NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RFD)

In the matter regarding the

Private Distributor Tariff Application for the 2026/27 Financial Year

By

West Rand Power Distributor (WRPD)

THE DECISION

At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered the West Rand Power Distributor's (WRPD) tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year as set out in the tariff analysis in section 7 below.

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

a) to approve the tariffs that are based on the cost drivers as recommended in the tariff analysis section for implementation by the licensee with effect from 1 April 2026;
b) to note the cost drivers submitted by the licensee;
c) 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 31 January 2027; and
d) that the licensee must submit quarterly progress reports on the efficiency improvement measures taken to reduce high energy losses and deficits to enable NERSA to monitor the implementation thereof by 30 September 2026.

TABLE OF CONTENTS

THE DECISION 1
TABLE OF CONTENTS 2
ABBREVIATIONS AND ACRONYMS 4
1. INTRODUCTION 5
2. LEGAL AND REGULATORY FRAMEWORK 5
3. FINANCIAL AND TECHNICAL PERFORMACE 10
4. DETERMINATION OF WRPD'S TARIFFS BASED ON THE EXISTING COST OF SUPPLY (COS) STUDY 11
5. PUBLIC PARTICIPATION 15
6. THE OBJECTORS AND OTHER INTERVENING PARTIES 16
7. TARIFF CATEGORIES 17
8. CONFIDENTIALITY 18
9. CONCLUSION 18

TABLE OF TABLES

Table 1: Customer statistics (data obtained from the latest D-forms – 2024/25 FY)..... 5
Table 2: Performance indicators..... 10
Table 3: Revenue requirement components..... 12
Table 4: Operating expenditure 13

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
WRPD	West Rand Power Distributors
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. Licensees' tariffs must be approved by NERSA to be implemented on 1 April annually.

1.2. West Rand Power Distributor (WRPD) is a private distributor operating in the West Rand District in Gauteng. The private distributor has a total of 476 customers, with commercial customers accounting for 56.07% of the total electricity sales. The details regarding customer statistics are highlighted in Table 1 below.

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

Customer categories	***MWh***	***% MWh***	***Customer numbers***
Domestic(Prepaid)	1 558	28,6%	366
Domestic(Conventional)	836	15,3%	94
Commercial	3 055	56,07%	16
TOTAL	**5 449**	**100%**	**476**

1.3. NERSA received WRPD's tariff application together with its Cost of Supply (COS) study on 11 March 2026.

1.4. The private distributor had applied for a tariff increase of 12.74% for the 2025/26 FY and proposes an increase of 8.76% for the 2026/27 FY.

1.5. NERSA followed the notice and comment consultation process. WRPD's tariff application was published on the NERSA website on 13 March 2026, as well as on social media platforms and in national and local newspapers, to solicit written comments from affected parties.

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 the 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 NERSA evaluated and determined the municipal electricity tariff application for the 2026/27 municipal financial year.

2.2. **NERSA's Statutory Mandate**

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of NERA, 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 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 that guide the determination of electricity tariffs in the South African electricity supply industry.

2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of the PAJA. Accordingly, NERSA must ensure that its tariff determinations are lawful, reasonable and procedurally fair as required by sections 3 and 6 of PAJA. Procedural fairness requires that affected parties and the public must be afforded a reasonable opportunity to make representations before a final decision is taken.

2.4.2. Public participation processes conducted by NERSA, therefore, form an essential component of the municipal tariff approval process and are intended to ensure transparency, accountability and fairness in regulatory decision-making.

2.5. **Policy Framework: Electricity Pricing Policy (2008)**

2.5.1. In addition to the statutory framework, 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 accurately reflect the efficient cost of providing electricity services, and that the average tariff level 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 COS studies at least every five years, or when significant structural changes occur in the customer base or cost structure.

2.6.4. Such studies must be conducted in accordance with the NERSA-approved methodology and must accompany tariff structure applications submitted to NERSA.

2.7. **Judicial Oversight of the Tariff Approval Process**

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to the 2025/2026

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 an application seeking to vary the timelines set by the Court on 4 December 2025, in light of the practical difficulties arising in relation to NERSA's compliance with the court order. The Court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

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

a) Written notice of bulk tariffs by 6 March 2026
b) Municipal tariff applications must be submitted by 31 March 2026
c) Public participation processes must be concluded by 21 April 2026
d) The publication of NERSA decisions by 11 May 2026.

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

a) Written notice of bulk electricity tariffs 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 documents must be approved and published by 5 May of each year.

2.9. Conclusion

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

2.9.2. The reasons set out in this Reasons for Decision document demonstrate how NERSA complied with the applicable legislative, policy and judicial framework in determining the licensee's electricity tariffs for the 2026/27 financial year.

3. FINANCIAL AND TECHNICAL PERFORMACE

3.1. In assessing the financial and technical performance, NERSA relied on the 2024/25 FY distribution form (D-form) information provided in analysing the licensee's tariff application. The D-form information was validated by NERSA against the relevant source documents submitted by the licensee (i.e. the trial balance/audited annual financial statement) and is therefore considered reliable for tariff analysis.

Table 2: Performance indicators

Performance indicators	**2024/25**	**2023/24**
Percentage surplus/(Deficit): **(%)**	-3.24	-20.57
Energy Losses: (**%**)	4.00	9.85

Percentage Surplus

3.2. The licensee's deficit improved significantly from 20.57% in the 2023/24 financial year to 3.24% in the 2024/25 financial year. NERSA notes that this improvement was primarily attributable to the resolution of a dispute with Eskom regarding excess charges of more than R26 million for retrospective electricity consumption relating to the period from 2013 to 2017. The settlement of this matter had a positive impact on the financial position of the electricity business and contributed to the reduction in the accumulated deficit.

Energy Losses

3.3. WRPD's energy losses decreased from 9.85% in the 2023/24 financial year to 4.00% in the 2024/25 financial year, indicating improved operational efficiency and effective management of energy losses. NERSA notes that the reduction supports improved cost recovery and contributes positively to the financial sustainability of the electricity distribution business.

General conclusion on the financial and technical indicators

3.4. In conclusion, the licensee has demonstrated an improvement in its financial performance. However, the licensee remains in a deficit position, indicating that the revenue generated from electricity operations is still insufficient to fully recover the costs of rendering electricity services. Although energy losses increased marginally, the licensee should continue implementing measures to manage and reduce losses.

4. DETERMINATION OF WRPD'S TARIFFS BASED ON THE EXISTING COST OF SUPPLY (COS) STUDY

4.1. The licensee submitted its existing COS study, which supports the tariffs application that will be approved in the 2026/27 financial year. The licensee's COS 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. The revenue requirement for WRPD's was determined using a cost-plus methodology in accordance with the NERSA COS Framework. In alignment with the NERSA COS Framework, costs were built up from verified bulk purchases (Eskom invoices) and verified electricity-related operating costs (tested against D-forms, trial balance and audited annual financial statements).

4.3. Section 18.7 of the October 2023 NERSA-approved COS Framework states that:

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

4.4. In line with section 18.7 mentioned above, Table 3 below was developed. The definitions of the columns are as follows:

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

ii. Column 2 is for the 2025/26 revenues and electricity volume that are the base for the 2026/27 tariffs. The figures were tested for reasonableness (since at the time of the approval, the figures were estimates) when NERSA considered and approved the 2026/27 COS-based tariffs. Once the financial year ends, the actual figures will be verified using the audited statements.

iii. Column 3 is the licensee's submitted FY 2026/27 budgeted figures to be tested for reasonableness to determine tariffs for the control period under review.

iv. Column 4 is NERSA's recommended adjustments after considering the reasons, facts and evidence the licensee provided to motivate/justify the budgeted figures.

v. Column 5 is NERSA's recommended amounts that sum up to allowable revenues the licensee must recover in FY 2026/27.

4.5. The licensee applied for a total revenue requirement of R21 714 484 for the 2026/27 financial year. Following the assessment of the COS study, D-forms and supporting financial information, NERSA made adjustments amounting to R2 984 682, resulting in an approved revenue requirement of R18 729 802, as shown in Table 3 below.

Table 3: Revenue requirement components

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	5 449 491	5 558 481	5 780 820	-	5 780 820
Eskom bulk purchases	kWh	5 658 596	5 884 940	6 120 337	-	6 120 337
Total Energy Requirements	**kWh**	**5 658 596**	**5 884 940**	**6 120 337**		**6 120 337**
Total Losses	kWh	209 105	326 459	339 517		339 517
Technical losses	kWh	209 105	326 459	339 517	-	339 517
Non-technical losses	kWh	0	0	0	-	0
Allowed losses	%	**3,70%**	**5,55%**	**5,55%**		**5,55%**
Total Energy losses	%	3,70%	5,55%	5,55%		5,55%
Cost drivers						
Energy purchases from Eskom	Rand	14 138 894	15 937 361	17 373 318	-	17 373 318
total energy purchases		**14 138 894**	**15 937 361**	**17 373 318**	**-**	**17 373 318**
Non-Technical Losses					-	
Operational expenditure (incl. Depreciation)	**Rand**	**3 820 411**	**3 396 127**	**6 514 103**	**(2 984 682,00)**	**3 529 421**
General & Other	0	2 550 986	2 652 590	2 758 245	-	2 758 245
Salaries and allowances	Rand	2 162 827	2 249 340	2 339 314		2 339 314
Materials and supplies	Rand	344 611	358 395	372 731	-	372 731
Current year depreciation	Rand	43 548	44 854	46 200	-	46 200
Shared OPEX	Rand	1 269 425	743 537	3 755 858	(2 984 682,00)	771 176
General expenses		**1 269 425**	**743 537**	**3 755 858**		**771 176**
1. Security Services	Rand	202 159	210 245	216 553		216 553
2. Legal Expenses	Rand	554 486	-	-	-	-
3. Bank Charges / Insurance		203 749	211 899	220 375		220 375
4. Monthly subscriptions Accounting fees Stationery Telephone		172 627	179 532	186 713		186 713
5. Rent Comp Exp Staff welfare	Rand	136 404	141 860	147 535	-	147 535
6.Eskom Interest	Rand			2 984 682	(2 984 682,00)	0
Total Expediture before surplus		**17 959 305**	**19 333 488**	**23 887 420**	**-**	**20 902 738**
Surplus	Rand	538 779	580 005	716 623		627 082
Total Expenditure Including Surplus		18 498 084	19 913 492	24 604 043	-	21 529 820
Other revenues	Rand	**-4 965 614**	**-2 751 961**	**-2 889 559**	**-**	**-2 889 559**
Sundry Income (Admin and Adhoc Fees)	Rand	2 322 580	2 415 483	2 536 257	-	2 536 257
Interest earned	Rand	320 455	336 478	353 302	-	353 302
Total Allowable Revenus	**Rand**	**13 532 470**	**17 161 532**	**21 714 484**	**(2 984 682,00)**	**18 729 802**
increase required				***26,53%***	***9,14%***	

4.6. The actual figures were verified using Eskom invoices and verified electricity-related operating costs (tested against the 2024/25 D-forms, trial balance and audited annual financial statements). Only prudently incurred and efficiently verified costs, supplemented by a reasonable surplus margin, are recommended for approval. This forms the basis from which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirements.

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

Bulk Purchases

4.8. For the 2026/27 FY, the licensee has applied for a bulk purchase expenditure of R17 373 318, which accounts for 93% of the total costs, inclusive of the 12% energy loss allowance. Bulk purchases were verified against Eskom invoices in the 2024/25 FY.

4.9. To arrive at the 2026/27 estimate, the licensee provided the year-to-date figures for 2025/26, then estimated that this cost item would increase by 8.76% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

Operational Expenditure

4.10. West Rand Power Distributor applied for operational expenditure amounting to R6 514 103. However, after the removal of identified inefficiencies, the operational expenditure was reduced to R3 529 421, representing 19% of the total costs for the 2026/27 financial year, as shown in Table 4 below.

Table 4: Operating expenditure

Cost drivers	Units	2024/25FY Actuals	2025/26FY Budgeted	2026/27FY Applied	NERSA Adjustments	2026/27FY Recommended
General costs and other	**R**	**2 550 986**	**2 652 590**	**2 758 245**	**-**	**2 758 245**
Salaries and allowances	R	2162827	2249340	2 339 314		2 339 314
Materials and supplies	R	344611	358395	372 731	-	372 731
Current year depreciation	R	43 548	44 854	46 200	-	46 200
Shared OPEX	**R**	**1269425**	**743536,56**	**3 755 858**	**(2 984 682,00)**	**771 176**
1. Security Services	**R**	202 159	210 245	216 553		216 553
2. Legal Expenses	**R**	554 486	-	-		
3. Bank Charges / Insurance	**R**	203 749	211 899	220 375		220 375
4. Monthly subscriptions Accounting fees St	R	172 627	179 532	186 713	-	186 713
5. Rent Comp Exp Staff welfare	R	136404	141860,16	147 535		147 535
6.Eskom Interest	R	0	0	2 984 682	(2 984 682,00)	-
Total Opex	**R**	**3 820 411**	**3 396 127**	**6 514 103**	**(2 984 682,00)**	**3 529 421**

4.11. In assessing the application, NERSA considered the prudency and efficiency of the proposed expenditure in accordance with the approved COS methodology. NERSA identified Eskom interest charges amounting to R2 984 682 as inefficient and not directly related to the efficient operation of the electricity distribution business. Consequently, these costs were disallowed.

4.12. Following the adjustment, NERSA approved operational expenditure of R3 529 421. NERSA is satisfied that the approved expenditure is reasonable and sufficient to support the ongoing operation, maintenance and administration of the electricity distribution function while protecting customers from funding avoidable and inefficient costs. The disallowance of the Eskom interest charges also provides an incentive for improved financial management and timely settlement of bulk electricity accounts.

Surplus

4.13. WRPD applied for a surplus of R716 623. After eliminating all inefficiencies, the surplus amounts to R627 082, representing 3% of total costs for the 2026/27 financial year, as reflected in Table 3 above.

4.14. NERSA assessed the applied surplus against the licensee's financial performance, operational requirements, cost-reflectivity principles and the affordability impact on consumers.

4.15. The approved surplus represents approximately 3% of the allowable revenue requirement and is considered reasonable to support the sustainability of the electricity undertaking while balancing customer affordability considerations.

4.16. NERSA is of the view that the approved surplus is reasonable and prudent as it provides a limited financial buffer to support the operational and financial sustainability of the electricity distribution business. The surplus will assist the distributor in managing operational risks, funding unforeseen expenditure, and maintaining service delivery standards without placing undue pressure on customers through excessive tariff increases.

4.17. However, NERSA notes that the distributor remains exposed to risks associated with cost under-recovery, unforeseen network maintenance requirements and potential revenue collection challenges. Given the relatively modest surplus approved, the licensee will have to continue exercising prudent financial management and cost control measures to ensure the long-term sustainability of the electricity undertaking.

Page 15 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9184/WestrandpowerDistributor_ReasonsforDecisionontariffapplicatio

Page 16 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9184/WestrandpowerDistributor_ReasonsforDecisionontariffapplicatio

Page 17 withheld by Unmapped Dataworks.

This page is part of the decision's record of public participation,
objections or comments, which names members of the public.
We do not republish it.

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9184/WestrandpowerDistributor_ReasonsforDecisionontariffapplicatio

COMMERCIAL TARIFFS

3.Commercial Prepaid Tariff	Approved Tariffs FY 2025/26	2026/27 FY Proposed % increase	2026/27FY Proposed tariffs	2026/27FY Recommended Tariffs	2026/27FY Recommended % Increase	Analysis and key findings
Energy Charge (c/kWh)	419,475	8.76%	456,22	456,22	8.76%	The increase enables the recovery of prudently incurred costs while maintaining the financial sustainability of the electricity distribution business.

4.Commercial Conventional Tariff	Approved Tariffs FY 2025/26	2026/27 FY Proposed % increase	2026/27FY Proposed tariffs	2026/27FY Recommended Tariffs	2026/27FY Recommended % Increase	Analysis and key findings
Energy Charge (c/kWh)	419,475	8.76%	456,22	456,22	8.76%	The increase enables the recovery of prudently incurred costs while maintaining the financial sustainability of the electricity distribution business.

8. CONFIDENTIALITY

8.1. None.

9. CONCLUSION

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

End