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

Naledi Local Municipality Local Municipality

THE DECISION

1. At its meeting held on 22 May 2026, the Regulator Executive Committee (REC) considered the Naledi Local Municipality tariff application. Based on the facts and evidence presented, the REC approved the tariff increases for the 2026/27 financial year set out in section 8 (Page 23) below.

2. Based on the available information and the analysis performed thus far, the Regulator Executive Committee decided to:

    2.1. 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. note the COS study submitted by the municipality;
    2.3. that the municipality 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 to perform its independent verification/audit process by 31 January 2027; and
    2.4. 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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ABBREVIATIONS

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
NLM	Naledi Local Municipality
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), in accordance with its statutory mandate, regulates electricity prices and tariffs and assesses tariff applications submitted by licensees on an annual basis. As part of this process, municipal electricity tariffs must be approved by the Energy Regulator prior to implementation, which typically takes effect on 1 July of each financial year.

1.2. The Naledi Local Municipality (NML), situated in the North West, recorded an electricity sales profile for the 2024/25 financial year reflecting that the industrial and domestic customer categories were the largest contributors to total electricity sales, with each category contributing 39%, while the commercial customer category accounted for 20% of the total electricity sales.

1.3. The municipality provides free basic electricity (FBE) of 50 kWh per month to registered indigent customers, in line with national policy objectives aimed at ensuring access to basic energy services for low-income households. Detailed customer statistics and consumption patterns are reflected in Table 1 below.

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

Customer categories	*MWh*	*% MWh*	*Customer numbers*
Domestic (Prepaid)	22 180	38,64%	8 580
Domestic (Conventional)	1 012	1,76%	747
Manufacturing	22 454	39,12%	187
Commercial	11 753	20,48%	881
TOTAL	**57 399**	**100,00%**	**10 395**
FBE	**638**	**2,75%**	**527**

1.4. NERSA received the municipality's tariff application, together with its Cost of Supply (COS) study, on 22 May 2026.

1.5. The municipality implemented an average price increase of 12% in the 2025/26 financial year and is applying for an average price increase of 9.01% for the 2026/27 financial year.

1.6. NERSA followed the notice and comment consultation process. On 24 April 2026, NERSA published NLM's tariff application on its website and on social media platforms, as well as in national and local newspapers, to solicit written comments from affected parties.

1.7. The Energy Regulator's decision was made on 22 May 2026, considering the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

2.1.2. The approval of municipal electricity tariffs follows the Eskom Multi-Year Price Determination (MYPD) 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 regulatory electricity mandate of the Energy Regulator is therefore primarily governed by the ERA. Section 3 of the ERA particularly provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated under the ERA.

2.2.2. In particular:

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

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

2.3. Tariff Determination Principles under the ERA

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

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

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

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

2.4. Administrative Law Requirements

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

2.4.2. 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 of the EPP 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 of EPP, 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 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, considering the practical difficulties arising from NERSA's compliance with the Court order. The Court, having heard NERSA's application, granted the variation application in respect of the fixed deadlines for the 2026/27 municipal tariff approvals.

2.8. Court-Directed Timelines

2.8.1. The timelines set out below apply to the approval of municipal tariffs for the 2026/27 financial year.

Table 2: Court-directed timelines

Activity	Proposed dates
Submission of tariff application	24 April 2026
NERSA publication of the application	24 April 2026
Closing date for public participation	14 May 2026
NERSA submits comments received for reply by Naledi LM	15 May 2026
Naledi LM submits replies to comments to NERSA	18 May 2026
Finalisation of the public participation process	19 May 2026
Consideration of the application and decision	23 May 2026
Communication of the decision and publishing of the reasons for decision	24 May 2026

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

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

2.9. Conclusion

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

2.9.2. The reasons contained in this document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for the 2026/27 municipal financial year.

3. FINANCIAL AND TECHNICAL PERFORMANCE

3.1. Level of Reliability of Information

3.1.1 In evaluating the financial and technical performance of NLM, the assessment was based on the 2024/25 Distribution forms (D forms) submitted with the tariff application. The data was verified against supporting documents, including the trial balance and annual financial

statements (AFS), and is therefore considered reliable for tariff analysis purposes.

3.1.2 Table 3 below shows that NLM's technical and financial performance:

Table 3: Technical and financial performance

Performance Indicators	2023/24	2024/25
Percentage Surplus/(Deficit): %	-47,13	-15,62
Energy Losses: %	27.41	28.39

3.2. Percentage Surplus

3.2.1. The Naledi Local Municipality operated at a deficit of 15.62% in the 2024/25 financial year, reflecting an improvement when compared to the deficit of 47.13% recorded in the 2023/24 financial year. Notwithstanding the improvement in the municipality's financial performance, the continued operating deficit indicates that the revenue generated from electricity operations remains insufficient to fully recover the costs associated with rendering the electricity service.

3.2.2. The municipality should therefore continue to implement measures aimed at improving revenue collection, operational efficiency and cost recovery to ensure the long-term financial sustainability of the electricity distribution business.

3.3. Energy Losses

3.3.1. The energy losses increased marginally from 27.41% in the 2023/24 financial year to 28.39% in the 2024/25 financial year (FY).

3.3.2. The main drivers of energy losses identified by the municipality are illegal electricity connections, bypassing or tampering with meters. The municipality further highlighted that an aged network and high levels of electricity theft contribute significantly to these losses.

3.3.3. To address the identified challenges, the municipality has commenced with the replacement and repair of bridged meters in the affected areas. Furthermore, the municipality plans to install meters at all municipal buildings by the end of the current financial year to improve energy management and revenue accountability.

3.3.4. Table 4 below reflects the revenue impact analysis under two energy loss scenarios, namely:

i. the actual losses of 28.39%, representing the current operating position; and
ii. a reduced loss level of 12%, reflecting an efficient and regulatory-aligned scenario, for assessment purposes.

Table 4: Assessment of energy losses and revenue impact – FY2024/25

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	324,06		
Sales kWh	57 399 146,00	70 537 397,92	75 346 765,96
Purchases kWh	80 156 134,00	80 156 134,00	80 156 134,00
Losses kWh	22 756 988,00	9 618 736,08	4 809 368,04
Losses percentage	**28,39%**	**12,00%**	**6,00%**
Additional Energy (kWh)		13 138 251,92	17 947 619,96
Additional Revenue (Rands)		42 576 002,42	58 161 307,58
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 201 092 468,00	R 243 668 470,42	R 259 253 775,58
Total Expenses (Rands)	R 232 506 191,90	R 232 506 191,90	R 232 506 191,90
Net Profit (Loss)	R -31 413 723,90	R 11 162 278,52	R 26 747 583,68
Percentage Surplus/Deficit	**-15,62%**	**4,58%**	**10,32%**

3.3.5. A sensitivity analysis was conducted to assess the financial impact of improved loss management. The analysis indicates that, should energy losses be reduced from 28.39% to 6%, the licensee's financial position would improve substantially from a deficit margin of 15.62% to a surplus margin of 10.32%. Under this alternative scenario, the electricity business would realise an estimated net profit of approximately R26 747 583,68.

3.3.6. In accordance with the cost-plus methodology, only prudent and efficient costs are recognised. The comparison between the two scenarios demonstrates that the current level of losses is inefficient and not sustainable for tariff-setting purposes. Accordingly, operational improvements, particularly the reduction of energy losses, are required. Tariff adjustments alone will not restore financial sustainability without the implementation of effective loss-reduction interventions.

3.4. **General Conclusion on the Financial and Technical Indicators**

3.4.1. In conclusion, the municipality has demonstrated an improvement in its financial performance. However, the municipality remains in a deficit position, indicating that the revenue generated from electricity operations is still insufficient to fully recover the costs of rendering the electricity service. Although energy losses increased marginally,

the municipality should continue implementing measures to manage and reduce losses.

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

4.1. The process that the Energy Regulator followed in considering and approving NLM's tariff application was supported by a COS study.

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

4.3.

4.4. below details the five steps considered in the determination of the COS study.

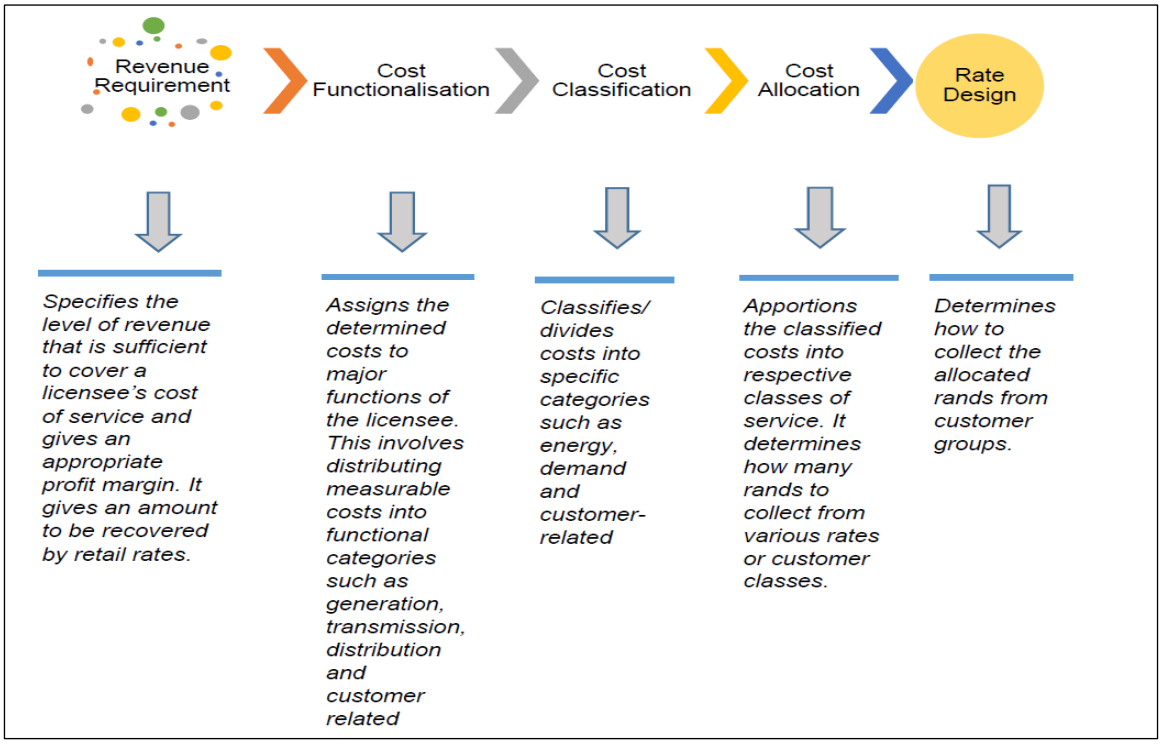


Figure 1: Five steps of COS study

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

Revenue Requirement

4.5.1. The municipality applied for a total revenue requirement of R277 771 659 for the 2026/27 financial year. Following assessment of the Cost of Supply study, D-Forms and supporting financial information, the Energy Regulator made adjustments amounting to R45 952 726, resulting in an approved revenue requirement of R231 818 933 as shown in Table 5 below.

Table 5: Revenue requirement components

	Total cost (R)					
Revenue Requirement components	**Wires**	**Retail**	**Total Applied**	**NERSA Adjustment**	**NERSA Recommended**	**% of Total**
Allowable costs	54 067 493	294 982 406	277 771 659	45 952 726	231 818 933	100%
Energy purchases from Eskom - net of cost of losses	-	185 251 061	185 251 061		185 251 061	80%
Energy purchases from Eskom - cost of losses	19 247 374	11 796 241	31 043 616		31 043 616	13%
Other energy purchases	-	-	-			0%
Capital expenditure	-	-	-			0%
Operational expenditure (incl. Depreciation)	16 621 830	54 656 410	71 278 240	41 775 205	29 503 035	13%
Other revenues	**- 77 931**	**- 15 312 144**	**- 15 390 075**		**- 15 390 075**	**-7%**
Surplus	1 654 390	3 934 427	5 588 817	4 177 521	1 411 296	1%

4.5.2. It is important to test the efficiency of the costs in the 2024/25 financial year since this is the most recent available actual data. This forms the basis on which costs for the 2026/27 financial year will be projected using assumptions to calculate revenue requirement.

4.5.3. 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 and expanded below.

Bulk Purchases

4.5.4. The municipality applied for energy purchase costs amounting to R216 294 677 for the 2026/27 financial year. The applied amount comprises R185 251 061 relating to bulk energy purchases from Eskom, net of energy losses, and R31 043 616 relating to the cost of energy losses which accounts for 93% of the total costs.

4.5.5. 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).

Operational Expenditure

4.5.6. NLM applied for operational expenditure amounting to R71 278 240. However, after the removal of identified inefficiencies, the operational expenditure was reduced to R29 503 035, representing 13% of the total costs for the 2026/27 financial year, as shown in Table 6 below.

Table 6: Operating expenditure

Cost drivers	Units	Applied opex 2026/27	Adjustments	Recommended Opex 2026/27
General costs and other	**R**	**67 833 864**	**(41 775 205)**	**26 058 659**
Salaries and allowances	R	12 928 089		12 928 089
Contracted Services	R	2 664 980		2 664 980
NMD exceedance penalties	R	2 177 144	(2 177 144)	
Eskom debts' interests	R	39 598 061	(39 598 061)	
Current year depreciation	R	10 465 590		10 465 590
Shared OPEX	**R**	**3 444 376**		**3 444 376**
General Expenses (Travel and subsidies, Oil and fuel)	R	3 444 376		3 444 376
Total Opex	**R**	**71 278 240**	**(41 775 205)**	**29 503 035**

4.5.7. The licensee utilised recent actual financial data as a basis for projecting 2025/26 costs and escalated 2026/27 costs based on assumed cost drivers and relevant inflationary factors. NERSA is satisfied that the approach applied to forecast operational expenditure is reasonable.

4.5.8. Notwithstanding the above, NERSA excluded the interest cost on Eskom debt from the total cost, as this cost is within the municipality's control and is therefore not recoverable through tariffs.

4.5.9. Furthermore, inefficient cost, including notified maximum demand (NMD) exceedance penalties were excluded from the total cost, as this cost is within the control of the municipality and is therefore not recoverable through tariffs

4.5.10. It is recommended that the Energy Regulator approve total operational expenditure of R29 503 035 for the 2026/27 financial year, which excludes the cost of NMD exceedance penalties and Eskom debt interest.

Surplus

4.5.11. NLM applied for a surplus of R5 588 817. However, after eliminating all inefficiencies, the surplus reduces to R1 411 296, representing 1% of the total costs for the 2026/27 financial year, as shown in Table 5 above.

4.5.12. The municipality's projected surplus was assessed as a reasonable and prudent operating margin necessary to support the long-term financial sustainability of the electricity business. The margin is justified on the basis that the municipality operates a high-risk electricity network environment requiring ongoing maintenance, refurbishment, and operational improvements. In addition, the municipality indicated that the margin would support initiatives aimed at improving revenue collection, network reliability and overall service delivery sustainability.

4.5.13. Furthermore, the projected improvement in the collection rate from 85% to 95% is expected to significantly reduce bad debts and strengthen cash flow management. Accordingly, the margin is not considered an excessive surplus, but rather a reasonable profit margin intended to ensure the financial viability and sustainability of the electricity service.

4.5.14. In recommending a surplus, NERSA relied on section 15(1)(a) of the ERA, 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 NLM recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

4.5.15. The surplus applied for by NLM is reasonable and supports the financial sustainability of the electricity business, notwithstanding that it falls below the 10–20% target range prescribed in the COS methodology. The municipality is required to improve revenue collection, reduce energy losses, control expenditure, and progressively align tariffs with the cost of supply to achieve the required surplus level.

4.5.16. The surplus is kept low to balance the need to reduce financial risk, support the recovery of the deficit, and ensure continued electricity supply, without placing an undue burden on consumers or overcompensating the licensee.

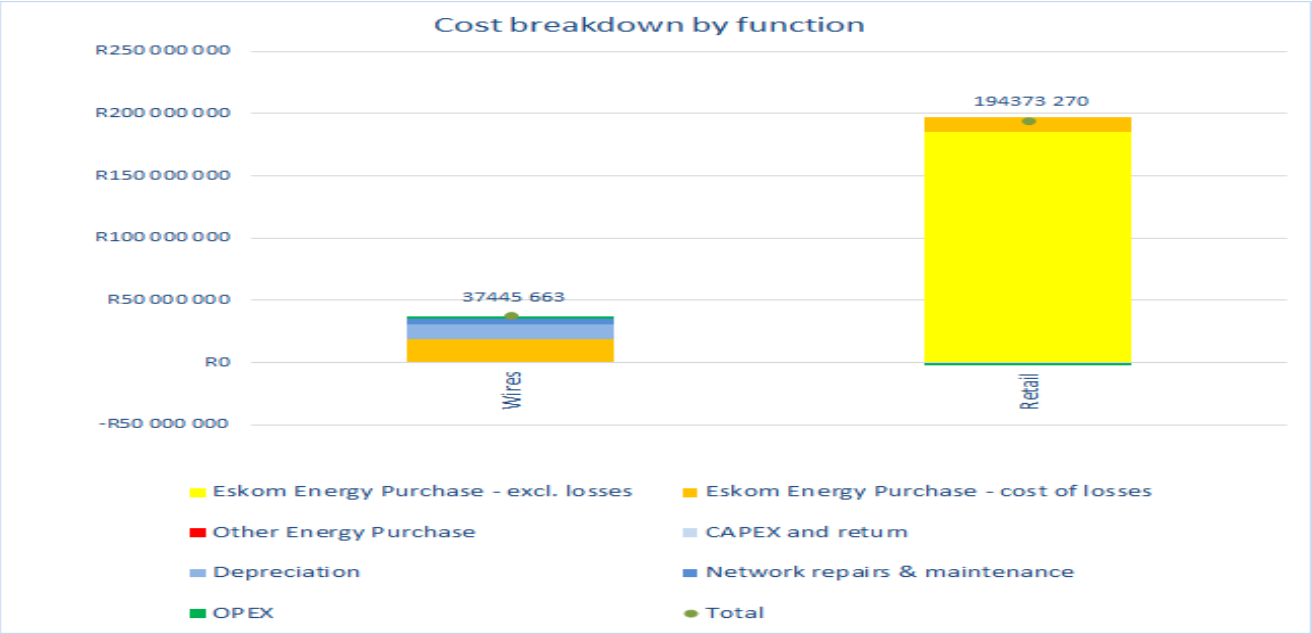
4.5.17. It is therefore recommended that the Energy Regulator approve the allowable revenue of R231 818 933, as set out in Table 5 above. This revenue will be used in the subsequent steps of cost functionalisation, classification, allocation and rate setting. These steps have been verified to

be consistent with the approved revenue requirement and are discussed below.

Cost Functionalisation

4.5.18. The licensee has categorised its revenue requirement of R231 818 933 into two main functions: wires and retail business, which is in line with the NERSA COS framework as demonstrated in Figure 2 below. These costs align with revenue requirement upon verification.

Figure 2: Cost breakdown by functions



4.5.19. These costs align with revenue requirement upon verification. Network repairs and maintenance dominate the wires business, while the energy purchases are the primary cost driver for the retail business.

Cost Classification

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

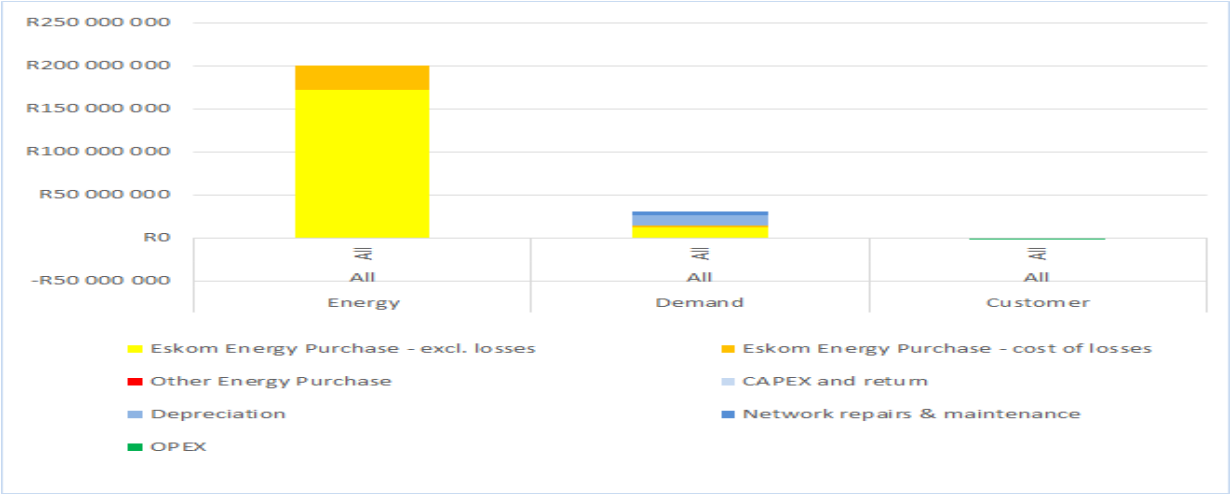


Figure 3: Cost classification

4.5.21. Energy purchases constitute energy-driven costs, with the highest expenses occurring during summer under standard time of use, mainly because summer spans a larger portion of the year. Demand-driven costs are also predominantly incurred in summer. Customer-driven costs are primarily attributed to 'Other OPEX', which encompasses expenses related to providing electricity distribution services to customers.

Cost Allocation

4.5.22. In this step, the licensee's revenue requirement is allocated between customer categories, which is in line with the NERSA COS Framework and the costs align with revenue requirement, cost functionalisation and cost classification upon verification.

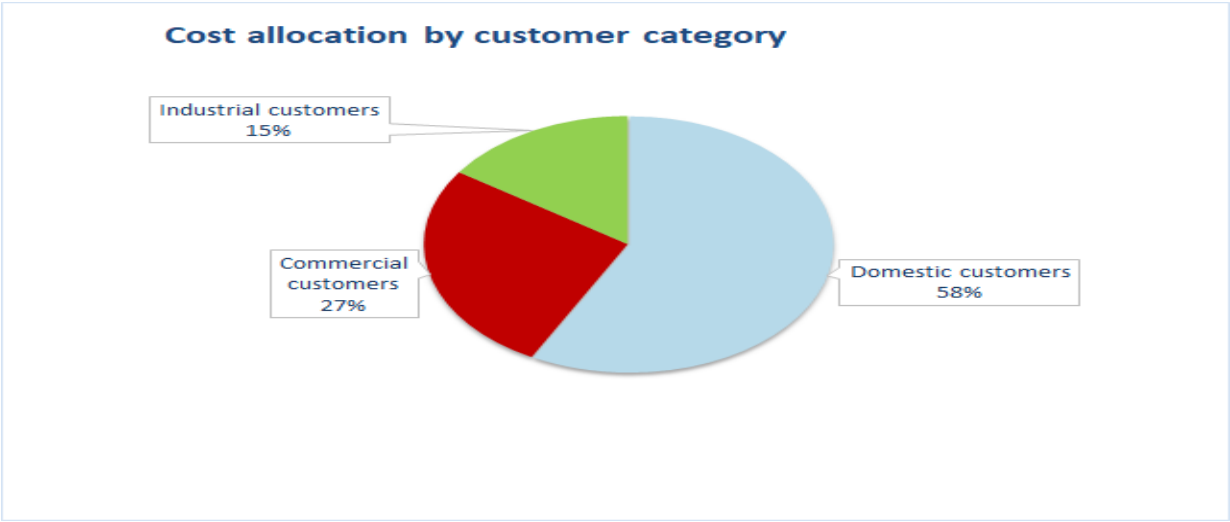


Figure 4: Allocation of costs between customer categories

4.5.23. The domestic customer category accounts for the largest share of allocated costs at 58%, followed by commercial customers at 27%, while industrial customers account for 15% of the total costs. The variation in cost allocation across customer categories is primarily driven by differences in supply characteristics, including connection voltage levels, load factors, coincidence factors and average consumption patterns.

Rate Design

4.5.24. The COS analysis demonstrates the total costs against the revenue impact of the various tariffs. Figure 5 below compares the current tariff components with the costs for the same tariff components and indicates that certain rates should increase and others decrease.

4.5.25. Comparing these costs to the income per tariff category reveals the over- or under-recovery per tariff category, as shown in Figure 5. When reading this graph, it is important to note that it is presented in % terms and not absolute Rand terms.



Figure 5: Revenue recovery by customer category

4.5.26. The licensee is not proposing any structural changes to its tariffs for the 2026/27 financial year.

5. CONCLUSION ON THE COS STUDY

5.1. The COS study results suggest a 16.3% increase, as shown in Table 7 below. However, the municipality is proposing a 9,01% increase to review its tariffs for the 2026/27 financial year. Some of the considerations for this decision include the licensee's requirement to maintain a sustainable tariff level to stimulate demand, the ability to cover Eskom bulk electricity costs and the need to ensure customer affordability while maintaining long-term financial stability.

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3. Domestic Conventional Three Phase	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Block 1(0-50kwh) c/kWh	208,86	9,01%	227,68	227,68	9,01%	The proposed domestic conventional three-phase tariffs were adjusted in line with the Eskom bulk increase of 9,01%. Consequently, all energy charges and the basic charge increased by 9,01% to assist the municipality in recovering higher bulk electricity purchase costs.
Block 2 (51 – 350kwh) c/kWh	243,28	9,01%	265,20	265,20	9,01%	
Block 3 (351 – 600kwh) c/kWh	339,69	9,01%	370,30	370,30	9,01%	
Block 4 (>600) c/kWh	413,12	9,01%	450,34	450,34	9,01%	
Basic Charge R/month	996,50	9,01%	1086,28	1086,28	9,01%	

4. Commercial Prepaid	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	30,00	9,00%	32,70	32,70	9,00%	The tariff increase applicable to commercial prepaid customers will result in higher electricity costs arising from the adjustment of both energy and fixed charges. The energy charge was increased by 9,01%, while the basic charge was adjusted by 9,00%, in alignment with the Eskom bulk electricity tariff increase.
Energy Charge (c/kWh)	411,43	9,01%	448,50	448,50	9,01%	

5. Commercial Conventional Single Phase	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Energy Charge c/kWh	353,93	9,01%	385,82	385,82	9,01%	The proposed commercial conventional single-phase tariffs for businesses were adjusted in line with the Eskom bulk increase of 9,01%. Consequently, both the energy charge and basic charge increased by 9,01% to support the recovery of higher bulk electricity purchase costs.
Basic Charge R/month	1307,95	9,01%	1425,80	1425,80	9,01%	

6. Commercial Conventional three Phase	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Energy Charge c/kWh	311,16	9,01%	339,20	339,20	9,01%	The tariff increase impact reflects the effect of the 9,01% Eskom bulk electricity increase on municipal customer tariffs. As a result, electricity energy charges and fixed charges increased across customer categories to enable the municipality to recover higher bulk electricity purchase costs and maintain financial sustainability.
Basic Charge R/month	1702,96	9,01%	1856,40	1856,40	9,01%	

7. Industrial Medium Bulk	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	4262,10	9,01%	4646,12	4646,12	9,01%	The tariff increase's impact on industries is that industrial customers will experience higher electricity costs due to the 9,01% increase in energy, demand and fixed charges. This may increase operational and production costs for industries, while enabling the municipality to recover higher Eskom bulk electricity purchase costs.
Energy Charge c/kWh	248,67	9,01%	271,08	271,08	9,01%	
Demand Charge R/KVA	360,36	9,01%	392,83	392,83	9,01%	

8. Industrial Bulk Conventional	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	5235,08	9,01%	5706,76	5706,76	9,01%	The tariff increase's impact on industrial bulk customers is that industries will face higher electricity costs due to the 9,01% increase in energy, demand and fixed charges. This may place additional pressure on operational and production costs while enabling the municipality to recover increased Eskom bulk electricity purchase costs.
Energy Charge c/kWh	254,32	9,01%	277,23	277,23	9,01%	
Demand Charge R/KVA	381,49	9,01%	415,86	415,86	9,01%	

9. Industrial Bulk Peri-Urban	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	5236,40	9,01%	5708,20	5708,20	9,01%	The tariff increase's impact on industrial bulk peri-urban customers is that industries will experience higher electricity costs due to the 9,01% increase in energy, demand and fixed charges. This may increase operational costs while assisting the municipality in recovering higher Eskom bulk electricity purchase costs.
Energy Charge c/kWh	248,67	9,01%	271,08	271,08	9,01%	
Demand Charge R/KVA	367,27	9,01%	400,36	400,36	9,01%	

INDUSTRIAL TARIFF – TIME OF USE						
10. Industrial Bulk Medium	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	3 969,31	9,01%	4326,94	4326,94	9,01%	
High Season off peak c/kWh	138,52	9,01%	151,00	151,00	9,01%	
High Season standard c/kWh	236,15	9,01%	257,43	257,43	9,01%	
High Season peak c/kWh	544,98	9,01%	594,08	594,08	9,01%	
Low Season off peak c/kWh	124,88	9,01%	136,13	136,13	9,01%	
Low Season Standard c/kWh	177,12	9,01%	193,08	193,08	9,01%	The tariff increase's impact on industrial bulk medium customers is that customers will experience higher electricity costs due to the 9,01% increase in energy and fixed charges.
Low Season peak c/kWh	258,87	9,01%	282,19	282,19	9,01%	
Demand Charge (R/KVA)	338,35	14,13%	386,15	368,84	9,01%	

11. Industrial Bulk Conventional	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	4875,35	9,01%	5314,62	5314,62	9,01%	The tariff increase's impact on industrial bulk conventional customers is that customers will experience higher electricity costs due to increases in energy, demand and fixed charges. Most tariff components increased by 9,01% in line with the Eskom bulk increase, while the low season off-peak charge increased slightly higher at 9,35%.
High Season off peak c/kWh	138,52	9,01%	151,00	151,00	9,01%	
High Season standard c/kWh	236,15	9,01%	257,43	257,43	9,01%	
High Season peak c/kWh	544,98	9,01%	594,08	594,08	9,01%	
Low Season off peak c/kWh	124,49	9,35%	136,13	136,13	9,35%	
Low Season Standard c/kWh	177,12	9,01%	193,08	193,08	9,01%	
Low Season peak c/kWh	258,87	9,01%	282,19	282,19	9,01%	
Demand Charge (R/KVA)	354,23	9,01%	386,15	386,15	9,01%	

12. Industrial Bulk Peri-Urban	2025/26 Approved Tariffs	2026/27 Proposed % Increase	2026/27 Proposed Tariffs	Recommended 2026/27 Tariffs	2026/27 Recommended % Increase	Analysis and Key Findings
Basic Charge R/month	4875,35	9,01%	5314,62	5314,62	9,01%	The tariff increase's impact on industrial bulk peri-urban customers is that customers will experience higher electricity costs due to the 9,01% increase in energy, demand and fixed charges. The increases are aligned with the Eskom bulk electricity increase to support the recovery of higher bulk supply costs.
High Season off peak c/kWh	138,52	9,01%	151,00	151,00	9,01%	
High Season standard c/kWh	236,15	9,01%	257,43	257,43	9,01%	
High Season peak c/kWh	544,98	9,01%	594,08	594,08	9,01%	
Low Season off peak c/kWh	124,88	9,01%	136,13	136,13	9,01%	
Low Season Standard c/kWh	177,12	9,01%	193,08	193,08	9,01%	

Low Season peak c/kWh	258,87	9,01%	282,19	282,19	9,01%	
Demand Charge (R/KVA)	345,18	9,01%	376,28	376,28	9,01%	

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. 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 NLM's tariffs for the 2026/27 financial year, as set out in this reasons for decision document.

End.