally aligned with increases in bulk energy costs, as the feed-in rate is typically at a rate lower than import tariffs to account for network costs — this increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic Charge(R/month)-60A	2 500.20	2 650.21		2 650.21		
Basic Charge(R/month)-80A	3 333.60	2 650.21	-20.50%	2 650.21	-20.50%	
Basic Charge(R/month)-100A	4 167.00	3 533.62	-15.20%	3 533.62	-15.20%	
Import- Energy Charge(c/kWh)	287.71	381.25	32.51%	381.25	32.51%	
Export- Energy Charge(c/kWh)	(122.26)	(142.15)	16.26%	(142.15)	16.26%	

43. SSEG Commercial Single-phase **Feed-In**	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge(R/month)-32A	1 156.03	1 225.39	6.00%	1 225.39	6.00%	The proposed 24.42% increase in the export (feed-in) energy charge**,** reflects an increase in the compensation paid to customers for energy exported to the grid. This adjustment is generally aligned with increases in bulk energy costs, as the feed-in rate is typically at a rate lower than import tariffs to account for network costs — this increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic Charge(R/month)-45A	1 625.66	1 723.20		1 723.20		
Basic Charge(R/month)-60A	2 274.93	2 411.43		2 411.43		
Basic Charge(R/month)-80A	5 913.57	3 062.13	-48.22%	3 062.13	-48.22%	
Basic Charge(R/month)-100A	7 391.96	3 827.66		3 827.66		
Import- Energy Charge(c/kWh)	295.50	429.00	45.18%	429.00	45.18%	
Export- Energy Charge(c/kWh)	(106.90)	(133.64)	24.42%	(133.64)	24.42%	

44. SSEG Commercial Three-phase **Feed-in**	***2025/26 Approved***	***2026/27 Proposed***	***% Increase***	***Recommended Tariff***	***Recommended % Increase***	**Analysis and Key Findings**
Basic Charge(R/month) -45A	3 326.38	3 525.96	6.00%	3 525.96	6.00%	The proposed 22.51% increase in the export (feed-in) energy charge reflects an increase in the compensation paid to customers for energy exported to the grid. This adjustment is generally aligned with increases in bulk energy costs, as feed-in rate is typically at a rate lower than import tariffs to account for network costs — this increase is considered reasonable and does not raise concerns from a cost-reflective perspective. Accordingly, the proposed rates are supported, as they maintain revenue neutrality while ensuring fairness and sustainability within the net metering framework.
Basic Charge(R/month) -60A	4 556.93	4 830.35		4 830.35		
Basic Charge(R/month) -80A	5 913.57	6 268.38		6 268.38		
Basic Charge(R/month) -100A	7 391.96	7 835.48		7 835.48		
Import- Energy Charge(c/kWh)	287.27	416.57	45.01%	416.57	45.01%	
Export- Energy Charge(c/kWh)	(122.26)	(149.78)	22.51%	(149.78)	22.51%	

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

9.1. From a conspectus of the facts and evidence presented to the REC, supporting information, stakeholder inputs, and applicable legal framework, it is appropriate to consider and approve BLM's tariff application as set out in this Reasons for Decision for the 2026/27FY.

End.