NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Decision and Reasons for Decision (RfD)

In the matter regarding the
Municipal Tariff Applications for the 2026/27 Financial Year
By
Steve Tshwete Local Municipality

THE DECISION

1. At its meeting held on 11 May 2026, the Regulator Executive Committee (REC) considered Steve Tshwete Local Municipality (STLM) 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 28) 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 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. NERSA receives and considers tariff applications annually, in accordance with the mandate of the Energy Regulator to regulate prices and tariffs. Municipal tariffs must be approved by the Energy Regulator for implementation on 1 July of each financial year.

1.2. STLM is located in the Mpumalanga Province. The Municipality has a total of 45,373 customers, with a predominant Commercial customer base accounting for 49.45% of electricity sales, as indicated in the table above. The Municipality has confirmed that it does have an indigent register with 8,681 indigent customers who receive 50 kWh of Free Basic Electricity (FBE) per month.

1.3. Table 1 below highlights statistical data that gives a customer outlook of the Municipality's electricity supply in the region. This information is derived from the FY2024/25 D-form as provided by the Licensee.

Table 1: Customer Statistics (Data obtained from latest D-forms)

Consumer classification	Sales (MWh)	%MWh	Number of consumers
Domestic (Prepaid)	134,477	36.04	29,059
Domestic (Conventional)	10,589	2.84	1,357
Manufacturing/Industrial	9,498	2.55	839
Commercial (Prepaid)	24,108	6.46	2,218
Commercial (Conventional)	184,521	49.45	11,162
Own Use	77	0.02	3
Sold to other municipal departments	9,853	2.64	735
Totals	**373,124**	**100**	**45,373**
Free Basic Electricity	21,639	14.92	8,681

1.4. NERSA received STLM tariff application accompanied by a revised COS study, on 31 March 2026 for FY2026/27. The Municipality attributed the revision to Eskom's implementation of approved retail and municipal bulk tariff structural changes, together with applicable annual price adjustments arising from the approved Eskom's Retail Tariff and Structural Adjustment (ERTSA) decision for FY2025/26.

1.5. The Municipality applied the cost-plus methodology in developing its COS study. The COS Study Framework explicitly permits Municipalities to determine allowable revenue using prudently incurred costs plus a reasonable surplus.

1.6. In accordance with the NERSA COS Framework, the allowable revenue was established through a buildup of costs. These costs were derived from verified bulk purchases (Eskom invoices) and electricity-related operating costs (tested against D-Forms, Trial Balance and Audited Annual Financial Statements ([AFS]).

1.7. The Municipality calculated its depreciation using the straight-line method over the useful life of assets, consistent with an asset base of approximately R1.2 billion, with depreciation of R67,936 million verified against Trial Balance and Audited AFS. In further verification of these costs, NERSA followed the notice and comment consultation process. STLM tariff application was published on the NERSA website on 31 March 2026 and on social media platforms as well as in both national and local newspapers to solicit written comments from affected parties.

1.8. NERSA's decision was made on 11 May 2026, following consideration of the analysis performed.

1.9. The Municipality applied for 11.7% in FY2025/26 and is proposing an average increase of 7.7% for FY2026/27, which is below Eskom's approved bulk electricity tariff increase of 9.01%, reflecting a moderate affordability approach informed by the outcomes of the COS study.

1.10. NERSA followed public-consultation process. STLM tariff application was published on the NERSA website on 31 March 2026 and on social media platforms as well as in both national and local newspapers to solicit written comments from affected parties.

1.11. NERSA's decision was taken on 11 May 2026, following consideration of the written comments received from the affected stakeholders and the analysis performed by NERSA.

2. LEGAL AND REGULATORY FRAMEWORK

2.1. Background

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

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 FY2026/27.

2.2. Statutory Mandate of the Energy Regulator

2.2.1. NERSA is established as a juristic person in terms of section 3 of the NERA. In terms of section 4 of the 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 specifically provides that the Energy Regulator is the custodian and enforcer of the national electricity regulatory framework and exercises regulatory authority over activities regulated in terms of 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 in terms of 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 the 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 (RR) 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 RR.

2.6. COS 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 the EPP 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 the Energy Regulator.

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

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

2.7.2. In its final judgment delivered on 4 December 2025, the Court held that NERSA's public participation process relating to FY2025/26 municipal tariff approvals did not comply with the procedural requirements of section 4 of the 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 that sought to amend the timelines set by the Court on 4 December 2025, in view of the practical difficulties encountered in complying with the Court order. The Court having heard NERSA's application, granted the variation application in respect of the fixed deadlines for FY2026/27 municipal-tariff approvals.

2.8. **Court-Directed Timelines**

2.8.1. The timelines below are applicable in respect of FY2026/27 municipal-tariff approvals

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

2.8.2. Municipal-tariff approvals from FY2027/28 are to comply with the following timelines:

a) written notice of bulk electricity tariffs to be communicated by 31 January each year;
b) municipal-tariff applications to be submitted to NERSA by 20 March each year; and

c) municipal tariff approvals and the tariff RfD document, to be approved and published by 5 May of each year.

2.9. Conclusion

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

2.9.2. The reasons that follow in this RfD document demonstrate how the Energy Regulator complied with the legislative, policy and judicial framework in determining the municipal electricity tariff for FY2026/2027.

3. FINANCIAL AND TECHNICAL PERFORMACE

3.1. In assessing the financial and technical performance of STLM, the assessment relied on the Distribution forms (D-forms) for FY2024/25 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 Audited AFS. As a result, the data captured in the D-forms is considered reliable for the purposes of the tariff analysis.

3.2. The Municipality's electricity business operated at a deficit of 18.31% in FY2024/25, worsening from a deficit of 15.32% in FY2023/24. This indicates that electricity-related revenue was insufficient to recover the full COS, thereby weakening the financial sustainability of the electricity business. A continued deficit of this nature constrains the Municipality's ability to fund operations, maintain and refurbish network infrastructure, respond to faults timeously and build adequate reserves for future capital requirements. If not addressed, the deficit may increase pressure for future tariff adjustments and heighten the risk of service deterioration.

3.3. Table 2 below shows that STLM's energy losses increased to 16.86% in FY2024/25 from 14.47% in FY2023/24. The energy losses are caused by theft, as a result the Municipality will need to monitor the energy losses. This level of losses is high and points to declining network efficiency, with possible contributions from technical losses, non-technical losses or weaknesses in energy management and revenue protection. High losses reduce the volume of electricity available for billing and revenue recovery, increase the effective COS and place additional strain on the Municipality's financial position. They also signal the

need for targeted interventions in network maintenance, metering, monitoring, theft prevention and system optimisation to improve operational performance and limit future tariff pressure on consumers.

Table 2: Performance Indicators

PERFORMANCE INDICATORS: OBTAINED FROM D-FORMS		
INDICATORS	**FY2024-25 (Actuals)**	**FY2023-24 (Approved)**
Percentage Surplus (Deficit)	-18,31%	-15,32%
Percentage Energy Losses	16,86%	14,47%

3.4. Table 3 below indicates bulk electricity purchases by the Municipality amounted to R858,800 million, equivalent to 448,782 MWh, while electricity sales generated revenue of R921,385 million from 373,124 MWh billed. On an energy basis, this indicates a recovery rate of 83.14%, meaning that 16.86% of purchased electricity, or 75,658 MWh, was not recovered through billed sales. This unrecovered energy is consistent with the Municipality's reported energy losses and demonstrates the extent to which losses continue to erode billing efficiency, revenue recovery and the overall financial performance of the electricity business.

Table 3: Energy Purchases vs Sales

Input Figures:	
	2024/25
Revenue from Sale of Electricity	921 384 749
Total MWh sold	373 124
Total MWh Purchases	448 782
Total Expenditure	1 126 114 031
Surplus/Deficit	-174 299 300
Total Purchases	858 800 294
Total revenue	951 814 731

3.5. The Municipality's energy losses of 16.86% remain high and materially undermine financial sustainability. At this level, a significant portion of purchased electricity does not translate into billable sales, which weakens revenue recovery, increases

the effective COS, places pressure on cash flow and limits the Municipality's ability to fund maintenance and network refurbishment. Reducing these losses would therefore improve both operational efficiency and the financial position of the electricity business.

3.6. If energy losses were reduced and capped at 12%, the Municipality would:

a) improve net revenue by approximately R53,855 million; and

b) reduce the deficit from 18.31% to 11.98%.

3.7 If energy losses were reduced and capped at 6%, the Municipality would:

a) improve net revenue by approximately R120,365 million; and

b) reduce the deficit from 18,31% to 5.03%.

Table 4: Sensitivity Analysis

	D-Form Input	Energy Loss@12%	Energy Loss@6%
Average Selling Price	247,00		
Sales kWh	373 124 128,00	394 927 945,28	421 854 850,64
Purchases kWh	448 781 756,00	448 781 756,00	448 781 756,00
Losses kWh	75 657 628,00	53 853 810,72	26 926 905,36
Losses percentage	**16,86%**	**12,00%**	**6,00%**
Additional Energy (kWh)		21 803 817,28	48 730 722,64
Additional Revenue (Rands)		53 855 428,68	120 364 884,92
	D-Form Input	Energy Loss@12%	Energy Loss@6%
Total Revenue (Rands)	R 951 814 731,00	R 1 005 670 159,68	R 1 072 179 615,92
Total Expenses (Rands)	R 1 126 114 031,30	R 1 126 114 031,30	R 1 126 114 031,30
Net Profit (Loss)	R -174 299 300,30	R -120 443 871,62	R -53 934 415,38
Percentage Surplus/Deficit	**-18,31%**	**-11,98%**	**-5,03%**

3.7. The continued deficit, even under lower energy-loss scenarios, indicates that energy losses are not the sole or primary driver of the Municipality's adverse financial position. Other contributing factors may include weak revenue collection, under-recovery arising from tariffs that are not fully cost-reflective, high bulk electricity purchase costs, rising operating and maintenance

expenditure (interest paid to creditors R38.6 million) and ageing infrastructure. This suggests that improving financial sustainability will require a broader set of interventions beyond loss reduction alone.

3.8. To improve this position, the Municipality should implement a targeted recovery and loss-reduction plan that includes the following measures: strengthening revenue collection and credit control; conducting regular meter audits and customer data cleansing to address inaccurate billing; intensifying revenue protection initiatives to curb illegal connections, meter tampering and electricity theft; improving network maintenance and refurbishment to reduce technical losses associated with ageing infrastructure; increasing the use of monitoring, metering and feeder-level energy balancing to identify high-loss areas; ring-fencing electricity revenue to support maintenance and capital investment; and reviewing tariff structures through the COS process to improve cost-reflectivity while managing affordability. Collectively, these interventions would support improved billing efficiency, lower losses, stronger cash flow and enhanced long-term financial sustainability of the electricity business.

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

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

4.2. The revised study sought to improve cost-reflectivity by aligning the Municipality's tariffs with Eskom's unbundled cost structure. This restructuring resulted in a rebalancing of bulk supply charges, with greater emphasis on fixed and capacity-related cost recovery, adjustments to the composition of energy-related charges, reduced reliance on purely volumetric energy charges and a fairer apportionment of costs across customer categories based on the cost to serve each class.

4.3. All shared costs included in the COS study are directly attributable to and associated with the electricity business, thereby ensuring that the cost allocation remains fully ring-fenced, relevant and aligned with regulatory cost-reflective principles.

4.4. The study diligently follows the NERSA COS framework and utilises the latest available audited data which is based on FY2024/25.

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

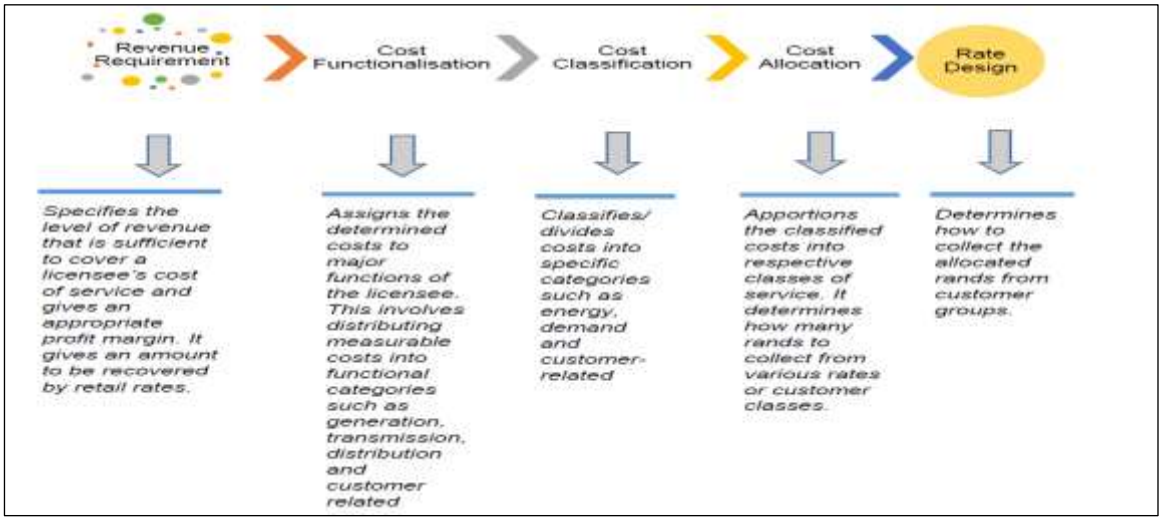


Figure 1: Five Steps of COS

4.6. The following steps are undertaken to analyse the COS study submitted by the Municipality.

Revenue Requirement

To be fully cost reflective, the Licensee's RR is R1.4 billion for FY2026/27. This RR is predominantly Eskom purchases accounting for 73% including energy losses allowance. Operational expenditure accounts for 21%.

Table 5: Revenue Requirement Components

Revenue Requirement components	Wires	Retail	Total	% of Total
Allowable costs	295 815 767	1 096 504 654	1 392 320 421	100%
Energy purchases from Eskom - net of cost of losses	-	888 751 866	888 751 866	64%
Energy purchases from Eskom - cost of losses	125 702 165	-	125 702 165	9%
Other energy purchases	-	-	-	0%
Capital expenditure	-	-	-	0%
Operational expenditure (incl. Depreciation)	152 933 288	137 707 146	290 640 434	21%
Other revenues	- 3 739 285	- 7 497 341	- 11 236 626	-1%
Surplus	20 919 598	77 542 983	98 462 582	7%
Not allowable costs	29 115 621	3 948 392	33 064 013	
Cost of losses disallowed	29 115 621	3 948 392	33 064 013	
TOTAL COSTS	**324 931 388**	**1 100 453 046**	**1 425 384 434**	
	23%	77%		

4.6.1. The efficiency of costs for FY2024/25 has been assessed, as this constitutes the most recent set of actual data. This assessment serves as the baseline for projecting costs for FY2026/27, applying stated assumptions to determine the RR for that period.

4.6.2. All expenses included in the RR have been examined to ensure that they are directly attributable to the electricity distribution function of the licensee. Where costs were identified as inflated, inefficient or not sufficiently justified, such amounts were adjusted or excluded accordingly. These adjustments are detailed and motivated below.

Bulk purchases

4.6.3. STLM applied for bulk purchase expenditure amounting to R1.0 billion, representing 73% of total costs. The bulk purchase figures were verified against Eskom invoices for FY2024/25.

4.6.4. To derive the FY2026/27 bulk purchase estimate, the FY2025/26 COS study amount was escalated by 9.01%, consistent with the approved Eskom Retail Tariff Structural Adjustments (ERTSA).

4.6.5. The methodology applied by STML in forecasting bulk purchase costs is deemed reasonable. Accordingly, the bulk purchase expenditure has been recommended for approval as applied for.

Operational Expenditure

4.6.6. STLM has applied for operational expenditure totaling R290,640 million, as shown in Table 7 below.

Table 6: Opex Components

FUNCTION	WIRES	RETAIL
Depreciation	67 935 834	
Network R & M	59 866 405	
Opex	25 131 049	137 707 146
Total	**290 640 434**	

4.6.7. Table 7 sets out the main operating expenditure components of the Municipality's electricity business. These are the recurring costs required to operate and maintain the distribution network, including staff costs, repairs and maintenance, other operating costs and depreciation. Together, these costs form a significant part of the Municipality's RR and support the day-to-day

delivery of electricity services. Based on the assessment, the operating expenditure forecast was found to be reasonable and was approved as applied for.

4.6.8. The approach adopted by the licensee in forecasting operational expenditure is reasonable and has been approved as applied for and no costs deemed to be inefficient have been excluded from the cost base.

Surplus

4.6.9. The Licensee applied for a surplus of R98 463 million, in recommending a surplus, NERSA relied on section 15(1)(a) of the Electricity Regulation Act, which provides that tariffs must enable an efficient licensee to recover the full cost of its licensed activities, including a reasonable margin or return. In applying this provision, together with the COS study methodology, NERSA is required to ensure that the licensee recovers efficiently and prudently incurred costs, including a reasonable return, while preventing excessive compensation.

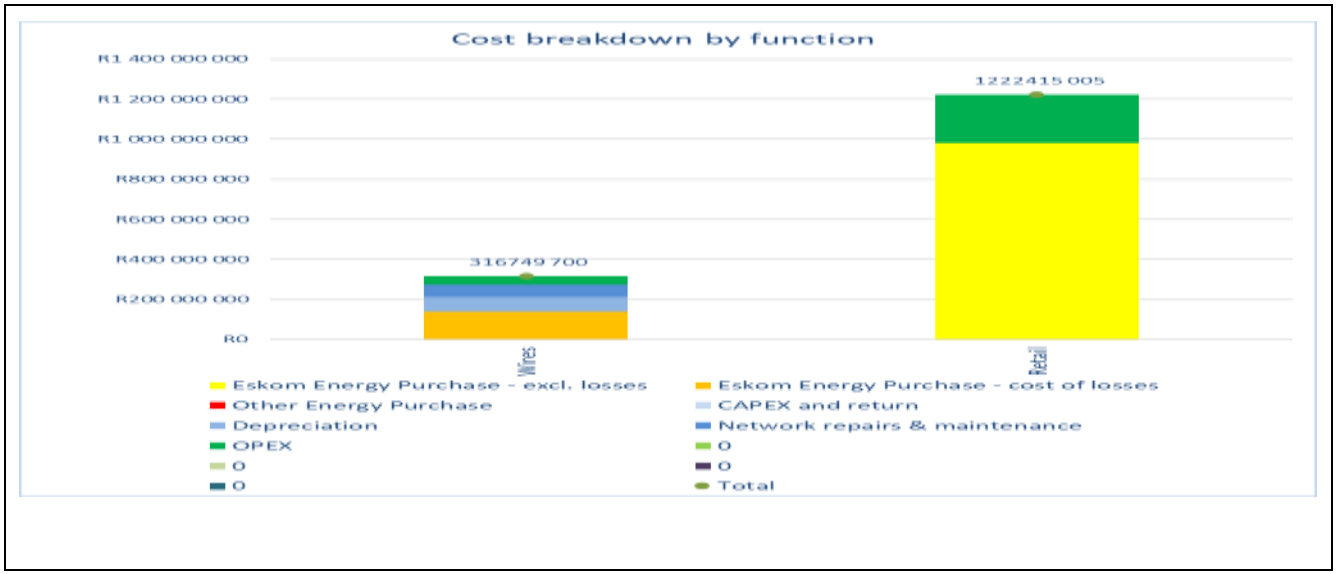
4.6.10. The risk associated with the surplus is the costs of energy losses (R36.5 million) as indicated in Table 6 of the RR, as well as the interest paid to creditors R38.6 million. The Municipality does not exceed its Notified Maximum Demand (NMD) nor does it pay interest to Eskom.

4.6.11. The decision to approve the RR as applied for will then be used in the next steps which are Cost Functionalisation, Classification, Allocation and Rate Setting. These steps have been verified and confirmed to align the RR. Further details of these steps are discussed below.

Cost Functionalisation

4.6.12. The Licensee has categorised its RR of R1.4 billion into two primary functional components, namely Wires and Retail business, in accordance with the NERSA COS Study Framework as shown in Figure 2 below. Upon verification, the allocation of these functional costs was found to be consistent with the stated RR.

Figure 2: Costs Breakdown by Functions



4.6.12.1. These costs, upon verification, are consistent with the approved RR. Network repairs and maintenance constitute the predominant cost drivers within the wires business, while energy purchases represent the primary cost driver within the Retail business.

Cost Classification

4.6.13. The Licensee classified its costs into energy, demand and customer-related costs, which is in line with the NERSA COS Study Framework. The costs align with RR and Cost Functionalisation as verified and shown.

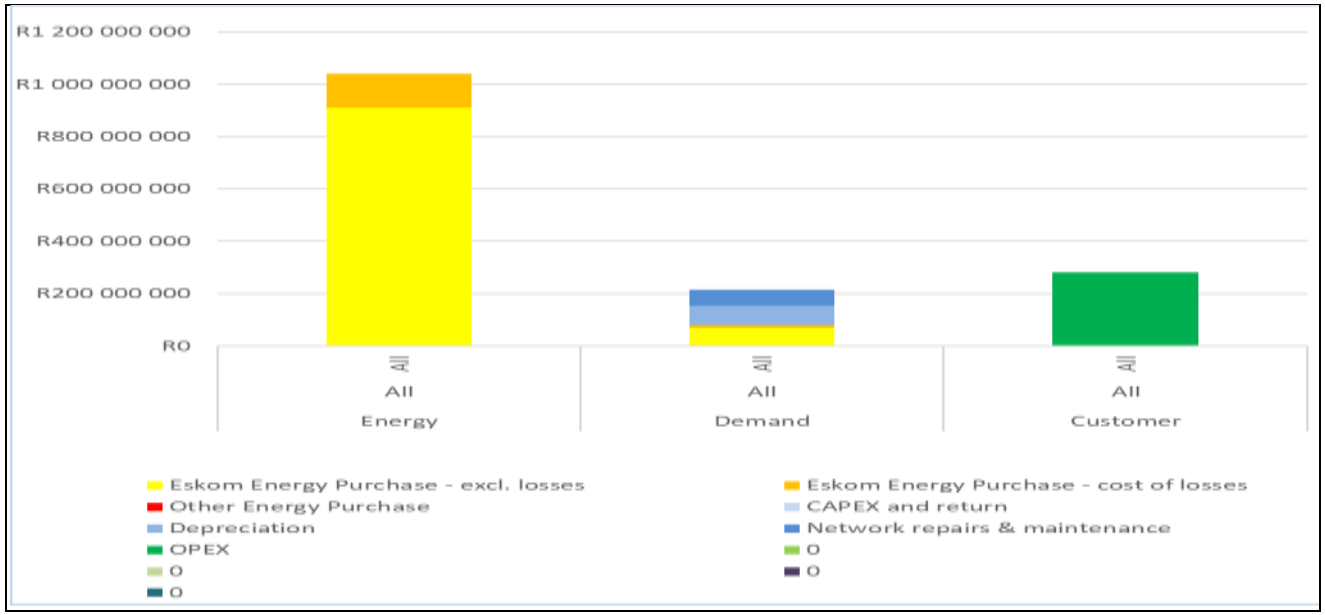


Figure 3: Costs Breakdown by Cost Structure (Classification)

4.6.14. Energy purchases constitute energy-driven costs, with the highest expenditure occurring during summer period under standard time of use profile, due to the longer duration of the season within the tariff year. Demand-driven costs are likewise predominantly incurred in summer period. Customer-driven costs are primarily attributed to "Other OPEX," which encompasses expenses related to the provision of electricity distribution services to customers.

Cost Allocation

4.6.15. In this step, the licensee's RR is allocated across customer categories, in accordance with the NERSA COS Study Framework. Upon verification, the allocated costs were found to be consistent with the RR, Cost Functionalisation and Cost Classification outcomes.

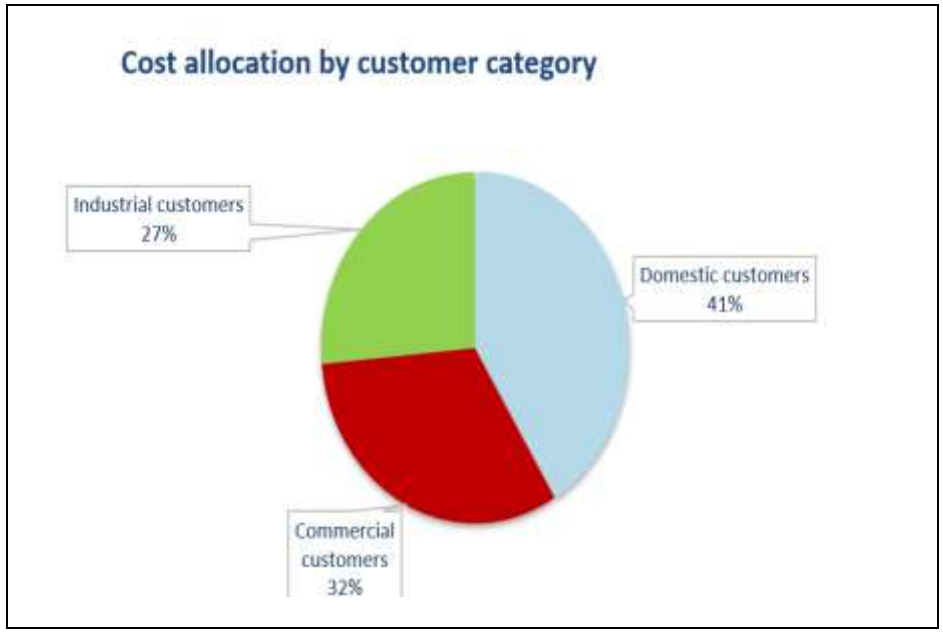


Figure 4: Costs Allocated

Rate Design

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

4.6.17. To achieve full cost-reflectivity, the Municipality would be required to implement differentiated tariff adjustments across the various customer categories.

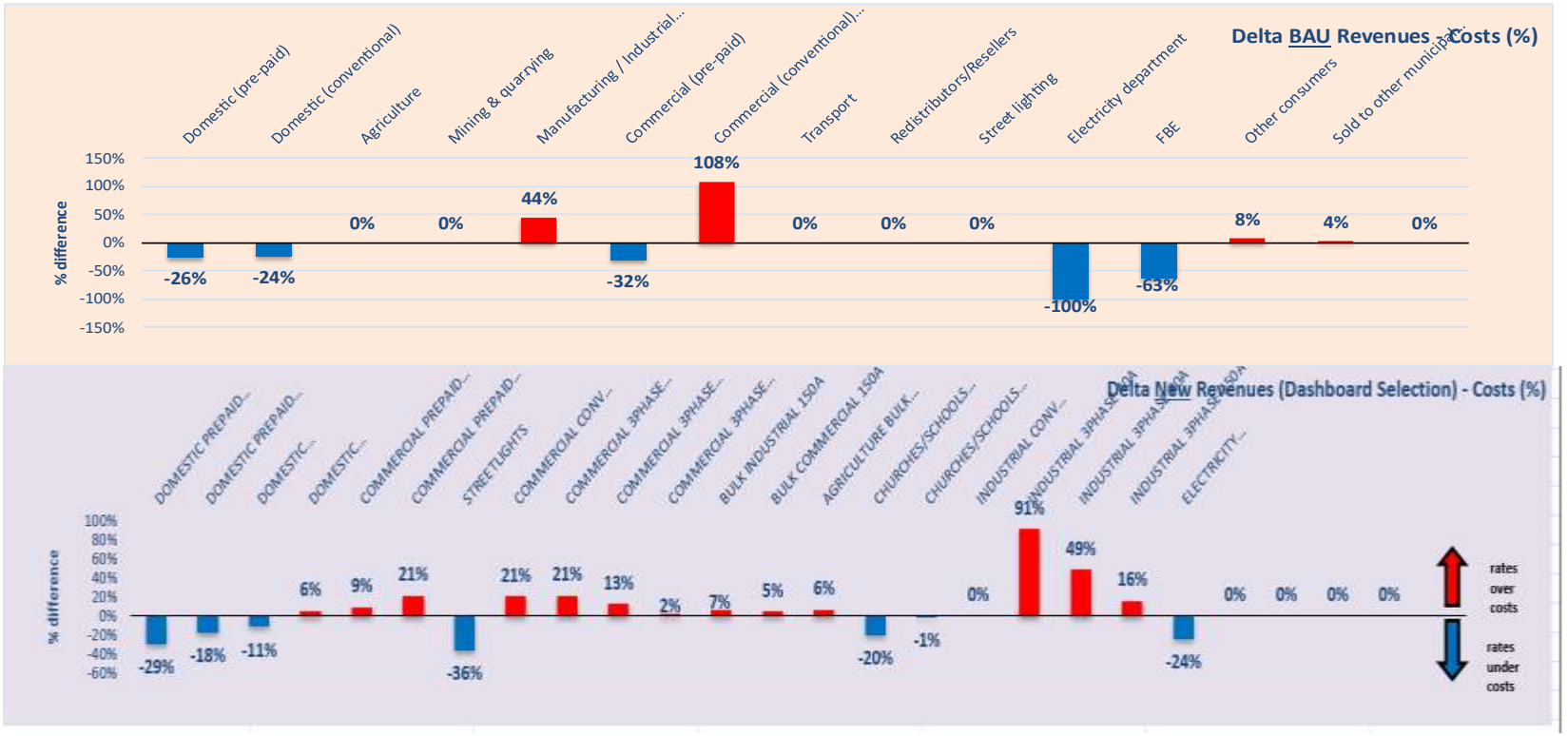


Figure 5: Revenue Recovery by Customer Category

TARIFF ANALYSIS AND KEY FINDINGS

4.6.18. The Municipality has proposed a uniform tariff increase across all customer categories, which suggests the presence of significant levels of cross-subsidisation. Consequently, the Municipality will be required to develop and implement a fair, transparent and cost-reflective subsidy framework to ensure equitable tariff structuring in line with regulatory principles.

4.6.19. Table 8 illustrates how total revenue is distributed across the different customer tariff categories, providing a breakdown of the contribution made by each category. It highlights the relative importance of each tariff group by showing the amount of

revenue generated from customers within that segment, allowing for a clearer comparison of performance across categories. This information can be used to identify which tariff categories are the primary drivers of revenue, assess customer value by segment and support more informed financial analysis and strategic decision-making.

Table 7: Tariff Analysis

	RATE COMPARISON								*REVENUE COMPARISON*	
	New rates for Year 2 (dashboard) (Wires+Retail)				***Existing rates in Year 1 (Wires + Retail)***					
	Basic charge	**Average demand rate**	**Average energy rate**	**Total average rate**	**Basic charge**	**Average demand rate**	**Average energy rate**	**Total average rate**	**Revenue from new rates**	**Revenue from existing rates**
Customer Categories	Rand/month	Rand/kVA/month	c/kWh	c/kWh	Rand/month	Rand/kVA/month	c/kWh	c/kWh	R million	R million
Domestic (pre-paid)	284	215	231	403	135	-	264	299	613,4	455,0
Domestic (conventional)	341	222	233	387	182	-	265	293	38,0	28,8
Manufacturing / Industrial and Commecial	1 674	233	284	525	4 384	105	263	757	51,9	74,8
Commercial (pre-paid)	511	176	210	326	90	-	211	221	81,9	55,3
Commercial (conventional) / Industrial	199	186	222	295	7 337	100	225	615	20,6	42,9
Other consumers	351	205	224	320	-	-	345	345	592,4	637,3
Sold to other municipal departments	663	216	226	355	259	-	345	368	36,4	37,7

5. CONCLUSION ON THE COS

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

5.2. The COS study indicates that full cost-reflectivity would require an average tariff increase of approximately 11.7% for FY2026/27. The cost-reflectivity analysis indicates a required revenue adjustment of 11.7% and the Municipality has accordingly applied for a commensurate tariff increase. The 11.7% is therefore recommended as the appropriate tariff adjustment, as applied for by the Municipality, to align tariffs with cost-reflective principles and ensure regulatory compliance and financial sustainability.

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Domestic Three Phase	FY2025/26 Approved	% increase	FY2026/27 Proposed	FY2026/27 Recommended	Recommended % Increase	Tariff Analysis and key findings
Tariff Blocks	c/kWh		c/kWh	c/kWh		Proposed uniform % increase
Block 1 (0 – 50 kWh)	*195.59*	*11.70%*	*218.47*	*218.47*	11.70%	
Block 2 (51 – 350 kWh)	*265.08*	*11.70%*	*296.09*	*296.09*	11.70%	
Block 3 (351 – 600 kWh)	*343.9*	*11.70%*	*384.14*	*384.14*	11.70%	
Block 4 (> 600 kWh)	*387.09*	*11.70%*	*432.38*	*432.38*	11.70%	
Basic Charge: R/month	*182.49*	*11.70%*	*203.84*	*203.84*	11.70%	

Domestic Residential - Lifeline	FY2025/26 Approved	% increase	FY2026/27 Proposed	FY2026/27 Recommended	Recommended % increase	Tariff Analysis and key findings
Tariff Blocks	c/kWh		c/kWh	c/kWh		Proposed uniform % increase
Block 1 (0 – 50 kWh)	*217.25*	*11.70%*	*242.67*	*242.67*	*11.70%*	
Block 2 (51 – 350 kWh)	*299.69*	*11.70%*	*334.75*	*334.75*	*11.70%*	
Block 3 (351 – 600 kWh)	*351.95*	*11.70%*	*393.13*	*393.13*	*11.70%*	
Block 4 (> 600 kWh)	*390.49*	*11.70%*	*436.18*	*436.18*	*11.70%*	

Business – Single Phase	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
						Proposed uniform % increase
Energy Charge: c/kWh	*245.20*	*11.70%*	*273.89*	*273.89*	*11.70%*	
Basic Charge: R/month	*37.76*	*11.70%*	*42.18*	*42.18*	*11.70%*	

Business – Three Phase	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
Energy Charge: c/kWh	*245.2*	*11.70%*	*273.89*	*273.89*	*11.70%*	Proposed uniform % increase
Basic Charge: R/month	*113.33*	*11.70%*	*126.59*	*126.59*	*11.70%*	

Business – Lifeline	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
	c/kWh		c/kWh			
Energy Charge: c/kWh	*362.00*	*11.70%*	*404.35*	*404.35*	*11.70%*	Proposed uniform % increase

Bulk – Low Voltage Three Phase >80A	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
Basic Charge (R/month)	*4,397.43*	*11.70%*	*4,911.93*	*4,911.93*	*11.70%*	Proposed uniform % increase
Demand Charge (R/kVA)						
Network Demand Charge	*105.37*	*11.70%*	*117.70*	*117.70*	*11.70%*	
Network Access Charge	*55.36*	*11.70%*	*61.84*	*61.84*	*11.70%*	
Low Season						
Peak	*379.56*	*11.70%*	*423.97*	*423.97*	*11.70%*	
Standard	*232.42*	*11.70%*	*259.61*	*259.61*	*11.70%*	
Off-Peak	*163.12*	*11.70%*	*182.21*	*182.21*	*11.70%*	
High Season						
Peak	*797.89*	*11.70%*	*891.24*	*891.24*	*11.70%*	
Standard	*305.22*	*11.70%*	*340.93*	*340.93*	*11.70%*	
Off-Peak	*163.12*	*11.70%*	*182.21*	*182.21*	*11.70%*	
Reactive Energy Charge (c/kVArh)	*50.48*	*11.70%*	*56.39*	*56.39*	*11.70%*	

Industrial 11 000V	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	% increase	Tariff Analysis and key findings
Basic Charge (R/month)	*7,336.92*	*11.70%*	*8,195.34*	*8,195.34*	*11.70%*	Proposed uniform % increase
Demand Charge (R/kVA)						
Network Demand Charge	*100.39*	*11.70%*	*112.14*	*112.14*	*11.70%*	
Network Access Charge	*53.04*	*11.70%*	*59.25*	*59.25*	*11.70%*	
Low Season						
Peak	*313.81*	*11.70%*	*350.53*	*350.53*	*11.70%*	
Standard	*193.67*	*11.70%*	*216.33*	*216.33*	*11.70%*	
Off-Peak	*134.68*	*11.70%*	*150.44*	*150.44*	*11.70%*	
High Season						
Peak	*689.25*	*11.70%*	*769.89*	*769.89*	*11.70%*	
Standard	*284.22*	*11.70%*	*317.47*	*317.47*	*11.70%*	
Off-Peak	*152.06*	*11.70%*	*169.85*	*169.85*	*11.70%*	
Reactive Energy Charge (c/kVArh)	*48.1*	*11.70%*	*53.73*	*53.73*	*11.70%*	

Street & Traffic Lights	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
	c/kWh			c/kWh		Proposed uniform % increase
Energy Charge: c/kWh	*344.51*	*11.70%*	*384.82*	*384.82*	*11.70%*	

Illuminated Advertisement Signs	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
	c/kWh			c/kWh		Proposed uniform % increase
Energy Charge: c/kWh	*215.04*	*11.70%*	*240.20*	*240.20*	*11.70%*	

Dept Levies & Sport Clubs	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
Energy Charge: c/kWh	*307.60*	*11.70%*	*344.51*	*344.51*	*11.70%*	Proposed uniform % increase
Basic Charge (R/month)	*231.53*	*11.70%*	*259.31*	*259.31*	*11.70%*	

Schools & Welfare- LV Three Phase	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	% increase	Tariff Analysis and key findings
Basic Charge (R/month)	*3,296.85*	*11.70%*	*3,682.58*	*3,682.58*	*11.70%*	Proposed uniform % increase
Demand Charge (R/kVA)						
Network Demand Charge	*79.05*	*11.70%*	*88.30*	*88.30*	*11.70%*	
Network Access Charge	*41.61*	*11.70%*	*46.48*	*46.48*	*11.70%*	
Low Season						
Peak	*252.15*	*11.70%*	*281.65*	*281.65*	*11.70%*	
Standard	*154.59*	*11.70%*	*172.68*	*172.68*	*11.70%*	
Off-Peak	*108.17*	*11.70%*	*120.83*	*120.83*	*11.70%*	
High Season						
Peak	*598.34*	*11.70%*	*668.35*	*668.35*	*11.70%*	
Standard	*228.74*	*11.70%*	*255.50*	*255.50*	*11.70%*	
Off-Peak	*122.4*	*11.70%*	*136.72*	*136.72*	*11.70%*	
Reactive Energy Charge (c/kVArh)	*37.76*	*11.70%*	*42.18*	*42.18*	*11.70%*	

Schools & Welfare – 11 000 (Three Phase)	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	% increase	Tariff Analysis and key findings
Basic Charge (R/month)	*5,576.23*	*11.70%*	*6,228.65*	*6,228.65*	*11.70%*	Proposed uniform % increase
Demand Charge (R/kVA)						
Network Demand Charge	*76.27*	*11.70%*	*85.19*	*85.19*	*11.70%*	
Network Access Charge	*40.14*	*11.70%*	*44.84*	*44.84*	*11.70%*	
Low Season						
Peak	*238.47*	*11.70%*	*266.37*	*266.37*	*11.70%*	
Standard	*146.28*	*11.70%*	*163.39*	*163.39*	*11.70%*	
Off-Peak	*102.35*	*11.70%*	*114.32*	*114.32*	*11.70%*	
High Season						
Peak	*546.9*	*11.70%*	*610.89*	*610.89*	*11.70%*	
Standard	*216.06*	*11.70%*	*241.34*	*241.34*	*11.70%*	
Off-Peak	*115.53*	*11.70%*	*129.05*	*129.05*	*11.70%*	
Reactive Energy Charge (c/kVArh)	*35.46*	*11.70%*	*39.61*	*39.61*	*11.70%*	

Schools & Welfare – 80A	FY2025/26 Approved	% increase	FY2025/26 Proposed	FY2025/26 Recommended	Recommended % increase	Tariff Analysis and key findings
	c/kWh			c/kWh		
Energy Charge: c/kWh	*277.59*	*11.70%*	*310.07*	*310.07*	*11.70%*	Proposed uniform % increase

9. CONFIDENTIALITY

9.1. None.

10. CONCLUSION

10.1. The Energy Regulator, having considered the STLM's tariff application, supporting information, stakeholder inputs and the applicable legal framework, approve the tariff adjustments as set out in the RfD.

End.