NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

# NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

## Decision and Reasons for Decision (RfD)

In the matter regarding the

**Municipal Tariff Application for the 2026/27 Financial Year**

By

**Sakhisizwe Local Municipality**

## THE DECISION

At its meeting held on 30 April 2026, the Regulator Executive Committee (REC) considered Sakhisizwe Local Municipality's tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year, as set out in Table 1 below.

**Table 1: Summary of the REC decision**

| **Tariff Category** | **2026/27 approved % Increase** |
|---|---|
| Domestic Prepaid | 12% |
| Domestic Conventional | 12% |
| Small Prepaid Users (0-59 Amps) | 12% |
| Small Conventional Users (0 -59Amps) | 12% |
| Medium Prepaid Users (60 -100Amps) | 12% |
| Medium Conventional Users (60 - 100Amps) | 12% |
| Large Power Users (0-15 Amps) | 12% |

| | |
|---|---|
| Large Power Users (16-30 Amps) | 12% |
| Large Power Users (>100 Amps) | 12% |

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

1. to approve 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. to note the COS study submitted by the municipality;
3. that the municipality must submit a report accounting for all the costs identified in its COS study to enable the National Energy Regulator of South Africa (NERSA) to perform its independent verification or audit process; and
4. that the municipality must submit a quarterly smart efficiency plan with improvement measures identified in reducing high energy losses and submit by 30 September 2026.

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**TABLE OF CONTENTS**

THE DECISION....1
TABLE OF CONTENTS....3
ABBREVIATIONS AND ACRONYMS....6
1. INTRODUCTION....7
2. LEGAL AND REGULATORY FRAMEWORK....8
3. FINANCIAL AND TECHNICAL PERFORMANCE....12
4. DETERMINATION OF TARIFFS BASED ON THE COS STUDY....13
Revenue Requirement....13
Cost Functionalisation....15
Cost Classification....16
Cost Allocation....17
Rate Design....17
5. Conclusion on the COS STUDY....18
6. PUBLIC PARTICIPATION....19
7. THE OBJECTORS AND OTHER INTERVENING PARTIES....19
8. TARIFF ANALYSIS....19
9. CONFIDENTIALITY....32
10. CONCLUSION....32

## TABLE OF TABLES

Table 1: Summary of the REC decision ..... 1
Table 2: Customer statistics ..... 7
Table 3: Performance indicators ..... 12
Table 4: Revenue requirement components ..... 14
Table 5: Tariff Analysis ..... 19

## TABLE OF FIGURES

Figure 1: Five steps of COS study ..... 13
Figure 2: Cost breakdown by functions ..... 16
Figure 3: Cost breakdown by cost structure (classification) ..... 16
Figure 4: Cost allocation ..... 17
Figure 5: Rate design ..... 18
Figure 6: COS results ..... 19

## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| COS | Cost of Supply |
| D-form | Distribution form |
| ERTSA | Eskom Retail Tariff Structural Adjustments |
| FBE | Free Basic Electricity |
| IBT | Inclining Block Tariff |
| IPP | Independent Power Producer |
| MFMA | Municipal Finance Management Act |
| NERA | National Electricity Regulation Act |
| NERSA | National Energy Regulator of South Africa |
| OPEX | Operating Expenditure |

## 1. INTRODUCTION

1.1. The National Energy Regulator of South Africa (NERSA) receives and considers tariff applications 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. Sakhisizwe Local Municipality is located in the Eastern Cape. The municipality is made up mostly of commercial customers, who account for 47.75% of the total electricity sales. The municipality provides its indigent customers with 50kWh of Free Basic Electricity (FBE) per month. The municipality further reported that it maintains an indigent register. The details regarding customer statistics are highlighted in **Error! Reference source not found.** below.

**Table 2: Customer statistics**

| CONSUMER STATISTICS (OBTAINED FROM 2024-2025 DISTRIBUTION FORMS) | | | |
|---|---|---|---|
| **Consumer Classification** | **Sales (KWh)** | **%KWh** | **Number of Consumers** |
| Domestic (Prepaid) | 2 908 486,80 | 37,67% | 1 346 |
| Domestic (Conventional) | 24 779,00 | 0,32% | 8 |
| Manufacturing / Industrial | 1 078 999,40 | 13,98% | 22 |
| Commercial (Prepaid) | 906 872,60 | 11,75% | 116 |
| Commercial (Conventional) | 2 779 349,00 | 36,00% | 38 |
| Municipal Consumption & Street Lighting | 21 697,00 | 0,28% | - |
| **TOTAL SALES** | **7 720 184** | **100%** | **1 530** |
| | | | |
| **Free Basic Electricity (FBE)** | **118 200** | **5,95%** | **197** |

1.3. NERSA received Sakhisizwe's tariff application and its cost of supply (COS) study on 31 March 2026.

1.4. Sakhisizwe implemented a 15% average price increase in the 2025/26 financial year (FY) and is applying for an average price increase of 12% for the 2026/27FY.

1.5. In accordance with NERSA requirements, all tariff applications must include confirmation that the proposed tariffs have been approved by the municipal council and have undergone customer consultation.

1.6. The municipality has successfully submitted all requested supporting documentation required for the comprehensive analysis of the tariff application.

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

1.8. NERSA's decision was made on 30 April 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

## 2. LEGAL AND REGULATORY FRAMEWORK

### 2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination and Eskom Retail Tariff and Structural Adjustment decision and is undertaken annually to align with the municipal budgeting process contemplated in the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

2.1.3. In addition, the municipal tariff approval process has recently been the subject of judicial scrutiny in the High Court of South Africa (Gauteng Division, Pretoria) in AfriForum NPC v National Energy Regulator of South Africa and Others (Case No. 2025/137620), which resulted in structural directives governing the timing and conduct of NERSA's tariff approval process.

2.1.4. This section provides the legal and policy context within which the Energy Regulator evaluated and determined the municipal electricity tariff application for the 2026/27 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 NERA. In terms of section 4 of NERA, the Energy Regulator, as the decision-making body, must regulate the electricity industry and execute the functions set out in the ERA. The electricity regulatory mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.2.2. In particular:

a) section 4(a)(i) of the ERA provides that the Energy Regulator must consider applications for licences and may issue licences subject to conditions;
b) section 4(a)(ii) of the ERA provides that the Energy Regulator must regulate prices and tariffs; and
c) section 14(1)(d) of the ERA authorises the Energy Regulator to impose licence conditions relating to the setting or approval of prices, charges, rates and tariffs charged by licensees.

2.2.3. Municipalities distributing electricity do so under electricity distribution licences issued by the Energy Regulator and are therefore subject to the tariff approval framework established under the ERA.

## 2.3. Tariff Determination Principles under the ERA

2.3.1. When determining or approving electricity tariffs, the Energy Regulator must apply the principles contained in section 15(1) of the ERA.

2.3.2. Section 15(1) provides that the Energy Regulator:

a) must enable an efficient licensee to recover the full cost of the licensed activity;
b) must allow for a reasonable return commensurate with the risk of the licensed activity;
c) may provide incentives for continued improvement of technical and economic efficiency;
d) must avoid undue discrimination between customer categories;
e) may permit cross-subsidies of tariffs to certain classes of customers; and
f) may have regard to the need to ensure security of supply, diversity of supply and the promotion of renewable energy.

2.3.3. These statutory requirements form the core legal principles guiding the determination of electricity tariffs within the South African electricity supply industry.

## 2.4. Administrative Law Requirements

2.4.1. The approval of municipal electricity tariffs constitutes administrative action as defined in section 1 of 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. Therefore, public participation processes conducted by the Energy Regulator form an essential component of the municipal tariff approval process and are intended to ensure transparency, accountability and fairness in regulatory decision-making.

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

2.5.1. In addition to the statutory framework, the Energy Regulator must have regard to the EPP. The EPP establishes national policy principles for electricity tariff setting, including cost reflectivity, transparency, economic efficiency and equity.

2.5.2. Policy Position 1 of the EPP provides that the revenue requirement for a regulated licensee must be set at a level that covers the full cost of production, including a reasonable risk-adjusted margin or return on appropriate asset values.

2.5.3. Policy Position 2 states that electricity tariffs must reflect the efficient cost of rendering electricity services accurately and that the average level of tariffs must be set to recover the approved revenue requirement.

## 2.6. Cost of Supply Studies

2.6.1. The EPP recognises that cost-reflective tariff structures require a sound understanding of the underlying cost drivers associated with electricity distribution.

2.6.2. Paragraph 8.1 of the EPP notes that COS methodologies have historically not been consistently applied across the electricity distribution industry.

2.6.3. Policy Position 23 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 methodology approved by NERSA and must accompany tariff structure applications submitted to NERSA.

## 2.7. Judicial Oversight of the Tariff Approval Process

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to the 2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of PAJA and was therefore unlawful.

2.7.3. However, recognising the potentially disruptive consequences of setting aside tariff determinations already implemented by municipalities, the Court declined to invalidate the tariffs. 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 seeking to vary the timelines set by the Court on 4 December 2025, in light of practical difficulties that arose 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 timelines below are applicable in respect of the 2026/27 municipal tariff approvals:

a) Written notice of bulk tariffs must be communicated by 6 March 2026.
b) Municipal tariff applications must be submitted by 31 March 2026.
c) Public participation processes must be concluded by 21 April 2026
d) NERSA decisions must be published 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 tariffs 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 the Energy Regulator must 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 2026/27 municipal financial year.

## 3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. In evaluating the financial and technical performance of Sakhisizwe, the assessment relied on the 2024/25 Distribution forms (D-forms) submitted as part of the licensee's tariff application. The information contained in the D-forms was verified against the supporting source documents provided by the municipality, including the trial balance and annual financial statements. As a result, the data captured in the D-forms is considered reliable for the tariff analysis.

3.2. For the 2024/25 financial year, the municipality recorded a 2.99% deficit, marking a significant improvement from the 36.88% deficit reported in 2023/24. This recovery is primarily attributed to a reduction in energy losses and the introduction of wheeling revenue from Eskom.

3.3. However, despite curbing energy losses to a more tolerable level of 12%, the municipality continues to operate at a loss. An analysis of electricity sales against bulk purchase costs reveals a gross profit margin of -2.67%. Because the core service of electricity provision is being delivered at a deficit, the municipality faces severe budget constraints, limiting its ability to cover other essential operational costs. Furthermore, remaining energy losses still account for R2.8 million in lost revenue.

3.4. As shown in **Error! Reference source not found.** below, energy losses were recorded at 12% for the 2024/25 financial year, a marked improvement from the 20.66% reported in 2023/24. These losses stem from both technical and administrative challenges.

3.5. Technical losses are inherent to the physical distribution of electricity, caused by ageing infrastructure, conductor resistance and transformer core losses. On the administrative side, electricity theft, meter tampering and illegal connections remain grave concerns. To combat this, the municipality has intensified its enforcement measures, implementing immediate disconnections for any reported defaulters or illegal points.

**Table 3: Performance indicators**

| PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS | | |
|---|---|---|
| **INDICATORS** | **2024-25FY (Actuals)** | **2023-24 FY (Approved)** |
| Percentage Surplus (Deficit) | -2,99% | -36,88% |
| Percentage Energy Losses | 12,06% | 20,66% |

3.6. The municipality's electricity business has demonstrated a significant upward trend in performance compared to the previous year. This improvement reflects both enhanced operational efficiency and more effective management of the distribution network, placing the electricity business on a much firmer footing than in the 2023/24 period.

## 4. DETERMINATION OF TARIFFS BASED ON THE COS STUDY

4.1. The process followed in considering and approving Sakhisizwe's tariff application was supported by a COS study. The municipality reviewed its COS study. The review was primarily driven by Eskom's structural shift from the Night Save Rural Tariff to the Muni-Flex Rural model. This transition significantly altered both the cost per unit and the total volume of units purchased.

4.2. Sakhisizwe utilised the COS study model developed by Sustainable Energy Africa (SEA) to determine its revenue requirements for the 2026/27 financial year and to apportion costs required to service each customer class in a fair and equitable manner. The study follows the NERSA COS Framework and utilises the latest available audited data, which is based on the 2024/25 financial year.

4.3. Figure 1 below details the five steps considered in the determination of the COS study.

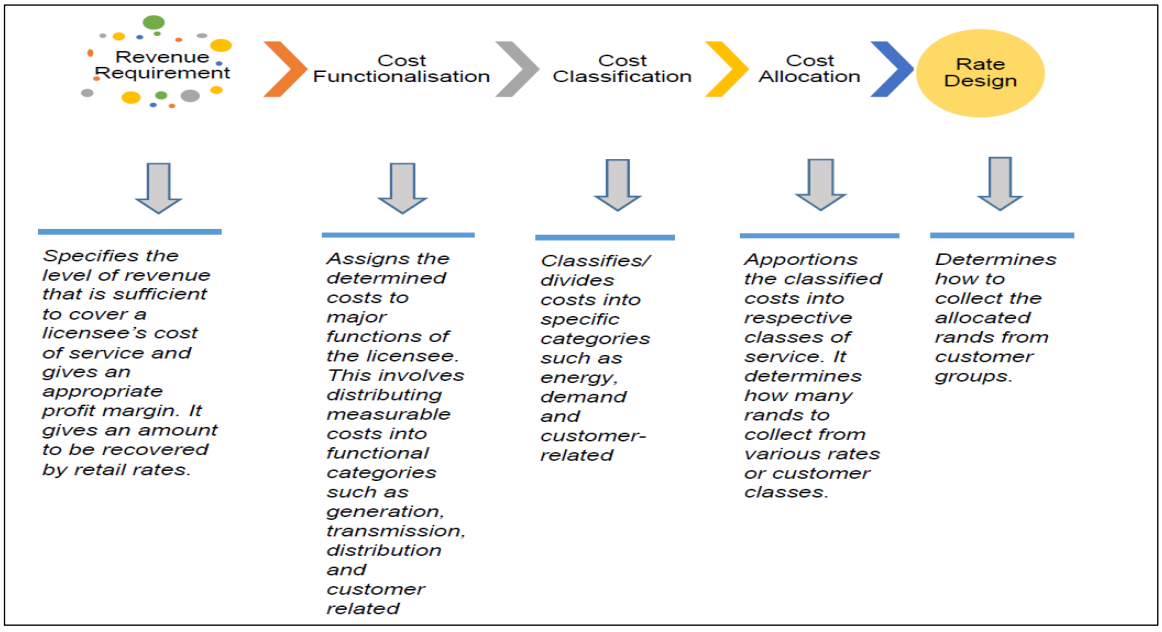



**Figure 1: Five steps of COS study**

4.4. The following steps are undertaken to analyse the COS study:

### Revenue Requirement

4.4.1 To be fully cost-reflective, the licensee's revenue requirements are R29 million for the 2026/27 financial year. This revenue requirement is predominantly Eskom purchases, accounting for 67%, including energy loss allowance. Operational expenditure accounts for 40%.

**Table 4: Revenue requirement components**

| | Total cost (R) | | | |
|---|---|---|---|---|
| Revenue Requirement components | Wires | Retail | Total | % of Total |
| Allowable costs | 15 013 677 | 26 271 817 | 29 390 487 | 100% |
| Energy purchases from Eskom - net of cost of losses | - | 17 403 478 | 17 403 478 | 59% |
| Energy purchases from Eskom - cost of losses | 1 572 706 | 789 493 | 2 362 198 | 8% |
| Other energy purchases | - | - | - | 0% |
| Capital expenditure | - | - | - | 0% |
| Operational expenditure (incl. Depreciation) | 6 146 317 | 5 748 690 | 11 895 007 | 40% |
| **Other revenues** | **- 8 275** | **- 6 095 463** | **- 6 103 738** | **-21%** |
| Surplus | 1 156 612 | 2 676 930 | 3 833 542 | 13% |
| Not allowable costs | - | - | - | |
| Cost of losses disallowed | - | - | - | |
| TOTAL COSTS | 15 013 677 | 26 271 817 | 29 390 487 | |

4.4.2 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. Where expenses are deemed inflated or unjustified, these have been adjusted accordingly and expanded below.

## Bulk Purchases

4.4.3 The licensee applied for a bulk purchase expenditure of R17million, which accounts for 59% of the total costs. Bulk purchases were verified against the 2024/25 Eskom invoices.

4.4.4 In order to get to the 2026/27 estimation, the 2025/26 COS amount was adjusted by 9.01% in line with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.4.5 NERSA is satisfied that the approach taken by the licensee to forecast bulk purchases is reasonable. As a result, this cost has been recommended for approval as applied for.

## Operational Expenditure

4.4.6 The licensee applied for operational expenditure of R11million, which accounts for 40% of total costs, as shown in Table 4 above.

4.4.7 NERSA is satisfied that the approach taken by the licensee to forecast operational expenditure is reasonable. As a result, this cost has been approved

as applied for. However, inefficient costs such as notified maximum demand (NMD) exceedance penalties and interest on Eskom debt are removed from the total cost as they are deemed to be within the municipality's control.

**Surplus**

4.4.8 The licensee applied for a surplus of R3million, which is based on a surplus factor of 9% return on operating expenditure, including bulk purchases for both the wires and retail businesses.

4.4.9 To ensure that the profit margin is commensurate with the risk, risk considerations were incorporated qualitatively, including:

a) revenue collection risks (non-payment, indigence levels, bad debt);

b) operational risks (ageing infrastructure); and

c) financial sustainability requirements.

4.4.1. Therefore, the applied surplus margin is considered modest and commensurate with these risks, particularly for a municipal distributor that is not profit-maximising but must remain financially viable.

4.4.10 It is NERSA's decision to allow the revenue requirement as applied for. This revenue requirement will then be used in the next steps, which are cost functionalisation, classification, allocation and rate setting. These steps have been verified to match the revenue requirement. These steps are discussed below.

**Cost Functionalisation**

4.4.11 The licensee has categorised its revenue requirements of R29 million into wires and retail business in line with the NERSA COS Framework. These costs align with revenue requirements upon verification.

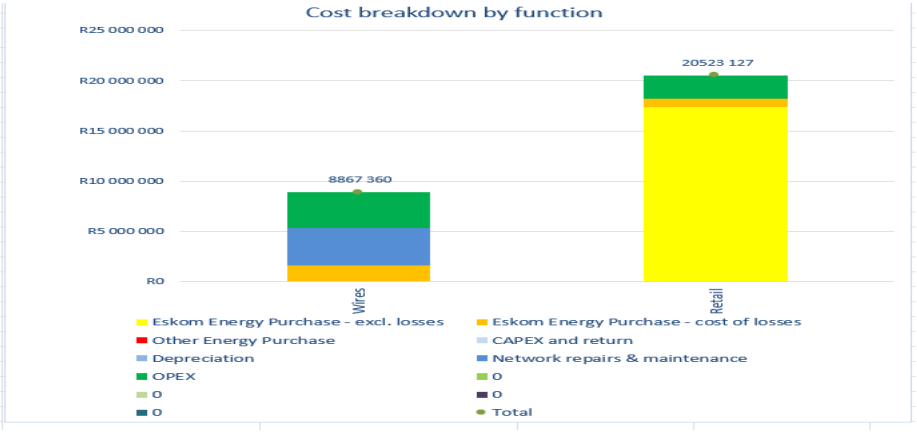



**Figure 2: Cost breakdown by functions**

4.4.12 These costs align with revenue requirements upon verification. Energy purchases are significant within the cost breakdown and dominate other costs, such as OPEX and surplus. CAPEX does not contribute significantly to the overall cost breakdown each year.

## Cost Classification

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

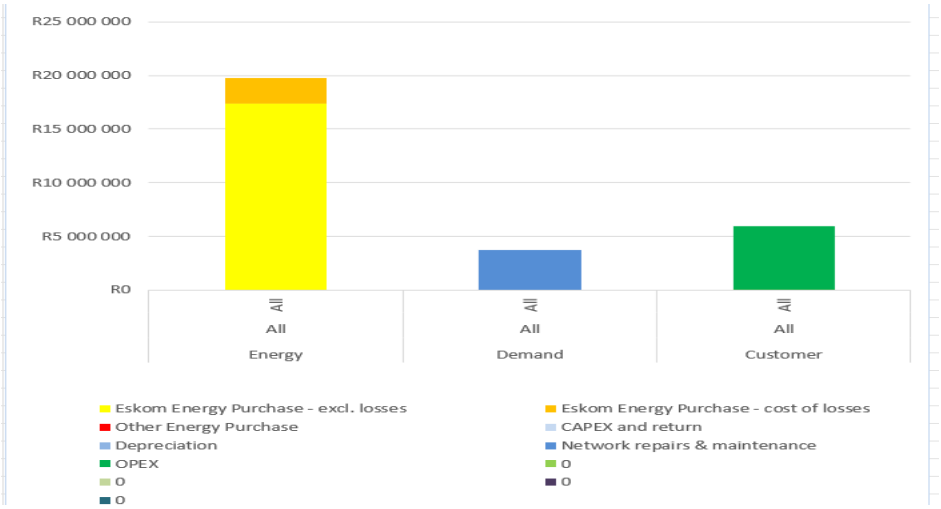



**Figure 3: Cost breakdown by cost structure (classification)**

4.4.14 Energy purchases and the cost of losses make up the energy-driven cost, with the highest amount of costs incurred during the low season and standard term of use (TOU) – mostly due to the low season covering a greater proportion of the year. Demand-driven costs are depreciation, network repairs and maintenance and energy purchase demand-related costs. The period of greatest demand-driven costs is during the low season.

4.4.15 Finally, customer-driven costs are incurred through offering the electricity distribution service to the customers, which includes salaries.

### Cost Allocation

4.4.16 The domestic customers category carries the largest proportion of costs, followed by the commercial customers. Industrial customers and internal electricity requirements result in the lowest proportion of costs. Differences in results between customer classes are mainly driven by variations in connection point voltage, load factors, coincidence factors and average specific consumption.

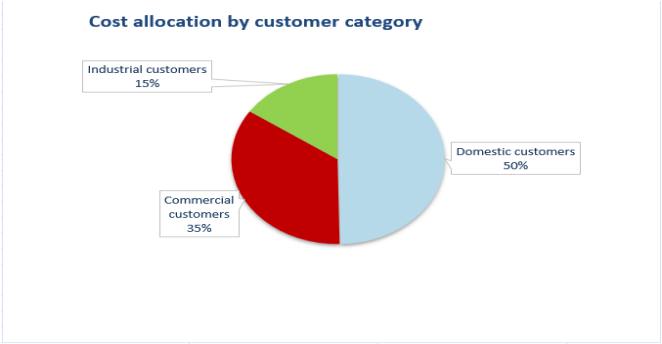



**Figure 4: Cost allocation**

### Rate Design

4.4.17 Figure 5 below reflects the outcome of the COS study, that prepaid customers are currently receiving electricity services at a price below cost (i.e. being cross-subsidised) while business-scale customers are paying above cost for electricity. Interestingly, all time-of-use tariffs are close to cost reflectivity.

4.4.18 The business-as-usual (BAU) rates, as shown in the graph below, indicate that existing tariff structures are not cost-reflective. More than 90% of costs are recovered through a variable energy charge, making the municipality susceptible to volumetric risk. The COS results indicate that, to achieve cost reflectivity, the municipality must recover less than 70% of its costs through variable energy charges, the remainder of costs through stable or fixed demand and customer charges. As the uptake of distributed generation increases in electricity distribution networks, a more cost-reflective approach to setting tariffs is proposed.

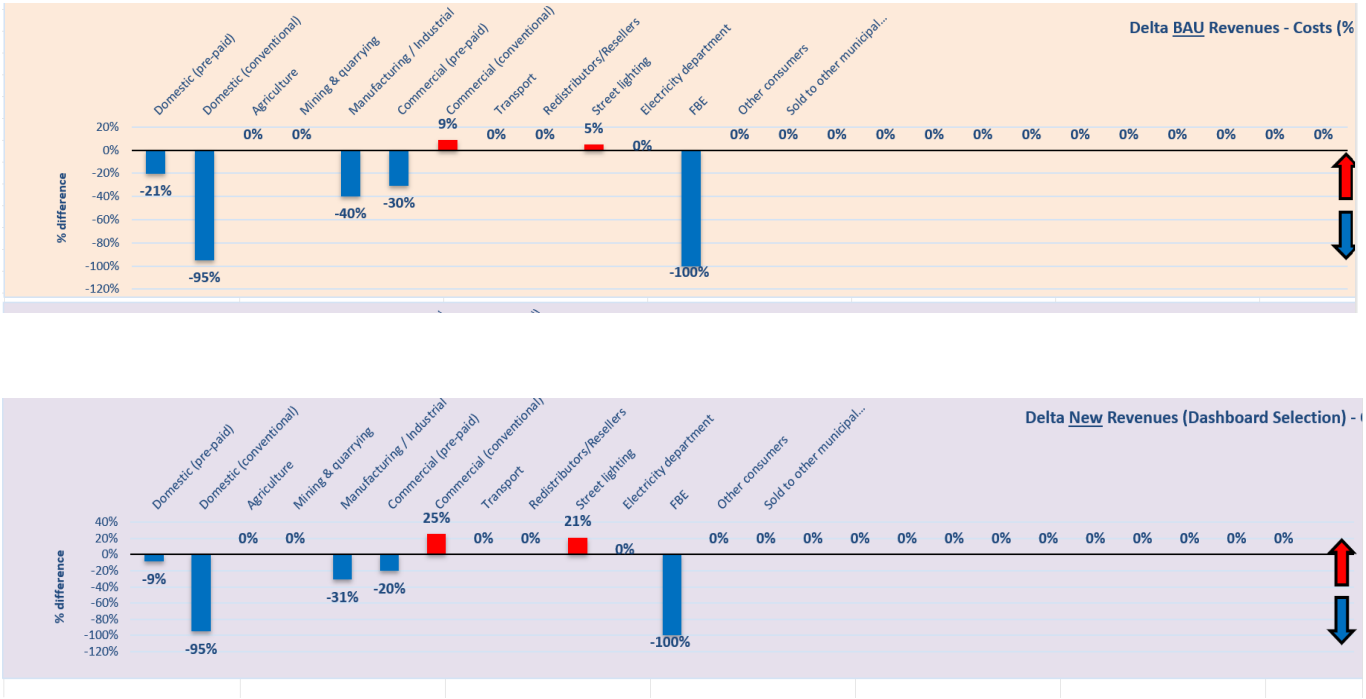



**Figure 5: Rate design**

## 5. CONCLUSION ON THE COS STUDY

5.1. The initial COS findings indicated that a 15.6% tariff increase would be necessary to achieve full cost reflectivity. However, following a rigorous cost analysis and strategic consultations with the Municipality, the proposed increase was moderated to 12%. This adjustment reflects the Municipality's commitment to balancing financial sustainability with customer affordability, ensuring that the impact on residents remains manageable.

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

5.3. This approach is intended to safeguard the municipality's revenue base and support its financial sustainability, in line with applicable legislative requirements.

5.4. The COS study is based on forecast assumptions and, as such, does not guarantee that the projected outcomes will materialise. Accordingly, the licensee retains the discretion to review the results and determine its own revenue requirements to ensure financial sustainability. In this regard, the municipality will be required to submit a report accounting for all costs that remain unverified.

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

The whole decision is on NERSA's website:
https://www.nersa.org.za/file/9293/SakhisisweLocalMunicipality_ReasonsforDecisionontariffapplica

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | electricity than it costs to provide the service. In essence, these users are being cross-subsidised by other customers to keep their rates lower. The 12% average increase strikes a strategic balance, as it ensures the long-term financial sustainability of the municipality while maintaining affordability for residents during challenging times. |
| Block 2 (51-350) kWh | 248.57 | 278.400 | 12% | 278.40 | 12% | The COS study reveals that domestic prepaid customers are currently paying less for electricity than it costs to provide the service. In essence, these users are being cross-subsidised by other customers to keep their rates lower. The 12% average |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | increase strikes a strategic balance, as it ensures the long-term financial sustainability of the municipality while maintaining affordability for residents during challenging times. |
| Block 3 (351-600kWh) | 340.88 | 381.79 | 12% | 381.79 | 12% | The COS study reveals that domestic prepaid customers are currently paying less for electricity than it costs to provide the service. In essence, these users are being cross-subsidised by other customers to keep their rates lower. The 12% average increase strikes a strategic balance, as it ensures the long-term financial sustainability of the municipality while maintaining affordability for residents |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | during challenging times. |
| Block 4 (>600 kWh) | 409.44 | 458.13 | 12% | 458.13 | 12% | The COS study reveals that domestic prepaid customers are currently paying less for electricity than it costs to provide the service. In essence, these users are being cross-subsidised by other customers to keep their rates lower. The 12% average increase strikes a strategic balance as it ensures the long-term financial sustainability of the municipality while maintaining affordability for residents during challenging times. |

| **Domestic Conventional** | **2025/26 Approved Tariff** | **2026/27 Proposed Tariff** | **% Increase** | **Recommended Tariff** | **Recommended % Increase** | **Analysis and Key Findings** |
|---|---|---|---|---|---|---|
| Block 1 (0-50) kWh | 195.16 | 218.58 | 12% | 218.58 | 12% | The average increase of 12% is allowed, |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Block 2 (51-350) kWh | 248.57 | 278.400 | 12% | 278.40 | 12% | The average increase of 12% is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Block 3 (351-600kWh) | 340.88 | 381.79 | 12% | 381.79 | 12% | The average increase of 12% is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Block 4 (>600 kWh) | 409.04 | 458.13 | 12% | 458.13 | 12% | The average increase of 12% is allowed, as it strikes a strategic balance between customer affordability and sustainability |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | of the municipality. |

**Commercial Tariffs**

| Small Prepaid Users (0-59Amps) | 2025/26 Approved Tariff | 2026/27 Recommended Tariff | % Increase | Recommended Tariff | Recommended % Increase | Analysis and Key Findings |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 616.14 | 690.07 | 12% | 690.07 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |

| | | | | | | |
|---|---|---|---|---|---|---|
| Energy Charge (c/kWh) | 246.29 | 275.85 | 12% | 275.85 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |

| **Small Conventional Users (0-59Amps)** | **2025/26 Approved Tariff** | **2026/27 Proposed Tariff** | **% Increase** | **Recommended Tariff** | **Recommended % Increase** | **Analysis and Key Findings** |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 616.14 | 690.07 | 12% | 690.07 | 12% | The COS study highlights a significant |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |
| Energy Charge(c/kWh) | 246.29 | 275.85 | 12% | 275.85 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This |

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|---|---|---|---|---|---|---|
| | | | | | | move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |

| **Medium Prepaid Users (60-100 Amps)** | **2025/26 Approved Tariff** | **2026/27 Proposed Tariff** | **% Increase** | **Recommended Tariff** | **Recommended % Increase** | **Analysis and Key Findings** |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 1000.98 | 1121.10 | 12% | 1121.10 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |
| Energy Charge (c/kWh) | 328.03 | 367.40 | | 367.40 | 12% | The COS study highlights a significant |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | 12% | | | imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |

| **Medium Conventional Users (60-100Amps)** | **2025/26 Approved Tariff** | **2026/27 Proposed Tariff** | **% Increase** | **Recommended Tariff** | **Recommended % Increase** | **Analysis and Key Findings** |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 1000.98 | 1121.10 | 12% | 1121.10 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, |

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|---|---|---|---|---|---|---|
| | | | | | | an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all customer categories. |
| Energy Charge (c/kWh) | 328.03 | 367.40 | 12% | 367.40 | 12% | The COS study highlights a significant imbalance in electricity pricing. Commercial customers are currently paying rates above the actual cost of service, effectively subsidising domestic customers. To move toward a fairer structure, an average increase of 12% has been allowed. This move is designed as a strategic balance, ensuring the financial sustainability of the municipality while carefully managing affordability across all |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | customer categories. |

**Industrial Tariffs**

| Large Power Users (0-15 Amps) | 2025/26 Approved Tariff | 2026/27 Proposed Tariff | % Increase | Recommended Tariff | Recommended % Increase | Analysis and Key Findings |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 2 229.78 | 2 497.36 | 12% | 2 497.36 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Energy Charge (c/kWh) | 246.01 | 275.52 | 12% | 275.52 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Demand Charge (R/kVA) | 260.15 | 291.37 | 12% | 291.37 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |

| Large Power Users (16-30 Amps) | 2025/26 Approved Tariff | 2026/27 Proposed Tariff | % Increase | Recommended Tariff | Recommended % Increase | Analysis and Key Findings |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 2 229.78 | 2 497.36 | 12% | 2 497.36 | 12% | The 12% average increase is allowed as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Energy Charge (c/kWh) | 246.01 | 275.52 | 12% | 275.52 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Demand Charge (R/kVA) | 260.15 | 291.37 | 12% | 291.37 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |

| Large Power Users (>100 Amps) | 2025/26 Approved Tariff | 2026/27 Proposed Tariff | % Increase | Recommended Tariff | Recommended % Increase | Analysis and Key Findings |
|---|---|---|---|---|---|---|
| Basic Charge (R/month) | 2 229.78 | 2 497.36 | 12% | 2 497.36 | 12% | The 12% average |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Energy Charge (c/kWh) | 245.97 | 275.49 | 12% | 275.49 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |
| Demand Charge (R/kVA) | 318.99 | 356.52 | 12% | 356.60 | 12% | The 12% average increase is allowed, as it strikes a strategic balance between customer affordability and sustainability of the municipality. |

## 9. CONFIDENTIALITY

9.1. None.

## 10. CONCLUSION

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

***End.***